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**United States  
Securities and Exchange Commission  
Washington, D.C. 20549**

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**Form 10-Q**

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-34044

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**REAL GOODS SOLAR, INC.**

(Exact name of registrant as specified in its charter)

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**COLORADO**  
(State or other jurisdiction of  
incorporation or organization)

**26-1851813**  
(I.R.S. Employer  
Identification No.)

**833 WEST SOUTH BOULDER ROAD  
LOUISVILLE, COLORADO 80027-2452**  
(Address of principal executive offices)

**(303) 222-8300**  
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

<b>Class</b>	<b>Outstanding at August 18, 2016</b>
Class A Common Stock (\$.0001 par value)	662,816

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FORM 10-Q

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This report may contain forward-looking statements that involve risks and uncertainties. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they provide our current beliefs, expectations, assumptions and forecasts about future events, and include statements regarding our future results of operations and financial position, business strategy, budgets, projected costs, plans and objectives of management for future operations. The words “anticipate,” “believe,” “plan,” “estimate,” “expect,” “future,” “intend,” “may,” “will” and similar expressions as they relate to us are intended to identify such forward-looking statements. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements.

Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, without limitation, the following: our ability to operate with our existing financial resources or raise funds to meet our financial obligations and implement our strategy; our history of operating losses; our ability to achieve profitability; our success in implementing our plans to increase future sales, installations and revenue and to decrease costs; the impact of our present indebtedness and projected future borrowings on our financial health and our ability to pay interest and principal on our indebtedness, including our convertible notes due April 1, 2019; restrictions imposed by our present indebtedness; our ability to satisfy the conditions under the convertible notes due April 1, 2019 permitting release of funds from the restricted collateral account and for payments to be made in shares of our Class A common stock; restrictions on certain transactions and potential premiums and penalties under the terms of our convertible notes due April 1, 2016, and our outstanding warrants; rules, regulations and policies pertaining to electricity pricing and technical interconnection of customer-owned electricity generation such as net energy metering; the continuation and level of government subsidies and incentives for solar energy; our failure to timely or accurately complete financing paperwork on behalf of customers; the adoption and general demand for solar energy; the impact of a drop in the price of conventional energy on demand for solar energy systems; existing and new regulations impacting solar installations including electric codes; delays or cancellations for system installations where revenue is recognized on a percentage-of-completion basis; seasonality of customer demand and adverse weather conditions inhibiting our ability to install solar energy systems; changing and updating technologies and the issues presented by these new technologies related to customer demand and our product offering; geographic concentration of revenue from the sale of solar energy systems in east coast states, Hawaii and California; loss of key personnel and ability to attract necessary personnel; loss or suspension of licenses required for installation of solar energy systems; adverse outcomes arising from litigation and legal disputes; our ability to continue to obtain services and components from suppliers, installers and other vendors; disruption of our supply chain from equipment manufacturers and potential shortages of components for solar energy systems; conditions affecting international trade having an adverse effect on the supply or pricing of components for solar energy systems; factors impacting the timely installation of solar energy systems; competition; costs associated with safety and construction risks; continued access to competitive third party financiers to finance customer solar installations; our ability to meet customer expectations; risks and liabilities associated with placing employees and technicians in our customers’ homes and businesses; product liability claims; warranty claims and failure by manufacturers to perform under their warranties to us; increases in interest rates and tightening credit markets; continued or future non-compliance with Nasdaq’s continued listing requirements; our inability to maintain effective disclosure controls and procedures and internal control over financial reporting; volatile market price of our Class A common stock; possibility of future dilutive issuances of securities and its impact on our ability to obtain additional financing; the low likelihood that we will pay any cash dividends on our Class A common stock for the foreseeable future; compliance with public reporting requirements; anti-takeover provisions in our organizational documents; the significant ownership and voting power of our Class A common stock held by Riverside Renewable Energy Investments, LLC (“Riverside”); and such other factors as discussed throughout Part I, Item 1A, Risk Factors and Part II, Item 7, Management’s Discussion and Analysis of Financial Conditions and Results of Operations of our Annual Report on Form 10-K for the year ended December 31, 2015 and Part I, Item 2, Management’s Discussion and Analysis of Financial Conditions and Results of Operations and Part II, Item 1A, Risk Factors included in this report.

Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements (Unaudited)**

**Unaudited Interim Condensed Consolidated Financial Statements**

We have prepared our unaudited interim condensed consolidated financial statements included herein pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to these rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. In our opinion, the unaudited interim condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly, in all material respects, our consolidated financial position as of June 30, 2016, the interim results of operations for the three and six months ended June 30, 2016 and 2015, and cash flows for the six months ended June 30, 2016 and 2015. These interim statements have not been audited. The balance sheet as of December 31, 2015 was derived from our audited consolidated financial statements included in our annual report on Form 10-K. The interim condensed consolidated financial statements contained herein should be read in conjunction with our audited financial statements, including the notes thereto, for the year ended December 31, 2015.

**REAL GOODS SOLAR, INC.**  
**Condensed Consolidated Balance Sheets (unaudited)**

<b>(in thousands, except share data)</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 490	\$ 594
Restricted cash	8,250	—
Accounts receivable, net	3,192	4,374
Costs in excess of billings	359	930
Inventory, net	1,233	2,051
Deferred costs on uncompleted contracts	529	935
Other current assets	868	662
Current assets of discontinued operations	<u>2,663</u>	<u>2,853</u>
Total current assets	17,584	12,399
Property and equipment, net	781	1,015
Goodwill	1,338	1,338
Net investment in sales-type leases and other assets	1,532	1,405
Noncurrent assets of discontinued operations	<u>735</u>	<u>878</u>
Total assets	<u>\$ 21,970</u>	<u>\$ 17,035</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current liabilities:		
Line of credit	\$ 4,118	\$ 774
Convertible debt short term, net of deferred costs and discount of \$1,723	1,491	—
Accounts payable	7,107	9,121
Accrued liabilities	1,426	1,278
Billings in excess of costs on uncompleted contracts	196	858
Deferred revenue and other current liabilities	937	918
Derivative liabilities, short term	803	—
Current liabilities of discontinued operations	<u>4,159</u>	<u>4,510</u>
Total current liabilities	20,237	17,459
Convertible debt long-term, net of deferred costs and discount of \$3,638	3,148	—
Other liabilities	1,540	22
Derivative liabilities, long-term	1,785	342
Noncurrent liabilities of discontinued operations	<u>225</u>	<u>225</u>
Total liabilities	<u>26,935</u>	<u>18,048</u>
Commitments and contingencies (Note 5)		
Shareholders' deficit:		
Class A common stock, \$.0001 par value, 150,000,000 shares authorized, 662,816 and 615,059 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	8	8
Additional paid-in capital	159,595	156,433
Accumulated deficit	<u>(164,568)</u>	<u>(157,454)</u>
Total shareholders' deficit	<u>(4,965)</u>	<u>(1,013)</u>
Total liabilities and shareholders' deficit	<u>\$ 21,970</u>	<u>\$ 17,035</u>

See accompanying notes.

**REAL GOODS SOLAR, INC.**  
**Condensed Consolidated Statements of Operations**

<b>(in thousands, except per share data)</b>	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>(unaudited)</b>		<b>(unaudited)</b>	
Net revenue	\$ 4,884	\$ 14,727	\$ 9,823	\$ 25,337
Cost of goods sold	4,467	12,278	9,323	21,991
Gross profit	417	2,449	500	3,346
Expenses:				
Selling and operating	1,699	2,916	3,891	6,987
General and administrative	1,373	1,404	2,670	3,071
Share based compensation	177	155	342	400
Restructuring costs	—	337	37	358
Litigation	—	500	24	500
Depreciation and amortization	107	124	215	274
Total expenses	3,356	5,436	7,179	11,590
Loss from continuing operations	(2,939)	(2,987)	(6,679)	(8,244)
Other income	8	238	17	348
Interest expense	(884)	(144)	(923)	(369)
Change in fair value of derivative liabilities, net	309	4,509	267	6,264
Income/(loss) before income taxes	(3,506)	1,616	(7,318)	(2,001)
Income tax (expense) benefit	(27)	(41)	(27)	24
Income/(loss) from continuing operations, net of tax	(3,533)	1,575	(7,345)	(1,977)
Income/(loss) from discontinued operations, net of tax	70	(133)	231	(315)
Net income/(loss)	<u>\$ (3,463)</u>	<u>\$ 1,442</u>	<u>\$ (7,114)</u>	<u>\$ (2,292)</u>
Net income/(loss) per share – basic and diluted:				
From continuing operations	\$ (5.53)	\$ 6.27	\$ (11.65)	\$ (10.04)
From discontinued operations	0.11	(0.53)	0.37	(1.60)
Net income/(loss) per share – basic and diluted	<u>\$ (5.42)</u>	<u>\$ 5.74</u>	<u>\$ (11.28)</u>	<u>\$ (11.64)</u>
Weighted-average shares outstanding:				
Basic and diluted	<u>639</u>	<u>251</u>	<u>630</u>	<u>197</u>

See accompanying notes.

**REAL GOODS SOLAR, INC.**  
**Condensed Consolidated Statement of Changes in Shareholders' Deficit (unaudited)**

(in thousands, except share data)	Class A Common Stock		Additional Paid - in Capital	Accumulated Deficit	Total Shareholders' Deficit
	Shares	Amount			
Balances, January 1, 2016	615,059	\$ 8	\$ 156,433	\$ (157,454)	\$ (1,013)
Issuance of common stock and other equity changes related to compensation	—	—	342	—	342
Proceeds from warrant exercises, net of costs	2,067	—	50	—	50
Issuance of common stock related to line of credit	29,082	—	167	—	167
Adjustment to common stock warrant liability for warrants extinguished /exchanged	10,934	—	103	—	103
Fractional shares issued in connection with reverse split	5,674	—	—	—	—
Issuance of warrants in the 2016 Note Offering	—	—	2,500	—	2,500
Net loss	—	—	—	(7,114)	(7,114)
<b>Balances, June 30, 2016</b>	<b>662,816</b>	<b>\$ 8</b>	<b>\$ 159,595</b>	<b>\$ (164,568)</b>	<b>\$ (4,965)</b>

**REAL GOODS SOLAR, INC.**  
**Condensed Consolidated Statements of Cash Flows**

<b>(in thousands except share data)</b>	<b>For the Six Months Ended June 30, (unaudited)</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating activities</b>		
Net loss	\$ (7,114)	\$ (2,292)
Income/(loss) from discontinued operations	231	(315)
Loss from continuing operations	(7,345)	(1,977)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities – continuing operations:		
Depreciation	215	274
Amortization of debt discount and issuance costs	623	
Share-based compensation	342	406
Change in valuation of derivative liabilities	(267)	(6,264)
Loss (gain) on sale of assets	10	(148)
Deferred interest on related party debt		187
Bad debt expense	101	—
Changes in operating assets and liabilities:		
Accounts receivable	1,081	(827)
Costs in excess of billings on uncompleted contracts	571	1,190
Inventory	818	1,493
Deferred costs on uncompleted contracts	406	(2)
Net investment in sales-type leases and other current assets	(127)	(233)
Other assets	(206)	(1,327)
Accounts payable	(445)	(3,892)
Accrued liabilities	(470)	(675)
Billings in excess of costs on uncompleted contracts	(662)	591
Deferred revenue and other current liabilities	19	(1,333)
Other liabilities	8	(59)
Net cash used in operating activities – continuing operations	(5,328)	(12,596)
Net cash provided by operating activities – discontinued operations	213	2,139
Net cash used in operating activities	<u>(5,115)</u>	<u>(10,457)</u>
<b>Investing activities</b>		
Purchase of property and equipment	—	(150)
Proceeds from sale of property and equipment	9	168
Net cash provided by investing activities	<u>9</u>	<u>18</u>
<b>Financing activities</b>		
Proceeds from 2015 Offerings and warrant exercises, net of costs	17	14,152
Proceeds from convertible debt, net of costs and restricted cash	1,533	—
Principal payments on revolving line of credit	(9,198)	(29,320)
Principal borrowings on revolving line of credit	12,650	28,998
Net cash provided by financing activities	<u>5,002</u>	<u>13,830</u>
Net change in cash	(104)	3,391
Cash and cash equivalents at beginning of period	594	1,947
Cash and cash equivalents at end of period	<u>\$ 490</u>	<u>\$ 5,338</u>
<b>Supplemental cash flow information</b>		
Income taxes paid	\$ —	\$ 17
Interest paid	\$ 94	\$ 145
<b>Non-cash items</b>		
Transfer from accounts payable to other liabilities for amounts paid and to be paid by insurance carrier	\$ 1,510	\$ —
Transfer of accounts payable to vendor line of credit	\$ 59	\$ —
Payment on line of credit in Class A common stock	\$ 167	\$ —
Discount from warrants issued in conjunction with 2016 Note Offering	\$ 2,500	\$ —
Accrued closing costs on Convertible Note	\$ 651	\$ —
Embedded derivative liability recorded in conjunction with April 2016 Offering	\$ 2,616	\$ —
Common stock warrant liability recorded in conjunction with February 2015 Offering	\$ —	\$ 12,033
Issuance of Class A common stock to related party for conversion of subordinated debt and accrued interest	\$ —	\$ 4,238
Consideration transferred to Elemental Energy LLC	\$ —	\$ 1,244
Change in common stock warrant liability in conjunction with exercise/extinguishment of warrants	\$ 103	\$ 7,258

See accompanying notes.

## Notes to Condensed Consolidated Financial Statements

### 1. Organization, Nature of Operations, and Principles of Consolidation

Real Goods Solar, Inc. (the “Company” or “RGS”) is a residential and small commercial solar energy engineering, procurement, and construction firm.

#### *Discontinued Operations*

During 2014, the Company committed to a strategic shift of its business resulting in a plan to sell certain net assets and rights, and the attrition of substantially completed contracts over the following twelve months comprising its large commercial installations business. Accordingly, the assets and liabilities, operating results, and operating and investing activities cash flows for the large commercial segment are presented as a discontinued operation, separate from the Company’s continuing operations, for all periods presented in these condensed consolidated financial statements and footnotes, unless indicated otherwise. See Note 11. Discontinued Operations.

#### *Liquidity and Financial Resources Update*

The Company has experienced recurring operating losses and negative cash flow from operations in recent years. As a result of these losses:

- The Company was in technical default of certain covenants contained in its credit facility with Silicon Valley Bank (“SVB”) both as of December 31, 2015 and as of December 31, 2014. As discussed in Note 3. Line of Credit, Solar Solutions and Distribution, LLC, a Colorado-based renewable energy solutions company (“Solar Solutions”) acquired SVB’s loan to the Company on January 19, 2016 and the Company obtained a waiver of the technical defaults at that time. On that date the loan was further modified providing the Company with improved terms, such as an expanded definition of the loan’s borrowing base.
- The Company did not pay vendors on a timely basis and, accordingly, experienced difficulties obtaining credit terms from its equipment suppliers.

The Company, starting with the fourth quarter of 2014, implemented measures to reduce its cash outflow from operations. These measures included (i) exiting the large commercial segment which was operating at both an operating and cash flow loss, (ii) reducing staffing levels, (iii) raising prices for its products and (iv) efforts to enhance accounts receivable collections and optimize inventory levels. Although the Company was successful in reducing its cash used in operations (both continuing and discontinued operations), technical defaults with SVB described above and limited vendor terms that limited the Company’s ability to convert its backlog in an expeditious manner, resulted in customer cancellations of contracts. As a result of these circumstances, the Company arranged for additional financial capital as discussed below.

On April 1, 2016, the Company issued \$10.0 million of convertible notes and Series G warrants, raising net proceeds of \$9.4 million (the “2016 Note Offering”) of which \$8.25 million is held in restricted accounts as of June 30, 2016.

In addition, the Company has filed a Form S-1 registration statement with the U.S. Securities and Exchange Commission to register the offer and sale of convertible preferred stock, Series H warrants and shares of Class A common stock issuable pursuant to the terms of such preferred stock and warrants. The U.S. Securities and Exchange Commission has not yet declared the registration statement effective.

On May 25, 2016, the Company issued 29,082 shares of Class A common stock to Solar Solutions in payment of \$167,513 due under the Amended and Restated Loan Agreement with Solar Solutions made as of March 31, 2016. See Note 3 below.

As discussed in Note 13, Subsequent Events, on August 22, 2016, we executed a Second Loan Modification Agreement with Solar Solutions to extend the eligibility of certain receivables in the borrowing base.

The Company has arranged for significant capital to be realized by the Company from (i) the conversion of convertible notes to common stock commencing October 1, 2016 and (ii) from the proceeds from the offering of convertible preferred stock and warrants, as and when the registration statement may be declared effective by the Securities and Exchange Commission and as and if the offering is successful.

The Company has prepared its business plan for 2016, and as described below, believes if it successfully executes the 2016 business plan, would have sufficient financial resources to operate for the ensuing 12-month period. The Company objectives in preparing this plan included expanding the size of the Company’s sales and construction organizations to generate gross margin that is in excess of its reduced fixed operating cost infrastructure and thereby reducing the Company’s present operating losses in an effort to return the Company to profitable operations in the future. Elements of this plan include, among others, (i) realizing operating costs savings from reductions in staff, of which substantially all had been realized as of June 30, 2016, (ii) the positive impact of the strategic decision to exit the large commercial segment which operated at both a substantial cash and operating loss, (iii) hiring and training additional field and e-sales force personnel to grow sales, (iv) optimizing the Company’s construction capability through authorized third-party integrators to realize the revenue from installation of the Company’s backlog and minimize the impact on gross margin of idle construction crew time, (v) changing the mix of marketing expenditures to achieve a lower cost of acquisition than that employed in prior periods, (vi) realizing the benefits of new vendor terms negotiated by the Company through the first half of 2016 that will reduce the cost of equipment acquired by the Company, (vii) increasing the sales and installations with small commercial customers, and (viii) continued internal efforts to accelerate the conversion of the Company’s accounts receivable to cash. The Company believes that as a result of (i) additional capital expected to be realized from its recent Form S-1 Registration Statement as described above, (ii) additional capital from the release of portions of the \$8.25 million in cash currently in collateral accounts from the 2016 Note Offering, and (iii) the actions it has already implemented to reduce its fixed operating cost infrastructure, the Company has sufficient financial resources to operate for the ensuing 12 months. In the event the Company is unable to have the anticipated access to additional financial capital as described above, and therefore unable to successfully implement its 2016 business plan, then the Company would attempt to enact further reductions in costs, which would have a materially adverse impact on future operations.

## 2. Significant Accounting Policies

The Company made no changes to its significant accounting policies during the six months ended June 30, 2016.

### *Principles of Consolidation and Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company's management in accordance with GAAP for interim financial information and in compliance with the rules and regulations of the U.S. Securities and Exchange Commission. Accordingly, these unaudited consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of our management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the expected results for the year ending December 31, 2016. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015. Intercompany balances and transactions have been eliminated.

### *Use of Estimates and Reclassifications*

The preparation of the condensed consolidated financial statements in accordance with GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ materially from those estimates.

Certain amounts in the 2015 financial statements have been reclassified to conform to the current year presentation.

### *Derivative Liabilities*

The Company accounts for common stock warrants and put options in accordance with applicable accounting guidance provided in Financial Accounting Standards Board ("FASB") ASC 480, *Liabilities – Distinguishing Liabilities from Equity*, as either liabilities or as equity instruments depending on the specific terms of the warrant agreement. Certain of the Company's warrants are accounted for as liabilities due to provisions either allowing the warrant holder to request redemption, at the intrinsic value of the warrant, upon a change of control and/or providing for an adjustment to the number of shares of the Company's Class A common stock underlying the warrants and the exercise price in connection with dilutive future funding transactions. The Company classifies these derivative liabilities on the Condensed Consolidated Balance Sheet as long term liabilities, which are revalued at each balance sheet date subsequent to their initial issuance. The Company used a Monte Carlo pricing model to value these derivative liabilities. The Monte Carlo pricing model, which is based, in part, upon unobservable inputs for which there is little or no market data, requires the Company to develop its own assumptions.

The Company accounts for some of its financial instruments under ASC 815, *Derivatives and Hedging*, and accordingly separate accounting recognition is provided for embedded derivatives within a financial instrument.

The following table reflects original assumptions at 4/1/2016 and at quarter end 6/30/2016 for embedded derivative liabilities issued in the 2016 Note Offering

	Exercise Price	Closing Market Price (average)	Risk-free Rate	Market Price Volatility	Remaining Term (years)	Probability of change in control
Embedded Derivative 04/01/2016	variable	\$ 14.600	0.90%	49.0%	3.0	15.0%
Embedded Derivative 06/30/2016	variable	\$ 4.285	0.71%	49.0%	2.75	15.0%

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The following table reflects assumptions for common stock warrants accounted for as derivative liabilities and embedded derivative liabilities outstanding as of June 30, 2016.

	2013 & 2014 Issuances	2015 Issuances	Total
Derivative warrants outstanding at December 31, 2015	31,410	13,736	45,146
Issuances	-	1,034	1,034
Anti-dilution adjustments	380	112	492
Exchanged for common stock	-	(9,291)	(9,291)
Exercised/expired	-	(4,030)	(4,030)
Derivative warrants outstanding at June 30, 2016	<u>31,790</u>	<u>1,561</u>	<u>33,351</u>

	2013 & 2014 Issuances	2015 Issuances	2016	Total
Fair value of derivatives at December 31, 2015	\$ 193	\$ 149	\$ -	\$ 342
Adjustment for warrants exercised/extinguished	-	(103)	-	(103)
Fair value of embedded derivatives in convertible note	-	-	2,616	2,616
Changes in fair value, net	(109)	(41)	(117)	(267)
Fair value of derivatives at June 30, 2016	<u>\$ 84</u>	<u>\$ 5</u>	<u>\$ 2,499</u>	<u>\$ 2,588</u>

To reflect changes in the fair values of its outstanding warrants and embedded derivatives, the Company recorded to its derivative liabilities, a net noncash decrease of \$0.3 million and a decrease of \$4.5 million during the three months ended June 30, 2016 and 2015, respectively and noncash decreases of \$0.3 million and \$6.3 million during the six months ended June 30, 2016 and 2015, respectively. In the event warrants are exercised or expire without being exercised, the fair value is reduced by the number of warrants exercised or expired multiplied by the fair value of each warrant at the time of exercise or expiration, with a credit to additional paid-in capital.

The Company used 10,000 simulations in the Monte Carlo pricing model to value the warrants and the embedded derivative in the convertible note. If factors change and different assumptions are used, the warrant liability and the change in estimated fair value could be materially different. Changes in the fair value of the warrants and embedded derivative are reflected in the consolidated statement of operations as change in fair value of derivative liabilities, with an offsetting non-cash entry recorded as an adjustment to the derivative liability.

*Fair Value Measurement*

ASC 820, *Fair Value Measurements*, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

ASC 820 requires that the valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes inputs that may be used to measure fair value as follows:

- Level 1 — Observable inputs that reflect quoted prices for identical assets or liabilities in active markets.
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

When determining the fair value measurements for assets or liabilities required or permitted to be recorded at and/or marked to fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Company looks to active and observable markets to price identical assets. When identical assets are not traded in active markets, the Company looks to market observable data for similar assets.

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The following tables summarize the basis used to measure certain financial assets and liabilities at fair value on a recurring basis in the condensed consolidated balance sheets:

<b>Balance at June 30, 2016 (in thousands)</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Items (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Common stock warrant liability	\$ 89	\$ —	\$ —	\$ 89
Embedded derivative liability	2,499	—	—	2,499
Total fair value	<u>\$ 2,588</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,588</u>

For the Company's Level 3 measures, fair value is based on a Monte Carlo pricing model that is based, in part, upon unobservable inputs for which there is little or no market data, requiring the Company to develop its own. The Company used a market approach to valuing these derivative liabilities.

The following table shows the reconciliation from the beginning to the ending balance for the Company's derivative liabilities measured at fair value on a recurring basis using significant unobservable inputs (i.e. Level 3) for the three months ended June 30, 2016:

<b>(in thousands)</b>	<b>Fair Value Measurements Using Significant Unobservable Inputs</b>
Fair value of derivative liabilities at December 31, 2015	\$ 342
Change in the fair value of derivative liabilities, net	(267)
Adjustment for warrants exercised/extinguished	(103)
Issuance of convertible notes containing embedded derivative	<u>2,616</u>
Fair value of derivative liabilities at June 30, 2016	<u>\$ 2,588</u>

*Recently Issued Accounting Standards*

ASU 2016-09

On March 30, 2016, the FASB issued Accounting Standards Update 2016-09 ("ASU 2016-09"), *Simplifying Employee Share-Based Payment Accounting*, which was issued to simplify some of the accounting guidance for share-based compensation. Among the areas impacted by the amendments in this ASU is the accounting for income taxes related to share-based payments, accounting for forfeitures, classification of awards as equity or liabilities, and classification on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company expects to adopt this ASU on January 1, 2017. Management is evaluating the impact that the adoption of this ASU will have on its consolidated financial position, results of operations and cash flows.

ASU 2016-02

On February 25, 2016, the FASB issued Accounting Standards Update No. 2016-02 ("ASU 2016-02"), *Leases*, which requires lessees to record a lease liability and right-of-use asset on the consolidated balance sheet. While the new guidance for lessors is largely unchanged, sales-type leases must apply a modified retrospective approach for leases existing at the earliest reported comparative period. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods therein. Early adoption is permitted and the Company is assessing the impact of ASU 2016-02 on its condensed consolidated financial statements.

ASU 2015-03

On April 7, 2015, the FASB issued Accounting Standards Update No. 2015-03 ("ASU 2015-03"), *Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. For public business entities, the standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Early adoption is permitted for financial statements that have not been previously issued. The new guidance will be applied on a retrospective basis. The Company has adopted this standard and the convertible debt is presented net of discount and issuance costs on its condensed consolidated balance sheet.

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### ASU 2015-01

On February 18, 2015, the FASB issued Accounting Standards Update No. 2015-01 (“ASU 2015-01”), *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20)*. The standard eliminates the concept of an extraordinary item. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, however early adoption is permitted.

### ASU 2014-15

On August 27, 2014, the FASB issued Accounting Standards Update No. 2014-15 (“ASU 2014-15”), *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*. ASU 2014-15 is intended to define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures.

Under GAAP, financial statements are prepared with the presumption that the reporting organization will continue to operate as a going concern, except in limited circumstances. Financial reporting under this presumption is commonly referred to as the going concern basis of accounting. The going concern basis of accounting is critical to financial reporting because it establishes the fundamental basis for measuring and classifying assets and liabilities.

Currently, GAAP lacks guidance about management’s responsibility to evaluate whether there is substantial doubt about the organization’s ability to continue as a going concern or to provide related footnote disclosures. ASU 2014-15 provides guidance to an organization’s management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes.

The amendments in ASU 2014-15 are effective for the Company on January 1, 2017, with early application permitted for unissued financial statements. The Company is assessing the impact of ASU 2014-15 on its consolidated financial statements.

### ASU 2014-09

On May 28, 2014, the FASB issued Accounting Standards Update No. 2014-09 (“ASU 2014-09”), which created Topic 606, *Revenue From Contracts With Customers* (“Topic 606”) and superseded the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance. In addition, ASU 2014-09 superseded the cost guidance in Subtopic 605-35, *Revenue Recognition—Construction-Type and Production-Type Contracts*, and created new Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*. In summary, the core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The amendments in ASU 2014-09 are effective for the Company on January 1, 2018 and it is assessing the impact on its consolidated financial statements.

### **3. Line of Credit**

On January 19, 2016 the Company entered into a waiver and consent agreement with SVB in which it consented to the assignment of the revolving credit facility to Solar Solutions and waived any claims against SVB. On January 19, 2016, Solar Solutions acquired the revolving credit facility from SVB.

On March 30, 2016 the Company entered into an Amended and Restated Loan Agreement with Solar Solutions (the “Loan”) which, among other items, (i) extended the term to March 31, 2017, and (ii) allowed for certain eligible inventories to be included in the borrowing base.

On May 25, 2016, the Company entered into the First Loan Modification Agreement, effective as of May 19, 2016, with Solar Solutions to amend the terms of the Loan (the “Modification Agreement”). The Modification Agreement amends the Loan to, among other things, (i) reschedule the payment of \$167,513.41 due on May 15, 2016 to a date on or before June 3, 2016 and (ii) require the Company to issue Solar Solutions 29,082 shares of its Class A Common Stock (the “Shares”) at a price of \$5.76 per share as a payment on the revolving line of credit under the Loan.

Generally, the Loan provides for advances not to exceed a maximum amount based upon a borrowing base availability of 75.0% of eligible accounts receivable and a variable rate of eligible inventory as defined in the Loan. The maximum amount of the Loan is currently \$5.0 million, and is reduced to \$4.0 million on October 1, 2016 and to \$3.0 million on January 1, 2017. Borrowings bear interest at the greater of (a) the greater of the prime rate or 4.0%, plus 3.0%, and (b) 7.0%. The amended maturity date for the Loan is currently March 31, 2017. The line of credit has a facility fee of 2.0% per year of the average daily unused portion of the available line of credit and a loan administration and collateral monitoring labor fee of \$4,000 per month.

On August 22, 2016, Solar Solutions confirmed to the Company that Solar Solutions had agreed to amend the Loan to provide for the extension of the time period in which certain of the Company’s accounts receivable were available at the rate of 100% for Loan advances. This Second Modification Agreement extends the advance rate of such Company accounts receivable until October 1, 2016. The advance rate under the Loan for these accounts receivable declines after that date and migrate to a 0% advance rate at December 1, 2016.

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As of June 30, 2016 the Company had a balance outstanding under the Loan of \$4.1 million and as of December 31, 2015, the Company had a line of credit outstanding with SVB of \$0.8 million, accruing interest at 7.0% and 8.0% per annum, respectively.

#### 4. Related Party Transactions

Riverside is currently the Company's largest shareholder and held approximately 12.7% of the Company's issued and outstanding shares of Class A common stock as of June 30, 2016. Pursuant to the terms of a Shareholders Agreement, Riverside has the right to designate a certain number of individuals for appointment or nomination to our Board of Directors, tied to its ownership of the Company's Class A common stock.

#### 5. Commitments and Contingencies

The Company leases offices and warehouse space through non-cancelable operating leases. Some of these leases contain escalation clauses, based on increases in property taxes and building operating costs, and renewal options ranging from one month to three years.

The Company also leases a fleet of vehicles classified as operating leases. The lease terms range from 36 to 60 months.

The following schedule represents the remaining future minimum payments of all leases as of June 30, 2016:

<b>(in thousands)</b>	
2016	\$ 383
2017	385
2018	343
2019	266
2020 and thereafter	578
	<u>\$ 1,955</u>

The Company incurred rent expense of \$0.2 million and \$0.3 million for the three months ended June 30, 2016 and 2015, respectively and \$0.4 million and \$0.6 million for the six months ended June 30, 2016 and 2015, respectively.

The Company is subject to risks and uncertainties in the normal course of business, including legal proceedings; governmental regulation, such as the interpretation of tax and labor laws; contractual matters including warranty claims in the discontinued large commercial segment; and the seasonal nature of its business due to weather-related factors. The Company has accrued for costs incurred with respect to identified risks and uncertainties based upon the facts and circumstances currently available.

From time to time, we are involved in legal proceedings that we consider to be in the normal course of business.

#### 6. Convertible Debt

##### *2016 Note Offering*

On April 1, 2016, the Company entered into a securities purchase agreement for a private placement of \$10.0 million units, each consisting of \$1 Senior Secured Convertible Notes due on April 1, 2019 (the "Notes") and one Series G warrant to purchase a fraction of one share of Class A common stock. On the same day the Company closed the transaction and issued an aggregate of \$10.0 million of notes and Series G warrants exercisable into 248,973 shares of Class A common stock. The Company has reserved up to 5,500,000 shares of Class A common stock for issuance pursuant to the terms of the Notes and may adjust such share reserve periodically to reflect the terms of the Notes.

In accordance with relevant accounting guidance for debt with conversion and other options, the Company separately accounts for the liability and equity components of the Notes by allocating the proceeds between the liability component, and equity component over their relative fair values after initially allocating the fair value of the embedded conversion option. The equity component of the Notes and the embedded derivative liability are recognized as a debt discount on the issuance date. The debt discount, is amortized to interest expense using the effective interest method over three years, or the life of the Notes.

In connection with the issuance of the Notes, the Company incurred approximately \$1.4 million of debt issuance costs, which primarily consisted of underwriting, legal and other professional fees, and allocated these costs to the liability component of the host debt instrument, and is recorded as a contra account to the debt liability on the balance sheet. The amount allocated to the liability component is amortized to interest expense over the contractual life of the Convertible Notes using the effective interest method.

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The Company's outstanding convertible note balances as of June 30, 2016 consisted of the following (in thousands):

	<u>June 30, 2016</u>
Liability component:	
Principal	\$ 10,000
Less: debt discount, net	(4,146)
Less: debt issuance costs, net	(1,215)
Net carrying amount	<u>\$ 4,639</u>

As of June 30, 2016, the carrying value of the Convertible Notes was \$4.6 million. The effective interest rate on the liability component was 58% for the period from the date of issuance through June 30, 2016. The following table sets forth total interest expense recognized related to the Convertible Notes during the three and six months ended June 30, 2016 (in thousands):

	<u>Three Months Ended June 30, 2016</u>	<u>Six Months Ended June 30, 2016</u>
Contractual interest expense	\$ 200	\$ 200
Amortization of debt issuance costs	141	141
Amortization of debt discount	482	482
Total interest expense on Convertible Notes	<u>\$ 823</u>	<u>\$ 823</u>

As of June 30, 2016 the Company has received \$1.75 million of the proceeds from the sale of the units from the 2016 Note Offering in unrestricted cash. The remaining proceeds of \$8.25 million are held in five separate collateral accounts that are subject to Deposit Account Control Agreements between the Bank of Hawaii, the Company, and the applicable investor. The Notes provided for distribution of the proceeds held pursuant to the Deposit Account Control Agreement as described on Form 8-K filed on April 1, 2016, as amended. On May 12, 2016, the Notes were amended to provide for the release of cash from the collateral accounts as described in the following paragraph.

On May 12, 2016, the Company agreed to request withdrawal of its registration statement and entered into separate termination and amendment agreements with the investors in the 2016 Note Offering pursuant to which the parties terminated the registration rights agreement entered into in connection with the 2016 Note Offering and the investors agreed (i) to release \$1 million from the collateral accounts on the 3<sup>rd</sup> business day following the Company's filing of a Current Report on Form 8-K disclosing that it has received shareholder approval pursuant to NASDAQ Rule 5635(d) to issue shares of Class A common stock pursuant to the terms of the Notes without giving effect to the exchange cap set forth therein an amount that may exceed 20% of the Company's issued and outstanding shares of Class A common stock before the issuance of the Notes and the exercise of the Series G warrants without giving effect to the exercise floor price set forth therein, (ii) the Company would be eligible for an additional release of \$1 million on the 5<sup>th</sup> day following the date the Investors are eligible to resell shares of Class A common stock pursuant to Securities Act Rule 144, which is expected to be October 1, 2016; (iii) subsequent releases from the collateral accounts will occur on the current schedule following the Rule 144 eligibility date; and (iv) the first payment of principal and interest under the Notes would be due on November 1, 2016. At the Company's scheduled shareholder meeting on May 27, 2016, voters approved the issuance of Class A common stock in exchange for Notes and Series G warrants issued in the 2016 Note Offering.

The Notes are convertible at any time, at the option of the holders, into shares of Common Stock at the lower of a fixed and floating conversion price. The initial fixed conversion price is \$16.07 per share, subject to adjustment for stock splits and similar events. The floating conversion price is equal to the lowest of (i) 85% of the arithmetic average of the five lowest volume-weighted average prices of the Common Stock during the 20 consecutive trading day period ending on the trading day immediately preceding the delivery of the applicable conversion notice by such holder of Notes, (ii) 85% of the volume-weighted average price of the Common Stock on the trading day immediately preceding the delivery of the applicable conversion notice by such holder of Notes, and (iii) 85% of the volume-weighted average price of the Common Stock on the trading day of the delivery of the applicable conversion notice by such holder of Notes.

Under terms of the Notes, principal and interest payments have been deferred until November 1, 2016 at which time, interest accrued at 8% per annum is due in full and thereafter, the Company shall make 28 equal monthly principal payments of approximately \$ 0.36 million plus accrued interest. The Company has the option to make such principal and interest payments, in whole or in part, through the exchange of its Common Stock at the floating conversion price previously described. At June 30, 2016, the Company had accrued interest of \$0.2 million included in accrued liabilities on the Condensed Balance Sheet.

## 7. Shareholders' Equity

The following transactions were completed during the six months ended June 30, 2016:

### 2016 Note Offering

In connection with the issuance of the Notes, the Company issued Series G warrants exercisable into 291,298 shares of Class A common stock. The fair value of Warrants issued was \$3.5 million and is recorded in Equity. The following table reflects original assumptions at 4/1/2016 for Series G Warrants issued in the 2016 Note Offering

	Exercise Price	Closing Market Price	Risk-free Rate	Market Price Volatility	Remaining Term (years)
Series G Warrant	\$ 16.56	\$ 14.20	1.240%	121.21%	5.0

### June 2016 Reverse Stock Split

On June 2, 2016, the Company executed a reverse stock split of all outstanding shares of the Company's Class A common stock at a ratio of one-for-twenty, whereby twenty shares of Class A common stock were combined into one share of Class A common stock. The reverse split was previously authorized by a vote of the Company's shareholders on May 27, 2016. The Company did not decrease its authorized shares of capital stock in connection with the reverse stock split. Share amounts are presented to reflect the reverse split in all periods.

### Option and Warrant Exercises

During the three and six months ended June 30, 2016 and 2015, the Company issued no shares of its Class A common stock to employees upon the exercise of stock options. During the six months ended June 30, 2016 and 2015 the Company issued 2,067 and 150,794 shares of its Class A common stock pursuant to the exercise of warrants and additional equity funding, respectively.

At June 30, 2016, the Company had the following shares of Class A common stock reserved for future issuance:

Stock options and grants outstanding under incentive plans	5,840
Common stock warrants outstanding - derivative liability	33,350
Common stock warrants outstanding - equity security	<u>318,573</u>
Total shares reserved for future issuance	<u><u>357,763</u></u>

## 8. Share-Based Compensation

During the six months ended June 30, 2016, the Company did not grant any stock options and cancelled 612 stock options versus grants of 4,262 stock options and cancellations of 1,853 stock options during the six months ended June 30, 2015, under its 2008 Long-Term Incentive Plan, as amended. The new stock options vest at 2% per month for the 50 months beginning with the first day of the eleventh month after date of grant.

Total share-based compensation expense recognized was \$0.2 million and \$0.2 million during the three months ended June 30, 2016 and 2015, respectively, and \$0.3 million and \$0.4 million during the six months ended June 30, 2016 and 2015, respectively. Share-based compensation expense is reported separately on the Company's condensed consolidated statements of operations.

## 9. Income Taxes

The Company performed assessments of the realizability of its net deferred tax assets generated during each reporting period, considering all available evidence, both positive and negative. As a result of these assessments, the Company concluded that it was more likely than not that none of its net deferred tax assets would be recoverable through the reversal of temporary differences and near term normal business results. The Company, during the six months ended June 30, 2016 and 2015, increased its valuation allowance by \$2.4 million and \$3.0 million, respectively. The Company recognized \$27,000 income tax expense for states during the three and six months ended June 30, 2016 and \$41,000 and a benefit of \$24,000 as of the three and six months ended June 30, 2015, respectively.

## 10. Net Income (Loss) Per Share

Basic net income/(loss) per share excludes any dilutive effects of options or warrants. The Company computes basic net income/(loss) per share using the weighted average number of shares of its Class A common stock outstanding during the period. The Company computes diluted net income/(loss) per share using the weighted average number of shares of its Class A common stock and common stock equivalents outstanding during the period. The Company excluded common stock equivalents of 3.3 million and 0.04 million for the three months ended June 30, 2016 and 2015, respectively, and 3.3 million and 0.04 million for the six months ended June 30, 2016 and 2015, respectively, from the computation of diluted net loss per share because their effect was antidilutive.

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The following table sets forth the computation of basic and diluted net loss per share:

<b>(in thousands, except per share data)</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net income/(loss):				
Income/(loss) from continuing operations	\$ (3,533)	\$ 1,575	\$ (7,345)	\$ (1,977)
Income/(loss) from discontinued operations	70	(133)	231	(315)
Net income/(loss)	<u>\$ (3,463)</u>	<u>\$ 1,442</u>	<u>\$ (7,114)</u>	<u>\$ (2,292)</u>
Weighted average shares for basic and diluted net loss per share:				
Weighted average shares for basic net loss per share	639	251	630	197
Effect of dilutive securities - weighted average of stock options, restricted stock awards, and warrants	—	—	—	—
Weighted average shares for basic and diluted net loss per share	<u>639</u>	<u>251</u>	<u>630</u>	<u>197</u>
Net income/(loss) per share – basic and diluted:				
Income/(loss) from continuing operations	\$ (5.53)	\$ 6.27	\$ (11.65)	\$ (10.04)
Income/(loss) from discontinued operations	0.11	(0.53)	0.37	(1.60)
Net income/(loss)	<u>\$ (5.42)</u>	<u>\$ 5.74</u>	<u>\$ (11.28)</u>	<u>\$ (11.64)</u>

**11. Segment Information**

The Company operates as three reportable segments: (1) Residential – the installation of solar energy systems for homeowners, including lease financing thereof, and for small businesses (small commercial) in the continental U.S.; (2) Sunetric – the installation of solar energy systems for both homeowners and business owners (commercial) in Hawaii; and (3) Other – corporate operations. The Company discontinued its former large commercial segment and it is presented as discontinued operations.

Financial information for the Company’s segments and a reconciliation of the total of the reportable segments’ income/(loss) from operations (measures of profit or loss) to the Company’s consolidated net income/(loss) are as follows:

<b>(in thousands)</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net revenue:				
Residential	\$ 3,296	\$ 11,110	\$ 7,048	\$ 17,967
Sunetric	1,588	3,617	2,775	7,370
Other	—	—	—	—
Consolidated net revenue	<u>4,884</u>	<u>14,727</u>	<u>9,823</u>	<u>25,337</u>
Income/(loss) from operations:				
Residential	(893)	(509)	(2,157)	(2,978)
Sunetric	(291)	147	(1,089)	(166)
Other	(1,755)	(2,625)	(3,433)	(5,100)
Consolidated loss from continuing operations	<u>(2,939)</u>	<u>(2,987)</u>	<u>(6,679)</u>	<u>(8,244)</u>
Reconciliation of consolidated loss from operations to consolidated net loss:				
Other income	8	238	17	348
Interest expense	(884)	(144)	(952)	(369)
Change in valuation of derivative liabilities	309	4,509	267	6,264
Income tax (expense)/benefit	(27)	(41)	(27)	24
Income/(loss) from discontinued operations, net of tax	70	(133)	231	(315)
Net income/(loss)	<u>\$ (3,463)</u>	<u>\$ 1,442</u>	<u>\$ (7,143)</u>	<u>\$ (2,292)</u>

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The following is a reconciliation of reportable segments' assets to the Company's consolidated total assets. The Other segment includes certain unallocated corporate amounts.

<u>(in thousands)</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Total assets – continuing operations:		
Residential	\$ 6,692	\$ 9,229
Sunetric	2,230	3,041
Other	9,650	1,034
	<u>\$ 18,572</u>	<u>\$ 13,304</u>
Total assets – discontinued operations:		
Commercial	3,398	3,731
	<u>\$ 21,970</u>	<u>\$ 17,035</u>

## 12. Discontinued Operations

The following is a reconciliation of the major line items constituting pretax loss of discontinued operations to the after-tax loss of discontinued operations that are presented in the condensed consolidated statements of operations as indicated:

<u>(in thousands)</u>	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Major line items constituting pretax loss of discontinued operations:				
Net revenue	\$ 123	\$ 486	\$ 346	\$ 909
Cost of goods sold	17	331	30	579
Selling and operating	30	190	73	450
General and administrative	6	34	12	108
Restructuring costs	—	31	—	31
Depreciation and amortization	—	33	—	56
	<u>70</u>	<u>(133)</u>	<u>231</u>	<u>(315)</u>
Pretax income/(loss) of discontinued operations				
	<u>\$ 70</u>	<u>\$ (133)</u>	<u>\$ 231</u>	<u>\$ (315)</u>

The following is a reconciliation of the carrying amounts of major classes of assets and liabilities of the discontinued operations to the total assets and liabilities of the discontinued operations presented separately in the condensed consolidated balance sheets as indicated:

<u>(in thousands)</u>	<u>June 30,</u>	<u>December 31,</u>
	<u>2016</u>	<u>2015</u>
Carrying amounts of major classes of assets included as part of discontinued operations:		
Current assets:		
Accounts receivable, net	\$ 2,044	\$ 1,560
Costs in excess of billings on uncompleted contracts	504	1,105
Inventory, net	58	112
Other current assets	57	76
	<u>2,663</u>	<u>2,853</u>
Total major classes of current assets of the discontinued operations		
	<u>2,663</u>	<u>2,853</u>
Noncurrent assets:		
Other noncurrent assets	735	878
	<u>735</u>	<u>878</u>
Total noncurrent assets of discontinued operations		
	<u>735</u>	<u>878</u>
Total assets of the discontinued operations in the balance sheet	<u>\$ 3,398</u>	<u>\$ 3,731</u>
Carrying amounts of major classes of liabilities included as part of discontinued operations:		
Current liabilities:		
Accounts payable	\$ 1,801	\$ 1,978
Accrued liabilities	2,237	2,394
Deferred revenue and other current liabilities	121	138
	<u>4,159</u>	<u>4,510</u>
Total current liabilities of discontinued operations		
	<u>4,159</u>	<u>4,510</u>
Noncurrent liabilities:		
Other liabilities	225	225
	<u>225</u>	<u>225</u>

Total major classes of noncurrent liabilities of the discontinued operations	<u>225</u>	<u>225</u>
Total liabilities of the discontinued operations in the balance sheet	<u>\$ 4,384</u>	<u>\$ 4,735</u>

### **13. Subsequent Events**

On July 21, 2016, the company filed an amendment to its registration statement on Form S-1 with the SEC for convertible preferred stock and warrants. The SEC has not yet declared the registration statement effective. The Company intends to pursue the offering registered under the registration statement, but cannot predict with any degree of accuracy whether it will be able to accomplish the offering.

On August 22, 2016, we executed a Second Loan Modification Agreement with Solar Solutions pursuant to which the dates for inclusion of certain receivables in the borrowing base have been extended. See Note 3 above.

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

We recommend users read the following discussion and analysis of our financial condition and results of operations in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this document. This section is designed to provide information that will assist in understanding our condensed consolidated financial statements, changes in certain items in those statements from period to period, the primary factors that caused those changes, and how certain accounting principles, policies and estimates affect the condensed consolidated financial statements.

#### **Discontinued Operations**

During 2014, we committed to a plan to sell certain contracts and rights comprising our large commercial installations business, otherwise known as our former Commercial segment. At the same time, we determined not to enter into further large commercial installation contracts in the mainland United States. Most contracts in process at December 31, 2014 were substantially completed during 2015 and we expect any remaining work to be completed in 2016. We now report this business as a discontinued operation, separate from our continuing operations. The following management discussion and analysis of financial condition and results of operations is for our continuing operations, unless indicated otherwise.

#### **Overview**

We are a residential and small commercial solar energy engineering, procurement and construction firm. We also perform most of our own sales and marketing activities to generate leads and secure projects. We offer turnkey services, including design, procurement, permitting, build-out, grid connection, financing referrals and warranty and customer satisfaction activities. Our solar energy systems use high-quality solar photovoltaic modules. We use proven technologies and techniques to help customers achieve meaningful savings by reducing their utility costs. In addition, we help customers lower their emissions output and reliance upon fossil fuel energy sources.

We, including our predecessors, have more than 35 years of experience in residential solar energy and trace our roots to 1978, when Real Goods Trading Corporation sold the first solar photovoltaic panels in the United States. We have designed and installed over 25,000 residential and commercial solar systems since our founding.

During 2014, we discontinued our entire former Commercial segment and sold the assets associated with our catalog segment (a portion of the Other segment). As a result of this major strategic shift, we now operate as three reportable segments: (1) Residential – the installation of solar energy systems for homeowners, including lease financing thereof, and for small businesses (small commercial) in the continental U.S.; (2) Sunetric – the installation of solar energy systems for both homeowners and business owners (commercial) in Hawaii; and (3) Other – corporate operations. We believe this new structure will enable us to more effectively manage our operations and resources.

We generally recognize revenue from solar energy systems sold to our customers when we install the solar energy system. Our business requires that we incur costs of acquiring solar panels and labor to install solar energy systems on our customer rooftops up-front and receive cash from customers thereafter. As a result, during periods when we are increasing sales, we expect to have negative cash flow from operations, a portion of which we offset with borrowings under our line of credit. We account for our leases of solar energy systems as sales-type leases.

#### **Backlog**

Backlog represents the dollar amount of revenue that we may recognize in the future from signed contracts to install solar energy systems that have not yet been installed without taking into account possible future cancellations. Backlog is not a measure defined by GAAP, and is not a measure of contract profitability. Our methodology for determining backlog may not be comparable to methodologies used by other companies in determining their backlog amounts. The backlog amounts we disclose include anticipated revenues associated with: (1) the original contract amounts; (2) change orders for which we have received written confirmations from the applicable customers, and (3) net of cancellations.

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Backlog may not be indicative of future operating results, and projects in our backlog may be cancelled, modified or otherwise altered by customers. We can provide no assurance as to the profitability of our contracts reflected in backlog.

The following table summarizes changes to our backlog by segment during the six-month period ended June 30, 2016:

(in thousands)	Residential	Sunetric	Totals
Backlog of December 31, 2015	\$ 9,502	\$ 7,195	\$ 16,697
Bookings from new awards ("Sales")	5,270	203	5,473
Cancellations and reductions on existing contracts	(1,250)	47	(1,203)
Amounts recognized in revenue upon installation	(3,684)	(1,100)	(4,784)
Backlog at March 31, 2016	9,838	6,345	16,183
Bookings from new awards ("Sales")	3,673	386	4,059
Cancellations and reductions on existing contracts	(2,249)	(441)	(2,690)
Amounts recognized in revenue upon installation	(3,037)	(1,533)	(4,570)
Backlog at June 30, 2016	\$ 8,225	\$ 4,757	\$ 12,982

We experienced a high level of contract cancellations, which we attribute to (i) the fact that our financial conditions, as previously disclosed, limited our access to solar panels such that we were not able to install solar energy systems in a time frame to satisfy certain customers and (ii) our history of operating losses and resulting declining stock price affecting customer decisions. We determined that for optimum internal operations, and customer satisfaction, that a backlog equivalent to a few months of sales is optimal. Further, we have determined that our sales efforts should be broadened to additional states to minimize the impact of weather on our seasonal results, and to better balance the construction capacity of our internal and third-party installers.

We did not emphasize originating new sales during the first half of 2016 as the company did not have financial capital for growth.

We intend to continue the optimization of our e-sales call-center based sales organization with the goal of increasing our future sales awards, both for our current states of operation and new states where we may operate in future periods. Our customers currently finance their acquisition of solar energy systems using their own cash, a loan they receive from a financial provider, or a lease provided by either us or a third party lease financier. We believe that to be successful in increasing our sales and resultant revenue, we need to:

- Expand the size of our call center sales organization.
- Expand the size of our east coast residential and Sunetric field sales organizations.
- Expand our digital marketing program, as well as increase spending to generate customer leads while achieving our desired cost of acquisition.
- Make available to our customers, additional third-party providers to finance customer acquisitions of our solar energy systems.
- Expand the size of our residential east coast and Sunetric construction organization.
- Expand our network of authorized third party installers, including potential new states of operations.
- Commence sales into new states of operations.

In order to effectively pursue the above tactics, we have determined we need to obtain additional financing, see Note 1. Organization, Nature of Operations, and Principles of Consolidation and Note 6. Shareholders' Equity. We compete with larger, better-financed firms for customers, employees, and the services of third party financiers and installers and, accordingly, there can be no assurance that we will be successful in meeting our goals for increasing sales and revenue.

### Recent Developments

During 2016, in conjunction with our plans to position the Company for future profitable operations, we have:

- Raised \$10 million of convertible debt before offering expenses.
- Reduced selling and operating and general and administrative expenses with the goal of lowering the required amount of future revenue to achieve break-even, or better, operating results in the future.

## Critical Accounting Policies and Estimates

There were no material changes to our critical accounting policies or estimates during the six months ended June 30, 2016 from those disclosed in our annual report on Form 10-K for the year ended December 31, 2015.

## Results of Operations

### Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

*Net revenue.* Net revenue decreased \$9.8 million, or 66.8%, to \$4.9 million during the three months ended June 30, 2016 from \$14.7 million during the three months ended June 30, 2015. Net revenue for our residential segment decreased \$7.8 million, or 70.3%, to \$3.3 million during the three months ended June 30, 2016 from \$11.1 million during the three months ended June 30, 2015, primarily due to lack of access to capital for growth which caused delays in material purchases and limited our access to third party installers, coupled with fewer sales during the current period the California market. The residential segment megawatts installed decreased by 1.9 megawatts, or 72.3%, to 0.7 megawatts during the three months ended June 30, 2016 from 2.6 megawatts during the three months ended June 30, 2015. The Sunetric segment megawatts installed decreased by 0.5 megawatts, or 55.2%, to 0.4 megawatts during the three months ended June 30, 2016 from 0.9 megawatts during the three months ended June 30, 2015.

*Gross profit.* Gross profit decreased \$2.0 million, or 83.0%, to \$0.4 million or 8.5% of net revenue during the three months ended June 30, 2016 from \$2.4 million or 16.6% of net revenue during the three months ended June 30, 2015. Gross profit for our residential segment decreased \$1.2 million, or 73.1%, to \$0.5 million or 13.8% of net revenue during the three months ended June 30, 2016 from \$1.7 million or 15.2% of net revenue during the three months ended June 30, 2015. The decrease in the residential segment's gross profit margin percentage was due primarily to the proportionate greater absorption of fixed costs associated with the decline in revenue of \$7.8 million from the prior year quarter. Gross profit for our Sunetric segment was \$(0.04) million or (2.3)% of net revenue during the three months ended June 30, 2016 as compared to \$0.8 million or 21.0% of net revenue during the three months ended June 30, 2015. The decrease in the Sunetric segment's gross profit margin percentage was due primarily to the proportionate greater absorption of fixed costs associated with the decline in revenue from the prior year quarter.

*Selling and operating expenses.* Selling and operating expenses decreased \$1.2 million, or 41.7%, to \$1.7 million or 34.8% of net revenue during the three months ended June 30, 2016 from \$2.9 million or 19.8% of net revenue during the three months ended June 30, 2015. Selling and operating expenses for our residential segment decreased \$0.7 million, or 36.8%, to \$1.2 million or 36.6% of net revenue during the three months ended June 30, 2016 from \$1.9 million or 17.2% of net revenue during the three months ended June 30, 2015. The decrease in the residential segment's selling and operating expenses was attributable to the reduction of revenue and headcount, creating a new commission payout structure, and management's decision to reduce the costs for customer leads. Selling and operating expenses for our Sunetric segment were \$0.2 million or 11.6% of net revenue during the three months ended June 30, 2016 from \$0.6 million or 15.6% of net revenue during the three months ended June 30, 2015.

*General and administrative expenses.* General and administrative expenses remained largely unchanged at \$1.4 million during the three months ended June 30, 2016 and 2015. However due to the decline in revenue during the three months ended June 30, 2016 general and administrative expenses were 28.1% of net revenue compared to 9.5% of net revenue during the three months ended June 30, 2015.

*Litigation expenses.* Litigation expenses during the three months ended June 30, 2015 was \$0.5 million associated with the settlement of the PIPE litigation in July 2015, and is equal to our retention limit under our 2014-15 Officers and Directors liability insurance policy.

*Restructuring costs.* There were no restructuring costs during the three months ended June 30, 2016. Restructuring costs were \$0.3 million during the three months ended June 30, 2015 and were related to the costs of obtaining a fairness opinion provided and of legal services in connection with the conversion of subordinated debt to equity as well as costs related to the closings of California offices.

*Depreciation and Amortization.* Depreciation and Amortization were \$0.1 million during the three months ended June 30, 2016 and June 30, 2015.

*Other income.* Other income was \$0.2 million in the second quarter of 2015; a reversal of previously accrued interest expense arising from the settlement of a sales tax audit.

*Interest expense.* Interest expense increased \$0.8 million to \$0.9 million during the three months ended June 30, 2016 from \$0.1 million during the three months ended June 30, 2015. The increase reflects principally the accrued interest, amortization of debt discount and debt issuance costs of the 2016 Note Offering and increased borrowing on the line of credit.

*Change in valuation of derivative liabilities, net.* We recorded noncash income of \$0.3 million during the three months ended June 30, 2016 compared to \$4.5 million during the three months ended June 30, 2015. The significant change in valuation of derivative liabilities is due to decreasing stock prices causing a reduction in the carrying value of the derivative liabilities. For the three months ended June 30, 2016, the value of the derivative liabilities for the April 2016 Notes did not materially change as the revised terms of the notes provide for conversions commencing October 1, 2016 and, accordingly, the values did not materially change from closing on April 1, 2016.

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*Income tax expense.* Income tax expense was \$27,000 during the three months ended June 30, 2016 and \$41,000 during the three months ended June 30, 2015.

*Income/(loss) from continuing operations.* Our loss from continuing operations during the three months ended June 30, 2016 was \$3.5 million, or \$(5.53) per share, as compared to income from continuing operations of \$1.6 million, or \$6.27 per share, during the three months ended June 30, 2015.

*Income/(loss) from discontinued operations.* Our income from discontinued operations during the three months ended June 30, 2016 was \$0.07 million, or \$0.11 per share, as compared to a loss from discontinued operations of \$(0.1) million, or \$(0.53) per share, during the three months ended June 30, 2015.

*Net income/(loss).* Our net loss during the three months ended June 30, 2016 was \$3.5 million, or \$(5.42) per share, as compared to a net income of \$1.4 million, or \$(5.74) per share, during the three months ended June 30, 2015.

### **Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015**

*Net revenue.* Net revenue decreased \$15.5 million, or 61.2%, to \$9.8 million during the six months ended June 30, 2016 from \$25.3 million during the six months ended June 30, 2015. Net revenue for our residential segment decreased \$11.0 million, or 60.8%, to \$7.0 million during the six months ended June 30, 2016 from \$18.0 million during the six months ended June 30, 2015, primarily due to lack of access to capital for growth which caused delays in material purchases and limited our access to third party installers coupled with fewer sales during the current period in the California market. The residential segment megawatts installed by decreased 2.6 megawatts, or 61.9%, to 1.6 megawatts during the six months ended June 30, 2016 from 4.3 megawatts during the six months ended June 30, 2015. The Sunetric segment megawatts installed decreased by 1.1 megawatts, or 157.1%, to 0.7 megawatts during the six months ended June 30, 2016 from 1.8 megawatts during the six months ended June 30, 2015.

*Gross profit.* Gross profit decreased \$2.8 million, or 85.1%, to \$0.5 million or 5.1% of net revenue during the six months ended June 30, 2016 from \$3.3 million or 13.2% of net revenue during the six months ended June 30, 2015. Gross profit for our residential segment decreased \$1.5 million, or 62.8%, to \$0.9 million or 12.6% of net revenue during the six months ended June 30, 2016 from \$2.3 million or 13.3% of net revenue during the six months ended June 30, 2015. The decrease in the residential segment's gross profit percentage was due to the proportionate greater absorption of fixed costs associated with the decline in revenue of \$15.5 million from the prior year 6 months to date. Gross profit for our Sunetric segment was \$(0.4) million or (14.1)% of net revenue during the six months ended June 30, 2016 as compared to \$0.9 million or 12.9% of net revenue during the six months ended June 30, 2015. The decrease in the Sunetric segment's gross profit percentage was due to the proportionate greater absorption of fixed costs associated with the decline in revenue from the prior year 6 months to date.

*Selling and operating expenses.* Selling and operating expenses decreased \$3.1 million, or 44.3%, to \$3.9 million or 39.6% of net revenue during the six months ended June 30, 2016 from \$7.0 million or 27.6% of net revenue during the six months ended June 30, 2015. Selling and operating expenses for our residential segment decreased \$2.2 million, or 44.8%, to \$2.7 million or 38.7% of net revenue during the six months ended June 30, 2016 from \$4.9 million or 27.5% of net revenue during the six months ended June 30, 2015. The decrease in the residential segment's selling and operating expenses was attributable to the reduction of revenue and headcount, creating a new commission payout structure, and management's decision to reduce the costs of customer leads. Selling and operating expenses for our Sunetric segment were \$0.5 million or 19.8% of net revenue during the six months ended June 30, 2016 from \$1.1 million or 13.8% of net revenue during the six months ended June 30, 2015.

*General and administrative expenses.* General and administrative expenses decreased \$0.4 million, or 13.1%, to \$2.7 million or 27.2% of net revenue during the six months ended June 30, 2016 from \$3.1 million or 12.1% of net revenue during the six months ended June 30, 2015. General and administrative expenses for our Sunetric segment were \$0.1 million or 4.9% of net revenue during the six months ended June 30, 2015. General and administrative expenses for our other segment remained largely unchanged compared to the prior year period as most of the reductions in headcount and reduction of expenses had already been realized as of June 30, 2015.

*Restructuring Costs.* Restructuring costs were \$0.04 million during the six months ended June 30, 2016 and \$0.4 million during the six months ended June 30, 2015. Restructure costs are related to the costs of obtaining a fairness opinion provided and of legal services in connection with the conversion of subordinated debt to equity as well as costs related to the closings of California offices.

*Litigation expenses.* Litigation expenses during the six months ended June 30, 2016 were \$0.02 million and \$0.5 million during the six months ended June 30, 2015 pursuant to our recording a charge associated with the settlement of the PIPE litigation in July 2015, in an amount equal to our retention limit under our 2014-15 Officers and Directors liability insurance policy.

*Depreciation and Amortization.* Depreciation and amortization were \$0.2 for the six months ended June 30, 2016 and were \$0.3 million during the six months ended June 30, 2015.

*Other income.* Other income was \$0.3 million in the second quarter of 2015; a reversal of previously accrued interest expense arising from the settlement of a sales tax audit in combination with gains on sales of fixed assets.

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*Interest expense.* Interest expense increased \$0.6 million to \$0.9 million during the six months ended June 30, 2016 from \$0.4 million during the six months ended June 30, 2015. The increase reflects principally the accrued interest, amortization of debt discount and debt issuance costs of the 2016 Note Offering and increased borrowing on the line of credit.

*Change in derivative liabilities, net.* We recorded noncash income of \$0.3 million during the six months ended June 30, 2016 compared to \$6.3 million during the six months ended June 30, 2015, a decrease of \$6.0 million. For the six months ended June 30, 2015, the change in valuation of warrants is comprised of \$6.8 million of non-cash change in warrant liability offset by \$0.5 million inducement loss on early extinguishment of debt associated with the warrant exchange at June 30, 2015. The change in valuation of derivative liabilities is due to decreasing stock prices causing a reduction in the carrying value of the derivative liabilities.

*Income tax (expense)/benefit.* Income tax (expense)/benefit was negligible during the six months ended June 30, 2016 and the six months ended June 30, 2015.

*Loss from continuing operations.* As a result of the above factors, our loss from continuing operations during the six months ended June 30, 2016 was \$7.3 million, or \$(11.65) per share, as compared to a loss from continuing operations of \$2.0 million, or \$(10.04) per share, during the six months ended June 30, 2015.

*Income/(loss) from discontinued operations.* Our income from discontinued operations during the six months ended June 30, 2016 was \$0.2 million, or \$0.37 per share, as compared to a loss from discontinued operations of \$0.3 million, or \$(1.60) per share, during the six months ended June 30, 2015.

*Net loss.* Our net loss during the six months ended June 30, 2016 was \$7.1 million, or \$(11.28) per share, as compared to a net loss of \$2.3 million, or \$(11.64) per share, during the six months ended June 30, 2015.

### **Seasonality**

Our quarterly net revenue and operating results for solar energy system installations are difficult to predict and have, in the past, and may, in the future, fluctuate from quarter to quarter as a result of changes in state, federal, or private utility company subsidies, as well as weather, economic trends and other factors. We have historically experienced seasonality in our solar installation business, with the first quarter representing our lowest installation quarter of the year primarily due to adverse weather.

### **Liquidity and Capital Resources**

We have implemented measures to reduce our cash outflow from operations from prior years. These measures included (i) exiting the large commercial segment which was operating at both an operating and cash flow loss, (ii) reducing staffing levels, (iii) raising prices for our products and (iv) efforts to enhance accounts receivable collections and optimize inventory levels.

In addition, the Company has arranged for significant capital to be realized by the company from (i) the conversion of convertible notes to common stock commencing October 1, 2016 and (ii) from the proceeds from the offering of convertible preferred stock and warrants. The company's registration statement for the convertible preferred stock has just recently been through the requisite regulatory reviews and approvals.

We have prepared our business plan for 2016, taking into account (i) the anticipated proceeds from the Form S-1 Registration Statement for convertible preferred stock and warrants offering, (ii) the anticipated timing of the proceeds from the convertible note offering as previously disclosed, (iii) anticipated timing of vendor payments for existing accounts payable and for new solar panels, (iv) anticipated timing of sales and installations of solar energy systems, (v) anticipated timing of collection of accounts receivable, and (vi) our operating cost structure following the implementation of cost improvement actions. Our objectives in preparing this plan included (i) making necessary reductions, that have already been enacted, to our fixed operating cost infrastructure in order to reduce the required level of future revenue for profitable operations (ii) improving our gross margin by having a lower cost of equipment arising from more favorable vendor terms and costs of materials, which have already been negotiated, and (iii) an anticipated reduction in our present operating losses and with the intention of returning to profitable operations in the future. Elements of this plan include, among others, (i) realizing operating costs savings from reductions in staff, (ii) the positive impact of the strategic decision to exit the large commercial segment which operated at both a substantial cash and operating loss, (iii) moving towards an optimized field and e-sales force, (iv) optimizing our construction capability for solar energy system installations through authorized third-party integrators to realize the revenue from installation of the backlog and minimize the impact on gross margin of idle construction crew time, (v) changing the mix of marketing expenditures to achieve a lower cost of acquisition than that employed in prior periods, and (vi) continued internal efforts to convert our accounts receivable to cash more quickly.

We expect that we will have a cash outflow from operating activities for the remainder of the year as we will utilize cash to fund an anticipated level of rooftop installations for customers, expand our e-sales and field sales organizations as well as increase marketing spend for lead generation, and principally to continue to reduce our present accounts payable.

We believe that as a result of (i) the anticipated proceeds from the planned convertible preferred capital raise, (ii) additional capital from the release of portions of the \$8.25 million in cash currently in collateral accounts from the 2016 Offering, and (iii) the actions we have already implemented to reduce our fixed operating cost infrastructure, we have sufficient financial resources to operate for the ensuing 12 months. In the event we were unable to have the anticipated access to additional financial capital as described above, and therefore unable to successfully implement our 2016 business plan, we would then attempt to enact further reductions in costs, which would have a materially adverse impact on future operations.

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The Company received written notice (the “Notice”) from The Nasdaq Stock Market LLC (“Nasdaq”) on April 14, 2016, indicating that, based on the stockholders’ equity reported in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC on April 1, 2016, the Company was not in compliance with the minimum stockholders’ equity requirement for continued listing on the Nasdaq Capital Market. As set forth in Nasdaq Listing Rule 5550(b)(1) (the “Minimum Stockholders’ Equity Requirement”), listed companies are required to maintain stockholders’ equity of at least \$2,500,000.

The Notice had no immediate effect on the listing of the Company’s Class A common stock, par value \$0.0001 per share and the Class A common stock continues to trade on the Nasdaq Capital Market under the symbol “RGSE.” The Company had a period of 45 calendar days, or until May 31, 2016, to submit a plan to regain compliance with the Minimum Stockholders’ Equity Requirement. In the Notice, Nasdaq indicated that, if the Company’s plan is accepted, Nasdaq may grant an extension of up to 180 calendar days, or until October 11, 2016, to evidence compliance. The Company initially submitted its plan to regain compliance with the Minimum Stockholders’ Equity Requirement to Nasdaq on May 31, 2016 and provided Nasdaq with supplemental information in June 2016.

On July 7, 2016, based on the information the Company submitted to Nasdaq, Nasdaq granted the Company the maximum allowable 180-day extension to October 11, 2016 to evidence compliance with the Minimum Stockholders’ Equity Requirement.

The Company is evaluating its available options to resolve its noncompliance with the Minimum Stockholders’ Equity Requirement. There can be no assurance that the Company will be able to regain compliance with the Minimum Stockholders’ Equity Requirement or will otherwise be in compliance with the other listing standards for the Nasdaq Capital Market. If the Company does not regain compliance with the Minimum Stockholders’ Equity Requirement, or if the Company fails to satisfy another Nasdaq requirement for continued listing, the Nasdaq staff could provide notice that the Company’s Class A common stock will become subject to delisting from trading on the Nasdaq Capital Market.

The Company received written notice from Nasdaq on December 23, 2015, indicating that, based on the closing bid price of its Common Stock for the preceding 30 consecutive business days, the Company was not in compliance with the \$1.00 minimum bid price requirement for continued listing on the Nasdaq Capital Market (the “Minimum Bid Price Requirement”), as set forth in Nasdaq Listing Rule 5550(a)(2). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), the Company had a period of 180 calendar days, or until June 20, 2016, to regain compliance with the Minimum Bid Price Requirement. To regain compliance, the closing bid price of the Company’s Class A common stock had to meet or exceed \$1.00 per share for at least ten consecutive business days during this 180 calendar day period. On June 17, 2016, the Company was advised by the Nasdaq Capital Market that the Company had met this criteria during the period from June 2, 2016 to June 16, 2016 and, accordingly, the Company had regained compliance with Nasdaq Listing Rule 5550(a)(2) and this matter was closed.

*Convertible Note Offering*

On April 1, 2016, we completed the 2016 Note Offering of \$10.0 million in principal amount of Senior Secured Convertible Notes due on April 1, 2019 with unaffiliated institutional investors. The 2016 Note Offering resulted in gross proceeds of \$10.0 million, before placement agent fees and other expenses associated with the transaction. We received \$1.75 million of the proceeds from the sale of the Notes at closing of the 2016 Note Offering in unrestricted cash. The remaining \$8.25 million of the proceeds is held in five separate collateral accounts each subject to a Deposit Account Control Agreement between the Bank of Hawaii, the Company, and the applicable investor.

*Cash Flows*

The following table summarizes our primary sources (uses) of cash during the periods presented:

<b>(in thousands)</b>	<b>For the Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Net cash provided by (used in):		
Operating activities – continuing operations	\$ (5,328)	\$ (12,596)
Operating activities – discontinued operations	213	2,139
Operating activities	<u>(5,115)</u>	<u>(10,457)</u>
Investing activities	<u>9</u>	<u>18</u>
Financing activities	<u>5,002</u>	<u>13,830</u>
Net increase (decrease) in cash	<u>\$ (104)</u>	<u>\$ 3,391</u>

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### Continuing Operations

*Operating activities.* Our operating activities used net cash of \$5.3 million and \$12.6 million during the six months ended June 30, 2016 and 2015, respectively. Our net cash used in operating activities during the six months ended June 30, 2016 was due to our net loss decreased by noncash items of \$1.0 million and a net decrease in working capital assets and liabilities of \$1.0 million. Our net cash used in operating activities during the three months ended June 30, 2015 was primarily due to our net loss increased by noncash items of \$5.5 million and a decrease in working capital assets and liabilities of \$5.1 million.

*Investing activities.* During the six months ended June 30, 2016, we received proceeds of \$9,000 for the sale of equipment. During the six months ended June 30, 2015, we received proceeds of \$0.2 million for the sale of equipment that was offset by the acquisition of property and equipment.

*Financing activities.* Our financing activities provided net cash of \$5.0 million and \$13.8 million during the six months ended June 30, 2016 and 2015, respectively. Our net cash provided by financing activities during the six months ended June 30, 2016 reflected the net proceeds received from the 2016 Note Offering of \$1.5 million and additional borrowings on our line of credit of \$3.5 million. Our net cash provided by financing activities during the six months ended June 30, 2015 reflected the net proceeds on the issuance of Class A common stock and warrants of \$14.1 million offset by net repayments against our revolving line of credit of \$0.3 million.

### Discontinued Operations

*Operating activities.* Our operating activities provided net cash of \$0.2 million and provided \$2.1 million during the six months ended June 30, 2016 and 2015, respectively. The change in cash provided by discontinued operations between the six months ended June 30, 2016 and the six months ended June 30, 2015 was attributed to the continued wind-down of remaining commercial projects.

### **Off-Balance Sheet Arrangements**

We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as special purpose entities or variable interest entities, which have been established for the purpose of facilitating off-balance sheet arrangements or other limited purposes and as a result we do not have and are not reasonably likely to have any off-balance sheet arrangements.

### **Risk Factors**

We caution that there are risks and uncertainties that could cause our actual results to be materially different from those indicated by forward-looking statements that, from time-to-time, we make in filings with the U.S. Securities and Exchange Commission, news releases, reports, proxy statements, registration statements and other written communications as well as oral forward-looking statements made by our representatives. These risks and uncertainties include, but are not limited to, those risks set forth in Part II, Item 1A of this and other quarterly reports and listed in the section entitled “RISK FACTORS” in our Annual Report on Form 10-K for the year ended December 31, 2015 which is on file with the U.S. Securities and Exchange Commission. Except for the historical information contained herein, the matters discussed in this analysis are forward-looking statements that involve risk and uncertainties, including, but not limited to, general economic and business conditions, competition, pricing, brand reputation, consumer trends, and other factors which are often beyond our control.

The risks and uncertainties we have described are not the only ones facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations. We do not undertake any obligation to update forward-looking statements except as required by law.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our chief executive officer, principal financial officer, and our principal accounting officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and Rule 15d-15(e) under the Exchange Act. Based upon their evaluation as of June 30, 2016, they have concluded that those disclosure controls and procedures are effective.

## Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting occurred during the three months ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, we are involved in legal proceedings that we consider to be in the normal course of business. Except as discussed below, there have been no material changes with respect to outstanding legal proceedings disclosed in Item 3 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

As previously reported, in June 2015, the Company received a subpoena from the U.S. Securities and Exchange Commission (“SEC”) requesting certain information pertaining to the Company’s July 2014 private placement offering (the “2014 PIPE Offering”). The Company established a special committee of the board of directors to review the facts and circumstances surrounding the PIPE offering and engaged outside counsel to assist it with its review. On May 11, 2016, the Company was advised by the staff of SEC (the “Staff”) that the Staff did not intend to recommend any enforcement action against the Company with respect to the investigation commenced by the Staff in June 2015.

In the course of responding to the SEC subpoena and as a result of other actions taken around the subpoena, the Company incurred litigation expenses of \$2.0 million which are shown on the Consolidated Statements of Operations for year ended December 31, 2015. The Company and its legal advisors believe its expenses in responding to SEC subpoena, which were incurred after June 30, 2015, should be fully paid by its insurance carrier as they are directly related to the 2014 PIPE Offering and the Company reached its retention limit for that event during the second quarter of 2015. Our insurance carrier has denied coverage for these expenses on the grounds that the SEC subpoena does not constitute a “claim” covered by the policy, but, nevertheless, in March 2016 the insurance carrier agreed to advance funds to pay amounts we contend constitute defense costs, while reserving all rights, including the right to recoup all amounts advanced. We vigorously dispute the position of our insurance carrier in this matter. If our insurance carrier prevails in recouping the amounts advanced or ceases to advance funds to pay amounts incurred by us in this matter, we will face material reductions in cash available for operations. The Company has taken a reserve for amounts advanced by the insurance carrier of \$1.5 million through June 30, 2016. We do not expect costs or expense in this matter to be material in the future, however.

The insurance carrier and the Company expect to enter into settlement negotiations surrounding this matter within calendar year 2016. If the Company and the insurance carrier cannot reach a mutually agreeable settlement through negotiation, the Company expects the insurance carrier to assert its claims in other forums which may include arbitration or a court of law. If the insurance carrier should so assert its claims in arbitration or a court of law, the Company cannot predict with any degree of accuracy the outcome of such action, but the Company intends to vigorously assert its claims against the insurance carrier.

In April 2009, the Company, Regrid Power, Inc., one of the Company’s subsidiaries (“Regrid”) and GAIAM, Inc., (“GAIAM”) (collectively the “Indemnitors”) entered into a General Indemnity Agreement (the “Indemnity Agreement”) with Argonaut Insurance Company (the “Carrier”). The Indemnity Agreement was designed to provide assurances to the Carrier in the event that the Carrier issued, procured or refrained from cancelling one or more bonds for the benefit of one or more of Indemnitors on or after the date of the Indemnity Agreement.

In 2013, the Carrier issued a \$624,000 Final Acceptance Payment and Performance Bond (the “Bond”) to secure the Company’s performance under a contract to construct a large commercial photovoltaic project (the “Project”) for the benefit of a third party (the “Beneficiary”). Pursuant to the Indemnity Agreement, the Indemnitors are jointly and severally liable to the Carrier in the maximum amount of the Bond, plus certain costs of the Carrier, in the event that the Bond is called by the Beneficiary. The Bond’s original expiry date was October 15, 2015 unless earlier released by the Beneficiary. In October 2015, the Carrier agreed to extend the maturity of the Bond to December 31, 2016.

The Project was completed and operational in late 2012. Subsequently, the Beneficiary raised certain warranty related issues pertaining to the Project. The Company currently maintains a specific warranty reserve for the Project of approximately \$200,000.

As of August 19, 2016, the Beneficiary had not released the Bond. As a result, the Bond continues in force through December 31, 2016, the Bond maturity date unless earlier released. The Beneficiary may demand performance on the Bond on or before December 31, 2016 in accordance with the terms of the Bond. The obligations of the Indemnitors under the Indemnity Agreement with respect to the Bond continue so long as the Bond is outstanding.

In June 2015, as permitted under the Indemnity Agreement, the Carrier demanded that the Indemnitors post cash collateral to secure their performance under the Indemnity Agreement with respect to the Carrier’s exposure under the Bond, or \$624,000. The Company posted \$200,000 as cash collateral to the Carrier in 2015, and no other party has posted amounts to the Carrier. On August 18, 2016, the Carrier commenced litigation against the Indemnitors in the federal district court in Denver, Colorado. This action was brought by the Carrier under the Indemnity Agreement to compel one or more of the Indemnitors to deliver the remaining \$424,000 due under the Indemnity Agreement, for judgment interest and other equitable relief. The Company has 21 days to answer the Carrier’s complaint, unless extended, and the Company expects to answer the complaint in a timely manner.

**Item 1A. Risk Factors**

Except for the risk factors appearing below, there have been no material changes from the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

*The issuance of shares of Class A common stock upon conversion of the Notes and exercise of our Series G warrants could substantially dilute your investment and could impede our ability to obtain additional financing.*

The Notes are convertible into and our Series G warrants are exercisable for shares of our Class A common stock and give the holders an opportunity to profit from a rise in the market price of our Class A common stock such that conversion or exercise thereof will result in dilution of the equity interests of our shareholders. In particular, the holder of the Notes may elect to convert the Notes at the lower of a fixed conversion price or a floating conversion price at a discount to the market price of our Class A common stock. Further, the issuance of shares of our Class A common stock, at our election, in payment of principal and/or interest on the Notes, will result in dilution of the equity interests of our other shareholders. We have no control over whether the holders will exercise their right to convert their Notes or exercise their Series G warrants. We cannot predict the market price of our Class A common stock at any future date, and therefore, cannot predict the applicable prices at which the Notes may be converted. However, our prior experience with warrant conversion resulted in the prices of our Class A common stock declining. For these reasons, we are unable to accurately forecast or predict with any certainty the total amount of shares that may be issued under the Notes. The number of shares of our Class A common stock issuable upon conversion of the Notes, however, will increase when the price of our Class A common stock declines.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

All sales of unregistered securities by the Company during the period covered by this report have previously been reported by the Company on Current Reports on Form 8-K.

**Item 6.****Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
4.1	Form of Senior Secured Convertible Note issued to the investors under the Securities Purchase Agreement, dated April 1, 2016 (Incorporated by reference to Exhibit 4.1 to Real Goods Solar's Current Report on Form 8-K filed April 1, 2016 (Commission File No. 001-34044))
4.2	Form of Series G Warrants issued to the investors under the Securities Purchase Agreement, dated April 1, 2016 (Incorporated by reference to Exhibit 4.2 to Real Goods Solar's Current Report on Form 8-K filed April 1, 2016 (Commission File No. 001-34044))
4.3	Form of Termination and Amendment Agreement, dated May 12, 2016, between Real Goods Solar, Inc. and each of the investors party to the Securities Purchase Agreement, dated April 1, 2016 (Incorporated by reference to Exhibit 4.1 to Real Goods Solar's Quarterly Report on Form 10-Q filed May 12, 2016 (Commission File No. 001-34044))
10.1	Securities Purchase Agreement, dated April 1, 2016, among Real Goods Solar, Inc. and the investors party thereto (Incorporated by reference to Exhibit 10.1 to Real Goods Solar's Current Report on Form 8-K filed April 1, 2016 (Commission File No. 001-34044))
10.2	Registration Rights Agreement, dated April 1, 2016, among Real Goods Solar, Inc. and the investors party thereto (Incorporated by reference to Exhibit 10.2 to Real Goods Solar's Current Report on Form 8-K filed April 1, 2016 (Commission File No. 001-34044))
10.3	Form of Deposit Account Control Agreement, dated April 1, 2016, among Real Goods Solar, Inc., Bank of Hawaii and the investors party thereto (Incorporated by reference to Exhibit 10.3 to Real Goods Solar's Current Report on Form 8-K filed April 1, 2016 (Commission File No. 001-34044))
10.4	Voting Agreement, dated April 1, 2016, between Real Goods Solar, Inc. and Riverside Renewable Energy Investments, LLC (Incorporated by reference to Exhibit 10.4 to Real Goods Solar's Current Report on Form 8-K filed April 1, 2016 (Commission File No. 001-34044))
10.5	First Loan Modification Agreement, dated May 25, 2016 and effective as of May 19, 2016, among Real Goods Solar, Inc., RGS Financing, Inc., Real Goods Energy Tech, Inc., Alteris Renewables, Inc., Real Goods Syndicated, Inc., Mercury Energy, Inc., Real Goods Solar, Inc. – Mercury Solar, Elemental Energy, LLC, Sunetric Management LLC and Solar Solutions and Distribution, LLC (Incorporated by reference to Exhibit 99.1 to Real Goods Solar's Current Report on Form 8-K filed May 27, 2016 (Commission File No. 001-34044))
10.6	Exclusive Master Supply Agreement dated April 29, 2015, between Real Goods Solar, Inc. and Solar Solutions and Distribution LLC (Incorporated by reference to Exhibit 99.2 to Real Goods Solar's Current Report on Form 8-K filed May 27, 2016 (Commission File No. 001-34044))
10.7	Amendment to Exclusive Master Supply Agreement, dated May 25, 2016 and effective as of May 19, 2016, between Real Goods Solar, Inc. and Solar Solutions and Distribution LLC (Incorporated by reference to Exhibit 99.3 to Real Goods Solar's Current Report on Form 8-K filed May 27, 2016 (Commission File No. 001-34044))
10.8*	Argonaut Insurance Company General Indemnity Agreement, made as of April 20, 2009, by and among Argonaut Insurance Company, GAIAM, Inc., Real Goods Solar, Inc. and Regrid Power, Inc.
10.9*	Final Acceptance Payment and Performance Bond, made as of February 15, 2013, by and among Argonaut Insurance Company, Real Goods Energy Tech, Inc. and GASNA 14P, LLC.
10.10*	Continuation Certificate issued by Argonaut Insurance Company on October 13, 2015
31.1*	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2*	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32.1**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.

101.LAB XBRL Taxonomy Extension Label Linkbase.

101.PRE XBRL Taxonomy Extension Presentation Linkbase.

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\* Filed herewith  
\*\* Furnished herewith

**SIGNATURES**

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

Real Goods Solar, Inc.  
(Registrant)

Date: August 22, 2016

By: /s/ Dennis Lacey  
Dennis Lacey  
Chief Executive Officer  
(authorized officer)

Date: August 22, 2016

By: /s/ Alan Fine  
Alan Fine  
General Manager Operations, Treasurer and Principal Financial Officer

Date: August 22, 2016

By: /s/ Thomas Mannik  
Thomas Mannik  
Principal Accounting Officer and Controller

**EXHIBIT INDEX****Item 6.****Exhibits**

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\* Filed herewith  
\*\* Furnished herewith

**ARGONAUT INSURANCE COMPANY  
GENERAL INDEMNITY AGREEMENT**

This General Indemnity Agreement (hereinafter "Agreement") is made and entered into by the undersigned, hereinafter referred to individually and/or collectively, as "Indemnitors", for the benefit of Argonaut Insurance Company, with its principal offices at 10101 Reunion Place, Suite 500, San Antonio, TX 78216, and for itself, its subsidiaries, affiliates, parents, co-sureties, fronting companies and/or reinsurers and their successors and assigns, whether in existence now or formed hereafter, individually and collectively, as "Surety", for the purpose of indemnifying the Surety for any Bonds (as hereinafter defined) from any and all Losses (as hereinafter defined).

**Definitions**

The term "Bond(s)" shall mean any and all bonds including but not limited to surety bonds, undertakings, guarantees, or any contractual obligations, previously or hereafter executed, issued, procured, or undertaken by the Surety, whether directly or as a result of any asset purchase, merger, acquisition, or similar transaction, and any renewals or extensions thereof issued by Surety, or issued by another at the request of Surety, on behalf of Indemnitors, whether issued prior to or subsequent to the effective date of this Agreement.

The term "Indemnitors" shall mean an individual, corporation, partnership, Limited Liability Company (hereinafter called LLC), Limited Liability Partnership (hereinafter called LLP), joint venture, trust, estate or other legal entity, whether individually or jointly with others, who sign this Agreement or whose authorized representatives sign this Agreement or any other agreement that incorporates by reference the terms of this Agreement, whether the Indemnitors are individuals or entities, as well as any and all affiliates, specifically including, without limitation, all wholly or partially owned subsidiaries, divisions or affiliates, and all partnerships, ventures or co-ventures in which any of the Indemnitors or any wholly or partially owned subsidiary, division or affiliate has an interest or participation, whether now existing or which may hereafter be created or acquired. The Indemnitors warrant and represent that they have a material and beneficial interest in Surety's issuance of Bonds on behalf of the Indemnitors, and acknowledge that Surety would not issue such Bonds without each Indemnitor's agreement to reimburse Surety for all Losses arising under the Bonds.

The term "Losses" shall mean any and all sums (a.) paid by Surety to claimants under the Bonds, (b.) sums required to be paid to claimants by Surety but not yet, in fact, paid by Surety, by reason of execution of such Bonds, (c.) all costs and expenses incurred in connection with investigating, paying or litigating any claim, including but not limited to legal fees and expenses, technical and expert witness fees and expenses and (d.) all costs and expenses incurred in connection with enforcing the obligations of the Indemnitors under this Agreement including, but not limited to interest, legal fees and expenses and (e.) all accrued and unpaid premiums owing to Surety for the issuance, continuation or renewal of any Bonds and (f.) all other amounts payable to Surety according to the terms and conditions of this Agreement.

As an inducement to the Surety and in consideration of the Surety's execution or procurement of the Bond(s), the Surety's refraining from canceling one or more Bond(s), and/or the Surety's assumption of one or more Bond(s) and for other good and valuable consideration, the receipt and sufficiency of which the Indemnitors hereby acknowledge, the Indemnitors hereby agree, for themselves, successors, and assigns, jointly and severally, as follows:

1. To pay all initial and renewal premiums for each Bond, as they fall due, until Surety has been provided with competent legal evidence, in its sole discretion, that the Surety has been fully released of liability under such Bond.
2. **Indemnity.** To indemnify, hold harmless and exonerate Surety from and against any and all Losses, as well as any other reasonable expense that the Surety may incur or sustain as a result of or in connection with the furnishing, execution, renewal, continuation, or substitution of any Bond(s). Expenses include, but are not limited to: (a) the cost incurred by reason of making an independent investigation in connection with any Bond(s) or this Agreement; (b) the cost of procuring or attempting to procure the Surety's release from liability or a settlement under any Bond(s) upon or in anticipation of Losses, including the defense of any action brought in connection therewith; and (c) the cost incurred in bringing suit to enforce this Agreement against any of the Indemnitors. Payments of amounts due the Surety hereunder, including interest, shall be made immediately upon the Surety's demand. Vouchers, affidavits, or other evidence of payment by the Surety shall be prima facie evidence of the Indemnitors' liability for any such Losses or other expenses.
3. **Surety Reserve.** The Surety may, in its sole discretion, establish a reserve to cover any actual or anticipated, liability, claim, suit judgment, or Losses under any Bond. In such event, the Indemnitors will, immediately upon demand, deposit with the Surety a sum of money equal to such reserve, and any subsequent increase thereof, to be held by the Surety as collateral security on the Bond(s). Such funds will be used by the Surety to pay Losses or may be held by the Surety as collateral against potential future Losses. The Indemnitors hereby grant to the Surety a security interest in all money and other property now or hereafter delivered by such Indemnitors to the Surety for deposit in such reserve, and all income (if any) thereon. Any funds remaining after the Indemnitors' settlement of payment of all Losses will be returned to the Indemnitors within thirty (30) days from the date of the Indemnitors' settlement or payment of the Losses.
4. **Access to Books and Records.** In the event the Surety receives a claim under any Bond or establishes, in its sole discretion, a reserve in anticipation of incurring Losses, the Surety shall have the right to reasonable access to the books, records, and accounts of the Indemnitors for the purpose of examining the same.
5. **Non-Impairment of Indemnitors' Obligations.** The obligations of the Indemnitors under this Agreement shall not be impaired by and Surety shall incur no liability on account of: (a) Surety's failure or refusal to furnish Bond(s), including final Bond(s) where Surety has furnished a bid Bond; (b) Surety's consent or failure to consent to changes in the terms and provisions of any Bond, or the obligation or performance secured by any Bond; (c) the taking, failing to take, or release of security, collateral, assignment, indemnity agreements and the like, as to any Bond; (d) the release by Surety, on terms satisfactory to it, of any Indemnitors; and/or (f) the Surety's cancellation of any Bond(s).
6. The Indemnitors shall not seek indemnity, contribution or collection of any other outstanding obligation against any other Indemnitors or their property until the obligations of the Indemnitors to Surety under this Agreement have been satisfied in full.
7. The Indemnitors acknowledge that the Surety may share copies of any and all statements, agreements, financial statements and any information which it now has or may hereafter obtain concerning Indemnitors with co-sureties, fronting companies, and/or reinsurers.

8. **Default** The Indemnitors shall be in default of this Agreement if: (a) Indemnitors shall become a party in any insolvency, receivership, liquidation, or bankruptcy; (b) Indemnitors make representation to the Surety by or on behalf of any of the Indemnitors that prove to have been misleading or materially false when made; (c) Indemnitors fail to provide collateral in response to a proper request made by the Surety; (d) Indemnitors breach any other provision of this Agreement; (e) Surety establishes reserves against Losses in connection with Bond(s); and/or (f) Surety sustains Losses under Bond(s).

9. **Indemnitors representations** The Indemnitors represent and warrant to the Surety that they have a substantial, material, and/or beneficial interest in the obtaining of Bond(s) by any of the Indemnitors and in the transaction(s) for which any of the other Indemnitors have applied or will apply to the Surety for Bond(s) pursuant to this Agreement. Indemnitors represent and warrant that they have the full power and authority to execute, deliver and perform this Agreement and to carry out the obligations stated herein. Indemnitors further represent and warrant that their execution, delivery and performance of this Agreement does not and will not conflict with, constitute a default under, or result in a breach or violation of any of their respective organizational documents, any law, governmental rule or regulation, or any applicable order, writ, injunction, judgment or decree of any court or governmental authority, or any other agreement binding upon Indemnitors.
10. **Surety's Rights to Release of Bonds and Indemnitors Waiver.** The Surety may, in its sole discretion, determine one or more of the following: (a) the Indemnitors financial condition has been or is believed to be deteriorating; or (b) there has been or is believed to be some other change that adversely impacts the Surety's risk under the Bond(s). In such an event, within thirty (30) days of receipt of the Surety's written demand, the Indemnitors shall procure the full and complete release of the Bond(s) by providing competent written evidence of release satisfactory to the Surety, in its sole discretion. If Indemnitors fail to provide the aforementioned release Indemnitors shall, within an additional seven (7) days, provide the Surety with collateral in the amount of 100% of all unreleased liability under the Bond(s). The liability shall be determined at the time of the Surety's written demand. Collateral will be in the form of (a) an irrevocable letter of credit in form, content, and issued by a financial institution acceptable to the Surety; (b) a pledged money market account, in the form, content, and issued by a financial institution acceptable to the Surety; and/or (c) other collateral in form, content, and substance acceptable to the Surety, in its sole discretion. Collateral previously provided to the Surety may be utilized to establish compliance with this provision. If the liability subsequently increases, then it is the Indemnitors' responsibility to ensure continued compliance with this provision at all times.

The Indemnitors waive, to the fullest extent permitted by law, each and every right that they may have to contest this requirement to provide collateral under this Agreement (individually and collectively, the "Collateral Requirement"). The Indemnitors stipulate and agree that the Surety will not have an adequate remedy at law should Indemnitors fail to perform the Collateral Requirement and further agree as a result that the Surety is entitled to specific performance of the Collateral Requirement. The Surety's failure to act to enforce its right to specific performance shall not be construed as a waiver of that right, which right may be enforced at any time at the Surety's sole discretion. Indemnitors further agree that this Collateral Requirement shall not limit or be deemed a waiver of the Surety's other rights, which it may exercise in its sole discretion, under this Agreement or otherwise to cancel Bond(s), to demand collateral, or to take any other actions the Surety deems necessary and/or prudent, in its sole discretion, to mitigate actual or potential Losses under any and all Bond(s) written in accordance with this Agreement. The exercise of such additional rights shall not be contingent upon the Surety's enforcement of this provision. Collateral to be provided to the Surety shall be sent to: Attn: Treasurer, Argo Surety, 10101 Reunion Place, Suite 500, San Antonio, TX 77216.

11. The Surety may execute or procure Bond(s) that guarantee the Indemnitors' obligations or performance under one or more contracts (each a "Bonded Contract"). The Indemnitors shall be considered in default of a Bonded Contract if any of the following occur: (a) a declaration of default by any Bonded Contract owner; (b) an actual breach or abandonment of the Bonded Contract; and/or (c) an improper diversion of Bonded Contract funds or Indemnitors' assets to the detriment of the Bonded Contract obligations.

In the event of a default under a Bonded Contract, Indemnitors grant to Surety a security interest in all equipment, machinery, inventory, materials, and all proceeds and products in connection with any Bonded Contract. This Agreement shall for all purposes constitute a Security Agreement and Financing Statement for the benefit of Surety in accordance with the Uniform Commercial Code ("UCC") and all similar statutes. In the event there is an act of default under any Bonded Contract, Indemnitors hereby irrevocably authorize Surety, without notice to any of the Indemnitors, to perfect the security interest granted herein by filing this Agreement or a copy or other reproduction of this Agreement. Surety may add schedules or other documents to this agreement as necessary to perfect its rights. The failure to file or record this Agreement or any financing statement shall not release or excuse any of the obligations of Indemnitors under this Agreement. The Surety's exercise of any of its rights as a secured creditor under this Agreement shall not be a waiver of any of the Surety's legal or equitable rights or remedies, including the Surety's right of subrogation.

12. The obligee or beneficiary under certain Bond(s) may make a demand for payment ("Demand") against the Bond(s). When such Demand is made, the Surety must pay the amount of the Demand, not to exceed the penal sum of the Bond(s), as well as all necessary fees, within the time period required by the Demand. Under such Bond(s), the Surety, with the knowledge and consent of the Indemnitors, has expressly waived all defenses to making such payment. If the Indemnitors receive notice from the Surety that a Demand has been made against the Bond(s) by the obligee or beneficiary, at least five (5) business days before payment of such Demand is due to the obligee, Indemnitors shall pay the Surety the full amount of the Demand, which amount shall not exceed the penal sum of the Bond, as well as all necessary fees. Such payment will be made by wire transfer or otherwise in immediately available funds to the bank account specified in the notice provided to the Indemnitors by the Surety.

The Indemnitors waive, to the fullest extent permitted by applicable law, each and every right which they may have to contest such payment. Failure to make payment to the Surety as herein provided shall cause the Indemnitors to be additionally liable for any and all costs and expenses, including attorney's fees, incurred by the Surety in enforcing this Agreement, together with interest on unpaid amounts due the Surety. Interest shall accrue, commencing the date the Surety pays the amount of the Demand, at the prime rate of interest in effect on December 31 of the previous calendar year as published in the Wall Street Journal. Indemnitors stipulate and agree that the Surety will suffer immediate irreparable harm and will have no adequate remedy at law should Indemnitors fail to perform this obligation, and therefore the Surety shall be entitled to specific performance of this obligation.

13. **Continuing Obligation.** This Agreement is a continuing obligation of the Indemnitors, and no Indemnitors shall have the right to terminate its obligations for any Bond(s) issued during the term hereof. The Indemnitors may terminate this Agreement as to future Bond(s) by notice to the Surety, but such termination as to the Indemnitors shall in no way affect the obligation of any other Indemnitors who have not given such notice. In order to terminate liability as to future Bond(s), Indemnitors must notify the Surety of such termination and state in such notice the effective date (not less than 30 days after receipt thereof by the Surety) of termination of such Indemnitors liability for future Bond(s). After the effective date of such termination, the Indemnitors giving notice of termination shall nonetheless be liable hereunder for Bond(s) executed or authorized before such date and renewal, substitutions, and extensions thereof.
14. The Indemnitors understand and agree that their obligations under this Agreement remain in full force and effect for any Bond(s) issued pursuant to this Agreement, notwithstanding that the entity on whose behalf Bond(s) were issued has been sold, dissolved or whose ownership has been otherwise altered in any way.

15. **Severability.** If any provision or portion of this Agreement shall be unenforceable, this Agreement shall not be void, but shall be construed and enforced with the same effect as though such provision or portion were omitted. This agreement is in addition to and not in lieu of any other agreement relating to the obligations described herein.

16. **Amendment.** This Agreement may be amended or terminated only by a document executed by all parties, or their respective successors or assigns.

17. **Execution.** This Agreement may be executed in multiple counterparts, and by the Indemnitors on separate counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Delivery by telecopy or email of a signed counterpart of this Agreement shall be effective as physical delivery.
18. **Non-waiver of Surety Rights.** Nothing herein contained shall be construed to waive or abridge any right or remedy which the Surety might have if this Agreement was not executed. The Surety's failure to act to enforce any or all of its rights under this Agreement shall not be construed as a waiver of these rights.
19. **Access to Indemnitors Information.** Indemnitors hereby expressly authorize the Surety to access credit records and to make such pertinent inquiries as may be necessary from third party sources for underwriting purposes, claim purposes and/or debt collection.
20. **Separate Suits.** Separate suits may be brought hereunder as causes of action accrue, and suit may be brought against any and all of the Indemnitors; and any suit or suits upon one or more causes of action, or against one or more of the Indemnitors, shall not prejudice or bar subsequent suits against any other Indemnitors on the same or any other causes of action, whether theretofore or thereafter accruing.
21. **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered against receipt therefor or mailed by registered or certified mail, return receipt requested, postage prepaid, addressed to the Surety, to: Attention: Vice President, Argo Surety, 20333 State Hwy 249, Suite 200, Houston, TX 77070. Such name and address may be changed by written notice given as provided in this Agreement. Actual notice, however given, shall always be effective.
22. **Choice of Law.** This Agreement shall be interpreted under the substantive law of the State of Texas, without giving effect to its choice of law principles.
23. If Surety has or obtains collateral or letters of credit, Surety shall not have any obligations to release collateral or letters of credit or turn over the proceeds thereof until it shall have received a written release in form and substance satisfactory to Surety with respect to each and every Bond. Any collateral or letters of credit provided to Surety by any Indemnitors or any third party, or the proceeds thereof, may be applied to any Losses.
24. **Effect of Change in Status.** Indemnitors agree not to change or convert its respective individual, corporate or partnership status to either an LLC or an LLP or any other similar structure which has the effect of limiting, reducing or shielding the liability of the entity or its partners and/or officers hereunder, without the prior, express, written consent of Surety. Should any Indemnitors so change its respective corporate or partnership status without the prior, express, written consent of Surety, Indemnitors agree that such change in its status shall not limit, reduce or otherwise shield its obligations, its partners' and/or officers' obligations, to Surety which arise from this Agreement. Indemnitors hereby expressly waive as against Surety any and all defenses which may arise from such a conversion to a LLC, LLP or similar status.
25. **Special Provisions:**
26. **EACH OF THE INDEMNITORS REPRESENT TO THE SURETY THAT SUCH INDEMNITORS HAVE CAREFULLY READ THIS ENTIRE AGREEMENT, AND THERE ARE NO OTHER AGREEMENTS OR UNDERSTANDINGS WHICH IN ANY WAY LESSEN OR MODIFY THE OBLIGATIONS SET FORTH HEREIN. IN TESTIMONY HEREOF WE THE INDEMNITORS HAVE SET OUR HANDS AND FIXED OUR SEALS AS SET FORTH BELOW. THE SURETY'S ACCEPTANCE OF THIS AGREEMENT SHALL BE PRESUMED AND IS DEEMED EFFECTIVE BY ITS RECEIPT OF THIS AGREEMENT, ITS RELIANCE HEREON, OR BY ITS EXECUTION OF ANY BOND FOR THE INDEMNITORS OR ANY OF THEM, WITH OR WITHOUT THE SURETY'S SIGNATURE BEING AFFIXED THERETO.**

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**IF INDEMNITOR IS A CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP, SIGN BELOW:**

Instructions: If the entity is: 1) a corporation, the secretary and an authorized officer should sign on behalf of the corporation, 2) a limited liability company, the manager(s) or member(s) should sign on behalf of the LLC, 3) a partnership, the partner(s) should sign on behalf of the partnership, or 4) a trust, all trustees should sign. Two signatures are required for all entities and all signatures must be notarized and dated. Please provide the entity's federal tax identification number on the line provided.

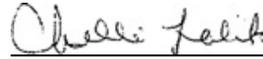
Each of the undersigned hereby affirms to the Surety as follows: I am a duly authorized official of the business entity Indemnitor on whose behalf I am executing this Agreement. In such capacity I am familiar with all of the documents which set forth and establish the rights which govern the affairs, power and authority of such business entity including, to the extent applicable, the certificate or articles of incorporation, bylaws, corporate resolutions and/or partnership, operating or limited liability agreements of such business entity. Having reviewed all such applicable documents and instruments and such other facts as deemed appropriate, I hereby affirm that such entity has the power and authority to enter into this Agreement and that the individuals executing this Agreement on behalf of such entity are duly authorized to do so.

GAIAM, INC.	84-1113527		
Indemnitor Name	Federal Tax ID #		Month/Date/Year
/s/ John Jackson	/s/ Vilia Valentine		4/20/2009
Signature of Authorized Official	Seal	Signature of Authorized Official	Seal
JOHN JACKSON, VICE PRESIDENT		VILIA VALENTINE, CHIEF FINANCIAL OFFICER	
Print or Type Name and Title		Print or Type Name and Title	

ACKNOWLEDGEMENT  
STATE OF COLORADO County of BOULDER

On this 20<sup>th</sup> day of April, 2009, before me personally appeared John Jackson, known or proven to me to be the Vice President of the entity executing the

foregoing instrument ("Entity") and Vilia Valentine, known or proven to me to be the CFO of the Entity, and they acknowledged said instrument to be the free and voluntary act and deed of said Entity, for the uses and purposes therein mentioned and on oath stated that the seal affixed is the seal of said Entity and that it was affixed and that they executed said instrument by authority of the Entity. IN WITNESS WHEREOF, I have hereunto set my hand and affixed my OFFICIAL SEAL the day and year first above written.



Notary Public residing at.  
(Commission expires

\_\_\_\_\_  
Louisville CO  
\_\_\_\_\_  
4-25-2012)

REAL GOODS SOLAR, INC.	26-1851813	
Indemnitor Name	Federal Tax ID #	Month/Date/Year
/s/ John Schaeffer	/s/ Erik Zech	4/16/09
Signature of Authorized Official	Seal	Signature of Authorized Official
JOHN SCHAEFFER, PRESIDENT		ERIK ZECH, CHIEF FINANCIAL OFFICER
Print or Type Name and Title		Print or Type Name and Title

ACKNOWLEDGEMENT  
STATE OF \_\_\_\_\_ County of \_\_\_\_\_

**Notary Certificate Attached**

On this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me personally appeared \_\_\_\_\_, known or proven to me to be the \_\_\_\_\_ of the entity executing the foregoing instrument ("Entity") and \_\_\_\_\_, known or proven to me to be the \_\_\_\_\_ of the Entity, and they acknowledged said instrument to be the free and voluntary act and deed of said Entity, for the uses and purposes therein mentioned and on oath stated that the seal affixed is the seal of said Entity and that it was affixed and that they executed said instrument by authority of the Entity. IN WITNESS WHEREOF, I have hereunto set my hand and affixed my OFFICIAL SEAL the day and year first above written.

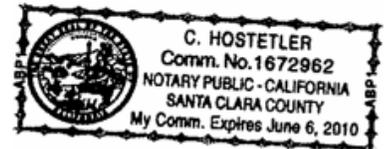
\_\_\_\_\_  
Notary Public residing at. \_\_\_\_\_  
(Commission expires \_\_\_\_\_)

REGRID POWER, INC.	20-2171343	
Indemnitor Name	Federal Tax ID #	Month/Date/Year
/s/ D. Thompson McCalmont	/s/ Darlene J. McCalmont	4/10/09
Signature of Authorized Official	Seal	Signature of Authorized Official
D. THOMPSON MCCALMONT, CHIEF EXECUTIVE OFFICER		DARLENE MCCALMONT, VICE PRESIDENT OPERATIONS
Print or Type Name and Title		Print or Type Name and Title

ACKNOWLEDGEMENT  
STATE OF CA County of SANTA CLARA

On this 10 day of April, 2009, before me personally appeared D.T. McCalmont, known or proven to me to be the CEO of the entity executing the foregoing instrument ("Entity") and Darlene McCalmont, known or proven to me to be the V.P. Operations of the Entity, and they acknowledged said instrument to be the free and voluntary act and deed of said Entity, for the uses and purposes therein mentioned and on oath stated that the seal affixed is the seal of said Entity and that it was affixed and that they executed said instrument by authority of the Entity. IN WITNESS WHEREOF, I have hereunto set my hand and affixed my OFFICIAL SEAL the day and year first above written.

/s/ C. Hostetler  
Notary Public residing at. \_\_\_\_\_ SANTA CLARA COUNTY  
(Commission expires \_\_\_\_\_ 6/6/2010)

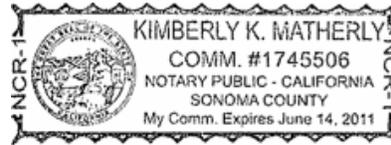


State of California  
County of Sonoma

On 4/16/2009 before me, Kimberly K. Matherly – Notary Public personally appeared John Schaeffer & Erik Zech, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



/s/ Kimberly K. Matherly

\*\*\*\*\*

CAPACITY CLAIMED BY SIGNER

- Individual
- Corporate President & CFO (Title)
- Partners -  Limited  General
- Attorney-in-fact
- Trustee(s)
- Guardian/Conservator
- Other \_\_\_\_\_

SIGNER IS REPRESENTING

Real Good Solar Inc.

This certificate attached to: Argonaut Ins. Co. General Indemnity Agreement.

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**FINAL ACCEPTANCE PAYMENT AND PERFORMANCE BOND**

KNOW ALL MEN BY THESE PRESENTS, that we Real Goods Energy Tech, Inc. D/B/A Real Goods Solar, Inc., as Principal (and Contractor), and Argonaut Insurance Company as Surety, are held and firmly bound unto BAL Solar Portfolio I, LLC ("Obligee") for the sum of Six Hundred Twenty Three Thousand Nine Hundred Forty Six and 20/100 (\$623,946.20), in good and lawful money of the United States of America, the payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THE OBLIGATION IS SUCH, That Whereas, the Principal entered into a certain Engineering, Procurement, and Construction Agreement dated June 16, 2012, with GASNA 14P, LLC (the "Contract", which shall have the same meaning as the "Agreement", as defined therein) for the Williamstown Solar Project ("Project")<sup>1</sup>.

NOW THEREFORE, if the said Principal shall fully perform, each, every and all of the terms and conditions of said Contract (including any amendments to the Contract) on the part of the said Principal to be kept performed, including but not limited to, compliance with all guarantees, warranties, indemnities, achievement of Provisional and Final Acceptance, the payment of liquidated damages, and all other obligations set forth in the Contract or its amendments (collectively, the "Obligations"), then this obligation shall be of no effect, but otherwise it shall remain in full force and effect, and Surety shall perform, cause to be performed (including without limitation correct any defective work, execute any required warranty work and satisfy all conditions required for Provisional and Final Acceptance, all in accordance with the Contract requirements) and/or otherwise financially satisfy said Obligations (including all damages incurred by Obligee due to Contractor's default). With respect to the performance of any work required and otherwise requested under this Bond, Surety shall, at its expense and the discretion of the Obligee (in addition to paying Obligee all damages incurred by Obligee as a result of Contractor's default), either: (a) arrange for the Contractor, with the consent of Obligee, to perform and complete the required Obligations; (b) obtain bids or negotiated proposals from qualified contractors acceptable to Obligee for a contract to perform and complete the Obligations, arrange for a contract to be prepared for execution by Obligee and a contractor selected with Obligee's concurrence, to be secured with performance and payment bonds executed by a qualified surety equivalent to the bonds issued on the Contract and which work shall all be paid for by Surety; (c) undertake to perform and complete the Obligations itself, through its agents or independent contractors; or (d) indemnify Obligee for all costs incurred by Obligee to perform and complete the Obligations on its own. This Final Acceptance Payment and Performance Bond (the "Bond") shall remain in effect during the period described below.

The term of this bond is for the period commencing February 15, 2013 and expiring on October 15, 2015, unless released by the Obligee prior thereto. However, the term of this bond may be renewed for an additional one-year period(s) by the issuance of a Continuation Certificate by the Surety.

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<sup>1</sup> All capitalized terms not defined herein shall have the same meaning as defined in the Contract.

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It is a condition hereof that any change, alteration, modification or amendment of any nature whatsoever that may be made in the terms of said Contract, any change in the character or scope of the work to be performed, or the method of performance, under said Contract or modification of said Contract or in the time for completion thereof, any change in the manner, time or amount of payment as provided therein, or any change that may be made in the performance of the work under said Contract, may be made without notice to the Surety, and without affecting the obligations of the Surety under this bond and without requiring the consent of the Surety, and no such change or changes shall release the Surety from any of its obligations hereunder, and the Surety hereby consents to and waives notice of any such change, alteration, modification or amendment.

Upon first demand of the Oblige, Surety unconditionally, expressly and irrevocably agrees to pay to Oblige making said demand the sum requested by Oblige within Thirty (30) calendar days from the date of such demand. Surety agrees that demand for payment or performance of the obligation to the Principal shall not be required prior to presentation of such demand for payment from the Surety and/or a condition precedent to the Surety's obligation to make payment to any Oblige under this Bond. Any demand for payment presented to Surety by the Oblige hereunder shall be a simple statement that shall state that the Principal is in breach of the Contract and shall also include the account information of the Oblige.

Any demands against Surety under this Bond should be made to:

Argonaut Insurance Company

225 W. Washington, 6<sup>th</sup> Floor

Attention: Surety Bond Claims

phone: 312-849-6992; email: contact@argosurety.com

Any legal proceedings arising under or otherwise related to this Bond may be instituted in any court of competent jurisdiction (federal or state) where the Project is located, which venue and jurisdiction the Surety expressly consents to for any dispute arising from or relating to the enforcement of this Bond.

Oblige may freely assign its rights, title and interest under the Bond to any person, firm, or entity.

Nothing herein shall in any way limit, cap or otherwise modify Contractor's obligations, financial and otherwise, under the Contract.

The Surety's total obligation shall not exceed the penal sum of this Bond.

IN WITNESS WHEREOF, the said Principal and Surety have hereunto set their hands and seals, this 15<sup>th</sup> day of February 2013.

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CONTRACTOR AS PRINCIPAL

Company: Real Goods Energy Tech, Inc.  
D/B/A Real Goods Solar, Inc. (Seal)

Signature: \_\_\_\_\_  
Name and Title: \_\_\_\_\_

Witness: \_\_\_\_\_

SURETY

Company: Argonaut Insurance Company (Seal)

Signature: /s/ Angela M. Tindol  
Name and Title: Angela M. Tindol, Attorney-in-Fact  
Attach Power of Attorney

Witness:  \_\_\_\_\_

(Any additional signatures appear on page attached)

FOR INFORMATION ONLY

AGENT OR BROKER:  
(Name, Address and Telephone)

Acknowledged and Accepted:

GASNA 14P, LLC

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_

**Argonaut Insurance Company**  
**Deliveries Only: 225 W. Washington, 6th Floor**  
**Chicago, IL 60606**

**United States Postal Service: P.O. Box 469011, San Antonio, TX 78246**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS: That the Argonaut Insurance Company, a Corporation duly organized and existing under the laws of the State of Illinois and having its principal office in the County of Cook, Illinois does hereby nominate, constitute and appoint:

Anuj Jain, Sheila J. Montoya, Charles McDaniel, Mona D. Weaver, Angela M. Tindol, John Browning

Their true and lawful agent(s) and attorney(s)-in-fact, each in their separate capacity if more than one is named above, to make, execute, seal and deliver for and on its behalf as surety, and as its act and deed any and all bonds, contracts, agreements of indemnity and other undertakings in suretyship provided, however, that the penal sum of any one such instrument executed hereunder shall not exceed the sum of:

\$25,000,000.00

This Power of Attorney is granted and is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of Argonaut Insurance Company:

“RESOLVED, That the President, Senior Vice President, Vice President, Assistant Vice President, Secretary, Treasurer and each of them hereby is authorized to execute powers of attorney, and such authority can be executed by use of facsimile signature, which may be attested or acknowledged by any officer or attorney, of the Company, qualifying the attorney or attorneys named in the given power of attorney, to execute in behalf of, and acknowledge as the act and deed of the Argonaut Insurance Company, all bond undertakings and contracts of suretyship, and to affix the corporate seal thereto.”

IN WITNESS WHEREOF, Argonaut Insurance Company has caused its official seal to be hereunto affixed and these presents to be signed by its duly authorized officer on the 15th day of June, 2012.

Argonaut Insurance Company

by: /s/ Michael E. Arledge  
Michael E. Arledge, President

STATE OF TEXAS  
COUNTY OF HARRIS SS:

On this 15th day of June, 2012 A.D., before me, a Notary Public of the State of Texas, in and for the County of Harris, duly commissioned and qualified, came THE ABOVE OFFICER OF THE COMPANY, to me personally known to be the individual and officer described in, and who executed the preceding instrument, and he acknowledged the execution of same, and being by me duly sworn, deposed and said that he is the officer of the said Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and the said Corporate Seal and his signature as officer were duly affixed and subscribed to the said instrument by the authority and direction of the said corporation, and that Resolution adopted by the Board of Directors of said Company, referred to in the preceding instrument is now in force.

IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my Official Seal at the County of Harris, the day and year first above written.



/s/ Stephanie Gunderson  
(Notary Public)

I, the undersigned Officer of the Argonaut Insurance Company, Illinois Corporation, do hereby certify that the original POWER OF ATTORNEY of which the foregoing is a full, true and correct copy is still in full force and effect and has not been revoked.

IN WITNESS WHEREOF, I have hereunto set my hand, and affixed the Seal of said Company, on the 15th day of February, 2013

/s/ Joshua C. Betz  
Joshua C. Betz, Vice President

**THIS DOCUMENT IS NOT VALID UNLESS PRINTED ON SHADED BACKGROUND WITH BLUE SERIAL NUMBER IN THE UPPER RIGHT HAND CORNER. IF YOU HAVE QUESTIONS ON AUTHENTICITY OF THIS DOCUMENT CALL (210) 321-8400.**

**SURETY BOND TO PROTECT AGAINST MECHANICS' LIEN CLAIM**

KNOW ALL MEN BY THESE PRESENTS, that we **Real Goods Energy Tech, Inc. D/B/A Real Goods Solar, Inc.**, a corporation organized and existing under the laws of the State of Illinois (as "Principal") and **International Fidelity Insurance Company**, duly authorized and qualified to become surety on bonds in the State of Vermont (as "Surety") are held and firmly bound unto **First American Title Insurance Company** (as "Obligee") in the penal sum of: **Four Hundred Fifty Six Thousand Four Hundred Fifty Nine and 77/100 (\$456,459.77)** for the payment of which, well and truly to be made, we hereby bind ourselves and each of us, our and each of our successors and assigns, jointly and severally, firmly by these presents.

The condition of the above obligation is such that, whereas, the Obligee is about to issue its guaranty policy or an endorsement thereto No. 5011450-0002292e upon and guaranteeing the title to the following described real estate, to wit:

**See Exhibit A attached hereto and made a part hereof.**

WHEREAS said Obligee, in its examination of the title to said real estate, has raised as exceptions to the title the following mentioned actual or supposed rights and interests, liens, claims, encumbrances, or defects in title, which now exist or may at any time be claimed to exist, against the premises hereinabove described or some part thereof, to wit:

Notice and Memorandum of Lien filed by **E.S.S., LLC**, against **GASNA 14P, LLC**, recorded on the 14th day of November, 2012, as Book No. 153 Page No. 267 of the Town of Williamstown, Vermont land records, in the amount of Three Hundred Four Thousand Three Hundred Six and 51/100 (\$304,306.51) ("Claim for Lien").

WHEREAS said Obligee has been requested to issue its guaranty policy as aforesaid, free and clear of all mention of said Claim for Lien; and

WHEREAS said Obligee may hereafter in the ordinary course of its business issue another policy or other policies, other endorsement or endorsements, in the form or forms now or then commonly used by said Obligee, guaranteeing the title to said premises or to some part or parts thereof or interest therein without mention of said Claim for Lien:

NOW, THEREFORE, if the said Principal shall forever fully protect, defend and save harmless said Obligee from and against the said Claim for Lien and from and against any and every suit, action or proceeding to enforce the same (to the extent that said Claim for Lien pertains to or concerns the above described real estate or any part thereof), and from any and all loss, costs, damages, attorneys' fees and expenses of every kind and nature which it may at any time or times suffer or incur under or by reason or consequences of said guaranty policy including endorsements thereto and (or) of any and every other policy or policies which it may at any time or times hereafter issue guaranteeing the title to said real estate or to any part or parts thereof or interest therein, on account of said Claim for Lien or on account of any rights asserted or which may be asserted thereunder, or on account of any mechanics' lien existing in favor of said Principal or of any person or persons claiming by, through or under said Principal, upon or against said real estate or as the results of any suit action or proceeding to enforce such lien or any part thereof; and shall, as against the assertion or attempted assertion of such lien on said real estate or any part thereof, or on account thereof, defend at its own cost and charges in behalf and for the protection of said Obligee and of the parties guaranteed, or who may be guaranteed by it under its said policy or policies (but without prejudice to the right of said Obligee to defend if it so elects), any and every suit, action or proceeding in which such lien or any part thereof may be asserted or attempted to be asserted upon or against said real estate or any part thereof or interest therein, then the above obligation be void; otherwise to remain in full force and virtue.

It is understood and agreed that the Surety's liability hereunder is limited to the penal sum of this bond.

Signed, sealed and dated this 18th day of February, 2013.

(Principal)

(Surety)

Real Goods Energy Tech, Inc. D/B/A Real Goods Solar, Inc.

International Fidelity Insurance Company

By: \_\_\_\_\_

By: /s/ Angela M. Tindol

Its: \_\_\_\_\_

Its: Angela M. Tindol, Attorney-in-Fact

# POWER OF ATTORNEY

## INTERNATIONAL FIDELITY INSURANCE COMPANY ALLEGHENY CASUALTY COMPANY

ONE NEWARK CENTER, 20TH FLOOR NEWARK, NEW JERSEY 07102-5207

**KNOW ALL MEN BY THESE PRESENTS:** That **INTERNATIONAL FIDELITY INSURANCE COMPANY**, a corporation organized and existing under the laws of the State of New Jersey, and **ALLEGHENY CASUALTY COMPANY** a corporation organized and existing under the laws of the State of Pennsylvania, having their principal office in the city of Newark, New Jersey, do hereby constitute and appoint

ANGELA HAUCK, JOHN BROWNING, CHARLES M. MCDANIEL, ANGELA M. TINDOL, MONA D. WEAVER, SHEILA J. MONTOYA, ANUJ JAIN

Denver, CO.

their true and lawful attorney(s)-in-fact to execute, seal and deliver for and on its behalf as surety, any and all bonds and undertakings, contracts of indemnity and other writings obligatory in the nature thereof, which are or may be allowed, required or permitted by law, statute, rule, regulation, contract or otherwise, and the execution of such instrument(s) in pursuance of these presents, shall be as binding upon the said INTERNATIONAL FIDELITY INSURANCE COMPANY and ALLEGHENY CASUALTY COMPANY, as fully and amply, to all intents and purposes, as if the same had been duly executed and acknowledged by their regularly elected officers at their principal offices.

This Power of Attorney is executed, and may be revoked, pursuant to and by authority of the By-Laws of INTERNATIONAL FIDELITY INSURANCE COMPANY and ALLEGHENY CASUALTY COMPANY and is granted under and by authority of the following resolution adopted by the Board of Directors of INTERNATIONAL FIDELITY INSURANCE COMPANY at a meeting duly held on the 20th day of July, 2010 and by the Board of Directors of ALLEGHENY CASUALTY COMPANY at a meeting duly held on the 15th day of August, 2000:

“RESOLVED, that (1) the President, Vice President, or Secretary of the Corporation shall have the power to appoint, and to revoke the appointments of, Attorneys-in-Fact or agents with power and authority as defined or limited in their respective powers of attorney, and to execute on behalf of the Corporation and affix the Corporation’s seal thereto, bonds, undertakings, recognizances, contracts of indemnity and other written obligations in the nature thereof or related thereto; and (2) any such Officers of the Corporation may appoint and revoke the appointments of joint-control custodians, agents for acceptance of process, and Attorneys-in-fact with authority to execute waivers and consents on behalf of the Corporation; and (3) the signature of any such Officer of the Corporation and the Corporation’s seal may be affixed by facsimile to any power of attorney or certification given for the execution of any bond, undertaking, recognizance, contract of indemnity or other written obligation in the nature thereof or related thereto, such signature and seals when so used whether heretofore or hereafter, being hereby adopted by the Corporation as the original signature of such officer and the original seal of the Corporation, to be valid and binding upon the Corporation with the same force and effect as though manually affixed.”

IN WITNESS WHEREOF, INTERNATIONAL FIDELITY INSURANCE COMPANY and ALLEGHENY CASUALTY COMPANY have each executed and attested these presents on this 12th day of March, 2012.



STATE OF NEW JERSEY  
County of Essex

/s/ Robert W. Minster

ROBERT W. MINSTER  
Executive Vice President/Chief Operating Officer  
(International Fidelity Insurance Company)  
and President (Allegheny Casualty Company)



On this 12th day of March 2012, before me came the individual who executed the preceding instrument, to me personally known, and, being by me duly sworn, said he is the therein described and authorized officer of INTERNATIONAL FIDELITY INSURANCE COMPANY and ALLEGHENY CASUALTY COMPANY; that the seals affixed to said instrument are the Corporate Seals of said Companies; that the said Corporate Seals and his signature were duly affixed by order of the Boards of Directors of said Companies.

IN TESTIMONY WHEREOF, I have hereunto set my hand affixed my Official Seal, at the City of Newark, New Jersey the day and year first above written.

/s/ Cathy Vazquez

A NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires Mar. 27, 2014



### CERTIFICATION

I, the undersigned officer of INTERNATIONAL FIDELITY INSURANCE COMPANY and ALLEGHENY CASUALTY COMPANY do hereby certify that I

have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Sections of the By-Laws of said Companies as set forth in said Power of Attorney, with the originals on file in the home office of said companies, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 18th day of February, 2013.

/s/ Maria H. Branco

MARIA BRANCO, Assistant Secretary

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**Argonaut Insurance Company**  
Deliveries Only:  
225 W. Washington, 24<sup>th</sup> Floor  
Chicago, IL 60606  
United States Postal Service:  
P.O. Box 469011, San Antonio, TX 78246

Bond No. SUR00220555

**CONTINUATION CERTIFICATE**

In consideration of **Seventeen Thousand and No/100 (\$17,000.00)** dollars renewal premium, the term of Bond No. SUR00220555 in the amount of **Six Hundred Twenty Three Thousand Nine Hundred Forty Six and 20/100 dollars (\$623,946.20)**, issued on behalf of **Real Goods Energy Tech, Inc. d/b/a Real Goods Solar, Inc., as Principal**, whose address is **360 Interlocken Blvd., Broomfield, CO 80021**, in favor of **BAL Solar Portfolio I, LLC, as Obligee**, whose address is **50 California Street, Suite 280, San Francisco, CA 94105**, in connection with **a certain EPC Agreement dated June 16, 2012 for the Williamstown Solar Project** is hereby extended to **December 31, 2016**, subject to all covenants and conditions of said bond.

This certificate is designed to extend only the term of the bond. It does not increase the amount which may be payable thereunder. The aggregate liability of the Company under the said bond together with this certificate shall be exactly the same as, and no greater than it would have been, if the said bond had originally been written to expire on the date to which it is now being extended.

Signed, sealed and dated: October 13, 2015

Argonaut Insurance Company

By: /s/ Joseph R. Poplawski  
**Joseph R. Poplawski, Attorney-in-Fact**

**Argonaut Insurance Company  
Deliveries Only: 225 W. Washington, 24th Floor  
Chicago, IL 60606  
United States Postal Service: P.O. Box 469011, San Antonio, TX 78246**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS: That the Argonaut Insurance Company, a Corporation duly organized and existing under the laws of the State of Illinois and having its principal office in the County of Cook, Illinois does hereby nominate, constitute and appoint:

Lars LaBere, Jessica Mann, Joseph R. Poplawski

Their true and lawful agent(s) and attorney(s)-in-fact, each in their separate capacity if more than one is named above, to make, execute, seal and deliver for and on its behalf as surety, and as its act and deed any and all bonds, contracts, agreements of indemnity and other undertakings in suretyship provided, however, that the penal sum of any one such instrument executed hereunder shall not exceed the sum of:

\$39,000,000.00

This Power of Attorney is granted and is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of Argonaut Insurance Company:

"RESOLVED, That the President, Senior Vice President, Vice President, Assistant Vice President, Secretary, Treasurer and each of them hereby is authorized to execute powers of attorney, and such authority can be executed by use of facsimile signature, which may be attested or acknowledged by any officer or attorney, of the Company, qualifying the attorney or attorneys named in the given power of attorney, to execute in behalf of, and acknowledge as the act and deed of the Argonaut Insurance Company, all bond undertakings and contracts of suretyship, and to affix the corporate seal thereto."

IN WITNESS WHEREOF, Argonaut Insurance Company has caused its official seal to be hereunto affixed and these presents to be signed by its duly authorized officer on the 18th day of July, 2013.



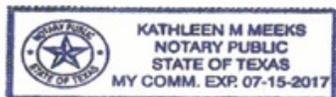
Argonaut Insurance Company

by: /s/ Joshua C. Betz  
Joshua C. Betz, Senior Vice President

STATE OF TEXAS  
COUNTY OF HARRIS SS:

On this 18th day of July, 2013 A.D., before me, a Notary Public of the State of Texas, in and for the County of Harris, duly commissioned and qualified, came THE ABOVE OFFICER OF THE COMPANY, to me personally known to be the individual and officer described in, and who executed the preceding instrument, and he acknowledged the execution of same, and being by me duly sworn, deposed and said that he is the officer of the said Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and the said Corporate Seal and his signature as officer were duly affixed and subscribed to the said instrument by the authority and direction of the said corporation, and that Resolution adopted by the Board of Directors of said Company, referred to in the preceding instrument is now in force.

IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my Official Seal at the County of Harris, the day and year first above written.



/s/ Kathleen M. Meeks  
(Notary Public)

I, the undersigned Officer of the Argonaut Insurance Company, Illinois Corporation, do hereby certify that the original POWER OF ATTORNEY of which the foregoing is a full, true and correct copy is still in full force and effect and has not been revoked.

IN WITNESS WHEREOF, I have hereunto set my hand, and affixed the Seal of said Company, on the 15<sup>th</sup> day of October, 2015.



/s/ Sarah Heineman  
Sarah Heineman, VP-Underwriting Surety

**THIS DOCUMENT IS NOT VALID UNLESS THE WORDS ARGO POWER OF ATTORNEY AND THE SERIAL NUMBER IN THE UPPER RIGHT HAND CORNER ARE IN BLUE, AND THE DOCUMENT IS ISSUED ON WATERMARKED PAPER. IF YOU HAVE QUESTIONS ON AUTHENTICITY OF THIS DOCUMENT CALL (210) 321-8400.**



**CERTIFICATION**

I, Dennis Lacey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Real Goods Solar, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 22, 2016

/s/ Dennis Lacey  
Dennis Lacey  
Chief Executive Officer  
(principal executive officer)

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**CERTIFICATION**

I, Alan Fine, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Real Goods Solar, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 22, 2016

/s/ Alan Fine

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Alan Fine  
General Manager Operations, Treasurer and Principal  
Financial Officer

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**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Real Goods Solar, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2016, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis Lacey, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 22, 2016

/s/ Dennis Lacey  
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Dennis Lacey  
Chief Executive Officer  
(principal executive officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

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**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Real Goods Solar, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2016, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Alan Fine, General Manager Operations, Treasurer and Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 22, 2016

/s/ Alan Fine

Alan Fine

General Manager Operations, Treasurer and Principal  
Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

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