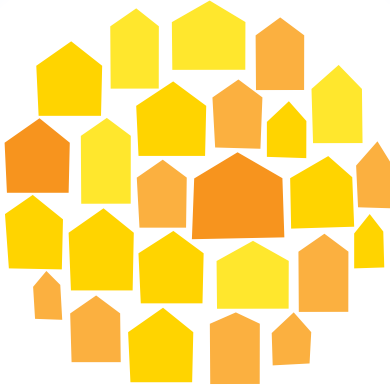


2013 Annual Benefit Report



suncommon



Timeline

October 2013
Hired employee #28

April 2013
Celebrated first anniversary

December 31, 2012
First year ends with 50% residential market share statewide

June 2012

- SunCommon sells 100th solar system
- First annual SunCommon Solstice Celebration
- Certified as BCorp

February, 2012
First 16 employees move into The Energy Mill to begin building our company

2010
VPIRG Energy pilot project begins

2014

December 2013

- SunCommon installs first school solar system at Crossett Brook Middle School
- First profitable year

June 2013

- Q2 first profitable quarter
- Published first Annual Benefit Report
- Elected Benefit Director
- Conducted first Annual Investors Meeting

February 2013

Expanded to Franklin and Grand Isle Counties

2013

November 2012

Our first profitable month

October 2012

Expand into Addison County

March 2012

- First SunCommon customer goes solar
- SunCommon holds media launch with the Governor to announce operations in Chittenden County, Washington County, and Stowe

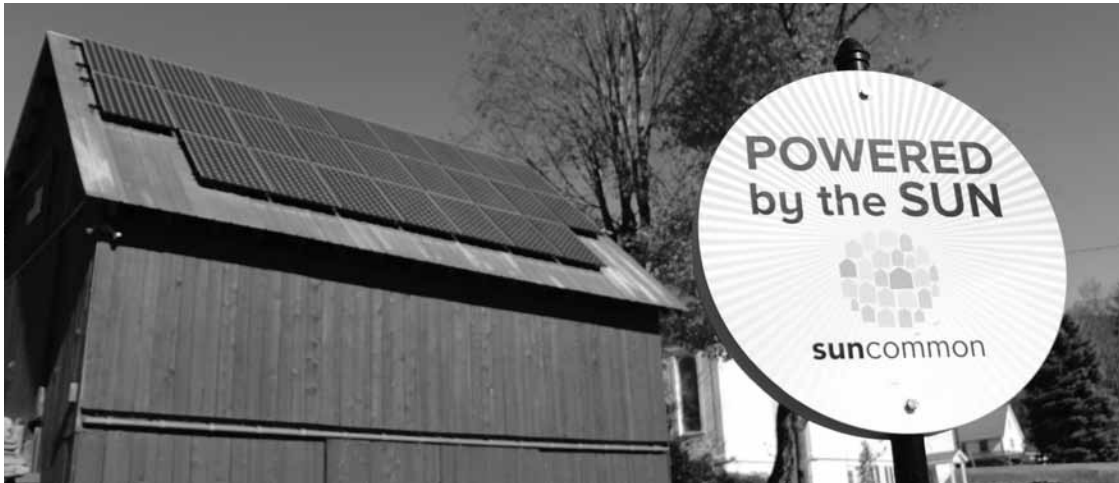
2012

December 19, 2011

SolarCommunities, Inc. (DBA SunCommon) incorporates

2011

2010



SolarCommunities, Inc. (DBA SunCommon)

2013 Annual Benefit Report

Introduction

SunCommon believes that everyone has the right to a healthy environment and safer world. Our mission is to tear down the barriers that have made renewable energy inaccessible. We intend to repower our communities one home, one school and one business at a time. We make going solar easy and affordable so that all Vermonters can together create a healthy environment and safer world.

Chartered as Vermont's ninth Benefit Corporation, SunCommon attends to the triple bottom line of people, planet, and profit. Driven by our mission, we gauge our success not only by the profit we make, but also by our ability to do right by our workers, the communities in which we operate and the habitats that sustains us.

In accordance with Vermont law, this report provides details regarding SunCommon's standing as a Benefit Corporation and the progress that we've made to positively impact society and the environment. Specifically, this report discloses:

- **Overview of the Company including required information regarding our directors and officers;**
- **Goals for creating a public benefit and the obstacles and outcomes associated with those goals;**
- **Specific actions we will take to improve our social and environmental impact; and**
- **Shareholder-approved goals for achieving public benefits in the next year.**



About the Company

HISTORY

SolarCommunities, Inc. (doing business as SunCommon) is the outgrowth of a successful pilot program that operated within the Vermont Public Interest Research Group (VPIRG), the state's largest consumer and environmental advocacy organization. The project created a volume of consumers interested in solar in specific communities to create efficiencies that dramatically reduced the cost. In just one year, that effort helped more than 300 Vermont families get on the road to solar.

VPIRG's Board of Trustees believed from the beginning that the scale required to meet the demand for solar would require a scale inappropriate for the non-profit and that a separate entity would be needed. To avoid conflicts of interest with the new entity's partners, including utilities whose policies VPIRG needs to be free to confront, VPIRG chose to entirely separate from the new entity that would become SunCommon. Hence, SunCommon was born at the end of 2011 as an independent Benefit Corporation.

PHILOSOPHY OF BUSINESS

SunCommon is Vermont's ninth Benefit Corporation with a legal charter that directs us to attend to the triple bottom line of people, planet and profit. Typically, businesses in America are actually required by law to maximize shareholder profit. Benefit Corporations put their investors, employees, neighbors and all stakeholders on notice that while we intend to make a profit so that we can invest in the business and grow — we also will do right by our workers, the communities in which we operate and the habitats that sustain us.

We compensate our workers well and offer generous employee benefits. Our offices are in an intentionally designed space that burns no fossil fuel but generates all the sustainable energy we need on site, in a building constructed largely from local and reused materials. And we've secured a fleet of high-mileage hybrid and electric vehicles to minimize our transportation-related footprint.

Among the joys of running a company is the ability to apply our personal values to every business decision we make. We won't always get it right the first time, but we are committed to operating this business to benefit our people and our planet.



Overview of Company Structure

DIRECTORS AND OFFICERS

SunCommon is governed by a three-member Board of Directors. The role of the Board of Directors is to approve SunCommon’s business plan and budget, and to set the compensation of the Company’s Co-Presidents.

SunCommon’s three-member Board of Directors is comprised of:

Duane Peterson, Co-President — Duane is a social entrepreneur with an eclectic 35-year career in socially responsible business, campaign management, government service and community involvement. He most recently co-directed the successful VPIRG Energy project, SunCommon’s predecessor — after serving as Chief of Stuff at Ben & Jerry’s for 12 years tasked with executing Ben Cohen’s creative vision. Committed to advancing values-led business models, he’s a member of the national Social Venture Network, Vermont Venture Network and Vermont Businesses for Social Responsibility.

James Moore, Co-President — James has dedicated his professional career to helping create a clean energy future. With deep experience in energy policy, clean energy technology and government relations, James is in charge of solar design, sales, and government relations at SunCommon. He worked in Washington State, Connecticut, Florida, New Jersey, Washington D.C., New Hampshire and New Mexico before moving to Vermont in 2004. James directed VPIRG’s Clean Energy Program and co-directed, with Duane, the successful VPIRG Energy project.

As Co-Presidents of the Company, Mr. Peterson and Mr. Moore each own 40% of the shares of SunCommon in common stock. Twenty investors hold preferred shares totaling 20% of the Company’s equity.

Katie Langrock, Benefit Director — Katie Langrock is the Chief Operating Officer at commando. She previously served 16 years, including as COO, at Vermont Teddy Bear Company after opening store #19 for Staples. SunCommon benefits from Katie’s deep experience in growth phase business development, operations, supply chain and customer service.

As the Company’s Designated Benefit Director, Ms. Langrock is legally required to offer her opinion as to whether SunCommon provided a public benefit during the year covered by this annual report. This opinion is required to affirm whether the directors and officers acted in accordance with the law. As an Independent Director, Ms. Langrock was granted stock options totaling .5% of the outstanding shares vested over 4 years.

See Ms. Langrock’s opinion in her role as Designated Benefit Director, printed on page 12.

Our Second Year — Summary of Successes and Challenges

In our second year, SunCommon led the adoption of solar in Vermont and continued our trajectory of growth. The Company expanded our area of operations to include the counties of Grand Isle and Franklin, in addition to our existing territories of Chittenden, Washington, and Addison Counties (and Stowe). Furthermore, SunCommon's innovative financial offering of no money down and an affordable monthly bill that can save customers money remained in high demand from Vermonters. As a result, SunCommon was able to help 439 homeowners go solar, totaling over 2.6 megawatts of installed renewable energy in Vermont.

This success did not come without challenges. Among the steepest obstacles we had to overcome was the cessation of the lease financing option which had fueled the bulk of SunCommon's sales. SunCommon brought the first-ever rooftop solar lease to Vermont, offering solar power to homeowners with no upfront cost and a money-saving monthly bill. In August 2013, SunPower (the lessor) re-priced its solar lease beyond what consumers would pay. Having been so successful creating dramatic volume with this consumer financing option, we could not fully predict the impact that the loss of the lease would have on our business. Thankfully, SunCommon's sales team quickly discovered what mattered most to Vermonters seeking to go solar was our game-changing offer of no upfront cost and a low monthly payment that saves them money. The solar program we developed with the New England Federal Credit Union provided that affordable opportunity and, as it turned out, our customers were agnostic regarding what was in the financing black box. So the Company was able to maintain our accelerated pace of helping homeowners go solar.

The other major hurdle to providing this opportunity to as many Vermonters as possible came when some Vermont utilities suspended additional residential solar in their territories. State law required utilities to enable net metering for their customers to 4% of the utility's historic peak load (only about 1% of their actual annual energy use). During the fourth quarter of 2013, 4 of the state's 14 utilities hit their cap on allowing customers to go solar, suspending the acceptance of new solar permits and forcing SunCommon to pause sales in that turf. As addressing this issue requires a change to state law, SunCommon will work closely with legislators, regulators, utilities, other solar companies, and the Governor's administration to fashion a consensus remedy which will fuel the next three years of solar expansion throughout Vermont. In the meantime, SunCommon has focused our efforts on the bulk of the state whose utilities were under the cap (including Green Mountain Power which serves 70% of the state's electricity customers).

Despite the obstacles, SunCommon was able to further establish our position as the leading solar installer in the state, claiming 61% of the market share in the areas where we do business. We continued to provide high quality green jobs, expanding the number of our direct employees from 24 to 28 and contract installers to 31. And we ended the year in the black, achieving profitability in just our second year of existence.



Public Benefit Goals and Outcome

As a Benefit Corporation, SunCommon measures our success by our ability to create tangible public benefits. While there is certainly overlap between our bottom line and our desire to do good, this section details our goals from a public benefit perspective.

INCREASE THE USE OF CLEAN, RENEWABLE ENERGY IN VERMONT

SunCommon believes that everyone has a right to a healthier environment and safer world. Unfortunately, dependence on dirty energy like coal, propane and oil pollutes our environment, overheats the planet, and jeopardizes the health and safety of our communities. Recognizing that Vermont and our country must aggressively begin to move away from fossil fuels, SunCommon works to make renewable energy both affordable and accessible so that all Vermonters can take part in repowering our homes, schools, and businesses.

In 2013, SunCommon made significant inroads towards this goal. Over the course of the year, we installed solar on 439 Vermont homes and sold solar arrays to 71 homeowners whose installations will be completed in 2014. Additionally, SunCommon took on two non-residential projects. Green Mountain Power selected SunCommon to install the renewable solar and wind power generating equipment on the utility's Energy Innovation Center in Rutland. And we installed a 157kW solar orchard at the Crossett Brook Middle School in Waterbury — making it the most solarized school in Vermont. In total, SunCommon's residential and non-residential installations represent more than 2.8 megawatts of solar in Vermont.

When we began in 2012, there had been approximately 1500 solar systems built in Vermont over the prior decade. In our first 2 years, SunCommon added 608.

Obstacles

Solar for All Vermonters

This vast increase in solar adoption in Vermont was made possible by SunCommon's innovative financing options which give all homeowners — not just the well-to-do — the financial ability to go solar. As mentioned above, the loss of the lease — SunCommon's most popular financing option — presented a serious concern. Thankfully, we also had in place a very favorable solar loan program negotiated with the New England Federal Credit Union that allowed us to install for free and still offer a comfortable monthly payment. In the end, consumers were taken by SunCommon's game-changing offer of no upfront cost and a money-saving monthly bill, regardless of which financing mechanism was used to achieve that.



The continued popularity of our offering has created a demand that stretches from the far reaches of the Northeast Kingdom to the southern edges of our state. Vermonters from every region are excited to go solar. However, in order to maintain our efficiencies and keep the cost of solar affordable, SunCommon is committed to strategically and gradually expand the territories in which we operate. In 2013, we were able to make our services available to the residents of Grand Isle and Franklin counties as well as accommodate some homeowners in Lamoille County near our headquarters. Still, SunCommon recognizes that many more Vermonters are anxious to go solar and we are equally anxious to aid them in their efforts.

In addition to not being able to serve all areas of the state, during the fourth quarter of 2013 utility issues prevented SunCommon from being able to install solar in pockets of our covered territories. As described above, four of the state's fourteen utilities stopped allowing customers to net meter, effectively making solar financially out of reach for homeowners within those utility districts. This issue requires a legislative fix and SunCommon will play a lead role in this upcoming legislative debate.

And lastly, roughly 40% of the homeowners who want to go solar with SunCommon simply do not have viable sites. This includes, but isn't limited to, homes that don't have enough roof space or sun exposure or are surrounded by trees that can't be removed. Denying 40% of homeowners the ability to power their homes with renewable energy undermines SunCommon's mission to repower the state one home at a time. We are working to launch a solution that makes solar available to all Vermonters.

Other Forms of Energy

To date, SunCommon has done a remarkable job of increasing the adoption of solar electricity in Vermont. However, we recognize that electricity represents only a third of the energy crisis we're facing as a state and country. If we are serious about tackling global warming, then we must identify solutions for our heat and transportation sources as well.



Goals for 2014

- **Address net metering caps in the Legislature** — SunCommon will work with the Administration, legislators, utilities, and others to pass a law that will fuel the next three years of solar expansion in Vermont. Our trade association, Renewable Energy Vermont, has named SunCommon's co-president James Moore as point person in the Statehouse to shepherd this through.
- **Expand our offerings to other parts of the state** — As mentioned above, SunCommon is anxious to expand our offerings to the rest of Vermont. However, in order to maintain our efficiencies and keep our costs low, we must be judicious when considering where to go next. In 2014, SunCommon will open up our services to Orange, Windsor, and Rutland Counties.
- **Launch a Community Solar Array (CSA) program** — SunCommon is committed to making clean energy available to Vermonters whose homes are not optimal sites for solar. To do this, SunCommon will launch a CSA program that will allow these homeowners to participate in a community array that will offset or replace their utility bill.
- **Launch a solar home heating and cooling program** — Recognizing the importance of addressing other dirty energy sources, SunCommon will offer solar home heating and cooling to our customers in 2014. This unit will provide a clean source of heating and cooling, significantly offset the oil and propane bills of our customers, and save Vermonters big money year over year.

PROVIDE QUALITY GREEN JOBS AND BUILD COMPANY CULTURE

SunCommon firmly believes that our employees are the heart and soul of the enterprise. Unlike traditional corporations that prioritize maximizing short-term profit above all else, SunCommon believes that investing time and money in employees makes for a happier, healthier, and more productive workforce.

SunCommon's success has spurred the growth of our staff. SunCommon opened our doors in 2012 with 16 employees, growing to 24 by the beginning of 2013. At the end of that year, 28 Vermonters worked at SunCommon as direct employees while another 31 work on our solar jobs at subcontractors Peck Electric and SolSource. Add to this the significant business we give to local vendors — including graphic designers, accountants, lawyers, vehicle dealers, printers and others — and the community impact of SunCommon's success is even greater.



As a Benefit Corporation, SunCommon takes pride that the majority of our expenses go toward personnel costs. We pay our employees competitive wages, invest in their professional development, and offer a generous benefits package including health insurance, dental insurance, a 401k match, and paid vacation and sick time. In 2014, SunCommon will be moving onto the Health Care Exchange. At that time, we will pay for 100% of the health care premiums for our employees and their families, in addition to offering up to \$6,000 a year towards health care deductible expenses. Supporting the policy of single payer universal healthcare coverage, SunCommon essentially acts as single payer to provide our employees and their families the peace of mind we hope all Vermonters will have soon. These costs are significant. Yet SunCommon feels very strongly that taking care of our employees in this way is simply the right thing to do, while offering powerful recruiting and retention benefits that ultimately support our bottom line.

Building a company culture that inspires innovation and creates a sense of community is, in our eyes, equally important to employee satisfaction. Over a third of SunCommon's employees (Solar Community Organizers and Solar Advisors) spend most of their work time away from the office out in the field. To foster the culture we seek, we bring the entire workforce in every Monday. It begins with an All-Company meeting, which begins with personal reflections and then business updates so that each employee is aware of our progress, opportunities and challenges. We share open book financials and celebrate not just achievements but mistakes as well, towards creating an open atmosphere where honesty, transparency and learning are revered. We provide catered lunch those days, so that employees can interact over a meal and connect across Teams. Our annual employee evaluations include inputs from 360-degrees. Each Team conducts an annual offsite — to design process improvements, plan their roles in new product launches and develop deeper work bonds. And SunCommon employees organize frequent social events (including in 2013 a spring prom, luau, Solstice Celebration and Halloween costume party) to make coming to work an even more joyful experience.

In 2013, the Company also participated in the Best Places to Work competition that offered an anonymous survey to each employee to gauge their overall satisfaction at work. The results of the survey indicate that our employees are genuinely happy at SunCommon and appreciate the benefits we offer. SunCommon's placement in the competition awaited 2014.

Goals for 2014

- **Create more green jobs** — In 2014, we anticipate that we will hire an additional 22 employees as SunCommon expands its efforts to help homeowners go solar.
- **Develop a profit-sharing program** — As mentioned above, SunCommon's second year in business was a profitable one. We believe that the success was the result of the hard work and dedication of our staff. To that end, SunCommon did share a portion of the profits with employees. However, more thought will be given toward the development of a transparent and long-term profit-sharing program. In 2014, SunCommon will work to develop that program and have it in place in advance of the year's end.
- **Maintain culture as we expand** — We've learned through the annual employment evaluations, exit interviews and employee surveys that SunCommon's company culture is dear to our people. Maintaining that during our rapid growth is a challenge we acknowledge and work to manage. Our employee growth increasingly will be in the farther reaches of our state, further stressing the maintenance of the culture we've sought to build. Our Leadership Team is deeply committed to nurturing this culture and intends to maintain focus even as operational demands from this growing business continue.
- **Transportation** — While there's lots to like about our net-zero offices which speak to our Company's values, the Waterbury Center location is off the beaten track. Our employees travel some distance from the population centers of Burlington and Montpelier. We intend to consider how to lessen our transportation footprint through increasing use of carpools, commuter vanpool and telecommuting.

BE AN ACTIVE AND ENGAGED MEMBER OF THE COMMUNITY

SunCommon firmly believes that businesses should be active and engaged members of the communities in which we operate. This commitment is reflected in every business decision we make — from the vendors we support to the care and respect that we show our customers. For instance, SunCommon does not engage in traditional advertising. Rather, we hire trained community organizers who make presentations to Vermonters interested in going solar — at local libraries, brown bag lunches for businesses, civic groups, places of faith, town governments, farmers markets — any place we can gather 5 to 200 people. In 2013, SunCommon also sponsored a variety of community events including the Vermont International Film Festival and the Sustainable Living Exposition.

Additionally, SunCommon took a public policy position against the natural gas pipeline proposed for Addison County. SunCommon's very purpose is to help Vermonters repower our state with clean, safe, renewable energy. To reverse climate change, the time is now to move beyond fossil fuels. Yet this pipeline would lock in our state's addiction to carbon-based fuels for decades to come, even as a clean and affordable option is readily available. So, SunCommon joined 90 other Vermont businesses in a filing with the Public Service Board opposing this pipeline

Goals for 2014

- **Develop a structured way to determine issue advocacy** — As a values-led business, SunCommon has an opportunity to use our voice in the public debate over issues that effect our triple bottom line of people, planet and profit. Our involvement there to date has been ad hoc. In 2014, we will develop guidelines to help us assess on which issues we will engage.
- **Develop a donation policy** — As a profitable and going concern, SunCommon has the opportunity to share our financial success to further our values. In the upcoming year, we endeavor to establish guidelines for Company giving.



DEVELOP AND IMPLEMENT POLICIES AND PRACTICES THAT REFLECT OUR COMMITMENT TO PLANET AND PEOPLE

In 2012, SunCommon made significant progress towards developing the start of a sustainability program that would guide and shape business decisions across the Company. Our broad goal for 2013 was to implement many of the policies that were drafted in the previous year. Understanding that those policies and practices cannot be implemented in a vacuum and that our staff must be actively engaged in this process in order to ensure widespread adoption, SunCommon will form a Benefit-Team (B-Team). The B-Team will be charged with furthering the Company's desire to do right by our workers, the communities in which we operate, and the habitat that sustains us.

Obstacles

While it was our intent to form the B-Team and begin the process of implementation in 2013 (our second year of operation), the growth of SunCommon and the day-to-day operations left little capacity to focus on the sustainability program. The conscious decision was made to prioritize the core mission of the Company — to make renewable energy accessible to Vermonters so that we can repower the state one home at a time. However, SunCommon has hired more employees to help absorb the day-to-day work, freeing up the Company's capacity to dedicate more time to the program.

SunCommon earned recognition as a Certified BCorp in 2012 (see the resulting Impact Report on page 12). BCorp performance standards enable people to support businesses that align with their values. Like LEED is for buildings and organic is for food, BCorp certification for a business signals that rigorous standards have been met and that we're actually walking the walk. This certification has been noted by customers, employment candidates, business partners and vendors. BCorp certification is good for two years and we anticipated undergoing reassessment in 2014. Regrettably, SunCommon failed to understand that such a third-party assessment of our social and environmental performance is required annually under the Vermont law governing Benefit Corporations such as ours.

Goals for 2014

- **Annual third-party assessment** — SunCommon will conduct a BCorp certification assessment annually.
- **Create a B-Team and implement sustainability policies** — SunCommon will move the sustainability program forward by forming the B-Team. The B-Team will focus their efforts on implementing the drafted policies, guiding the direction of SunCommon's sustainability work and cultivating buy-in from employees across the Company.



Conclusion

SunCommon's second year of operation was a successful one that resulted in the dramatic increase of solar adoption in Vermont and the creation of quality green jobs. We believe that new product lines in 2014, together with the expansion of our core residential solar offering, will fuel SunCommon's ability to help many more Vermonters be part of repowering our state. We look forward to our continued growth as a Benefit Corporation that is deeply rooted to our triple bottom line of people, planet, and profit.

Appendix A

2013 Benefit Statement

It is my opinion that Suncommon has acted in accordance with its general public benefit purpose in all material respects during 2013 and that the Directors and Officers acted in accordance with the Vermont Benefit Corporations Act. The 2013 Benefit Report gives evidence to the work that Suncommon has done in 2013 to support the triple bottom line of people, planet and profit.

Katie Langrock
Suncommon Benefit Director

SunCommon 2012 B Impact Report



	Company Score	Average Score*
Overall B Score	103	80
Environment	41	9
Environmental Products & Services (e.g. Renewable energy, recycling)	30	4
Environmental Practices	11	6
Land, Office, Plant	6	4
Energy, Water, Materials	4	2
Emissions, Water, Waste	<1	1
Suppliers & Transportation	N/A	N/A
Workers	26	22
Compensation, Benefits & Training	18	15
Worker Ownership	3	2
Work Environment	2	4
Community	19	32
Community Products & Services	0	15
Community Practices	19	15
Suppliers & Distributors	6	4
Local	9	5
Diversity	N/A	2
Job Creation	2	2
Civic Engagement & Giving	N/A	4
Governance	17	10
Accountability	12	6
Transparency	5	3
Overall	103	80

80 out of 200 is eligible for certification. *Of all businesses that have completed the B Impact Assessment (/benchmarks).



Map of systems installed by region 2012–2013



■ Celebrating our 2nd year! ◆

We believe that everyone has the right to solar



In 2013, SunCommon:

helped 439 families go solar

saved the energy of 2,034 tons of carbon annually or 209,703 gallons of gasoline

created 59 jobs for Vermonters

Note: This infographic reflects SunCommon's accomplishments from January 2013 to December 2013.



suncommon



Join Us As we work to repower Vermont with 90% renewable energy suncommon.com