SPARK ENERGY, INC.

FORM 10-Q
(Quarterly Report)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

☐ **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: 001-36559

Spark Energy, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**46-5453215**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

12140 Wickchester Ln, Suite 100
Houston, Texas 77079

(Address of principal executive offices)

(713) 600-2600
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☐ Accelerated filer ☐

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

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

There were 6,496,559 shares of Class A common stock and 10,224,742 shares of Class B common stock outstanding as of November 8, 2016 .

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PART 1. — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SPARK ENERGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2016 AND DECEMBER 31, 2015
(in thousands)
(unaudited)

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 16,907	$ 4,474
Accounts receivable, net of allowance for doubtful accounts of $1.9 million as of September 30, 2016 and December 31, 2015, respectively	79,744	59,936
Accounts receivable—affiliates	2,836	1,840
Inventory	3,725	3,665
Fair value of derivative assets	1,536	605
Customer acquisition costs, net	15,565	13,389
Customer relationships, net	19,042	6,627
Prepaid assets (1)	1,515	700
Deposits	8,158	7,421
Other current assets	10,717	4,023
Total current assets	159,745	102,680
Property and equipment, net	4,866	4,476
Fair value of derivative assets	318	—
Customer acquisition costs, net	4,531	3,808
Customer relationships, net	24,478	6,802
Non-current deferred tax assets	56,101	23,380
Goodwill	79,556	18,379
Other assets	8,136	2,709
Total assets	$ 337,731	$ 162,234
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 34,964	$ 29,732
Accounts payable—affiliates	2,598	1,962
Accrued liabilities	31,744	12,245
Fair value of derivative liabilities	13,762	10,620
Current portion of Senior Credit Facility	49,269	27,806
Contingent consideration for acquisitions - current	11,325	500
Current portion of note payable	13,445	—
Other current liabilities	3,662	1,323
Total current liabilities	160,769	84,188
Long-term liabilities:		
Fair value of derivative liabilities	1,467	618
Long-term payable pursuant to tax receivable agreement—affiliates	50,625	20,713
Long-term portion of Senior Credit Facility	—	14,592
Non-current deferred tax liability	—	853
Convertible subordinated notes to affiliate	6,542	6,339
Contingent consideration for acquisitions	7,611	—
Other long-term liabilities	—	1,612
Total liabilities	227,014	128,915
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common Stock:		
Class A common stock, par value $0.01 per share, 120,000,000 shares authorized, 6,496,559 issued and outstanding at September 30, 2016 and 3,118,623 issued and outstanding at December 31, 2015	65	31
Class B common stock, par value $0.01 per share, 60,000,000 shares authorized, 10,224,742 issued and outstanding at September 30, 2016 and 10,750,000 issued and outstanding at December 31, 2015	103	108
Preferred Stock:		
Preferred stock, par value $0.01 per share, 20,000,000 shares authorized, zero issued and outstanding at September 30, 2016 and December 31, 2015	—	—
Additional paid-in capital	23,476	12,565
Accumulated other comprehensive loss	(33)	—
Retained deficit	(681)	(1,366)
Total stockholders' equity	22,930	11,338

Non-controlling interest in Spark HoldCo, LLC		87,787		21,981
Total equity		110,717		33,319
Total liabilities and stockholders' equity	$	337,731	$	162,234

(1) Prepaid assets includes prepaid assets—affiliates of less than $1 and $210 as of September 30, 2016 and December 31, 2015 , respectively. See Note 12 "Transaction with Affiliates" for further discussion.

(2) See Note 4 "Equity" for disclosure of our variable interest entity in Spark HoldCo, LLC.

The accompanying notes are an integral part of the condensed consolidated financial statements.

SPARK ENERGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016 (1)	2015 (2)	2016 (1)	2015 (2)
Revenues:				
Retail revenues	$ 157,986	$ 91,812	$ 378,063	$ 261,996
Net asset optimization (expenses) revenues (3)	108	(545)	(42)	1,317
Total Revenues	158,094	91,267	378,021	263,313
Operating Expenses:				
Retail cost of revenues (4)	122,830	60,967	248,593	176,000
General and administrative (5)	18,009	15,493	55,188	43,909
Depreciation and amortization	8,295	7,557	23,337	17,873
Total Operating Expenses	149,134	84,017	327,118	237,782
Operating income	8,960	7,250	50,903	25,531
Other (expense)/income:				
Interest expense	(1,270)	(800)	(2,855)	(1,415)
Interest and other income	240	5	340	326
Total other expenses	(1,030)	(795)	(2,515)	(1,089)
Income before income tax expense	7,930	6,455	48,388	24,442
Income tax expense	1,129	580	6,852	1,599
Net income	$ 6,801	$ 5,875	$ 41,536	$ 22,843
Less: Net income attributable to non-controlling interests	6,618	4,561	34,839	18,959
Net income attributable to Spark Energy, Inc. stockholders	$ 183	$ 1,314	$ 6,697	$ 3,884
Other comprehensive loss, net of tax:				
Currency translation loss	$ (12)	$ —	$ (73)	$ —
Other comprehensive loss	(12)	—	(73)	—
Comprehensive income	$ 6,789	$ 5,875	$ 41,463	$ 22,843
Less: Comprehensive income attributable to non-controlling interests	6,611	4,561	34,799	18,959
Comprehensive income attributable to Spark Energy, Inc. stockholders	$ 178	$ 1,314	$ 6,664	$ 3,884
Net income (loss) attributable to Spark Energy, Inc. per share of Class A common stock				
Basic	$ 0.03	$ 0.42	$ 1.23	$ 1.27
Diluted	$ (0.04)	$ 0.31	$ 1.05	$ 1.09
Weighted average shares of Class A common stock outstanding				
Basic	6,491	3,097	5,434	3,053
Diluted	7,055	14,232	6,050	13,948

(1) Financial information has been recast to include results attributable to the acquisition of Major Energy Companies by an affiliate on April 15, 2016. See Notes 2 and 3 "Basis of Presentation" and "Acquisitions," respectively, for further discussion.

(2) Financial information has been recast to include results attributable to the acquisition of Oasis Power Holdings LLC from an affiliate on May 12, 2015. See Notes 2 "Basis of Presentation" for further discussion.

(3) Net asset optimization (expenses) revenues includes asset optimization revenues—affiliates of $0 and $263 for the three months ended September 30, 2016 and 2015 , respectively, and asset optimization revenues—affiliates cost of revenues of $0 and $3,382 for the three months ended September 30, 2016 and 2015 , respectively and asset optimization revenues—affiliates of $154 and $928 for the nine months ended September 30, 2016 and 2015 , respectively, and asset optimization revenue—affiliates cost of revenues of $1,633 and $9,589 for the nine months ended September 30, 2016 and 2015 , respectively.

(4) Retail cost of revenues includes retail cost of revenues—affiliates of $0 for the three months ended September 30, 2016 and 2015, respectively, and less than $100 for the nine months ended September 30, 2016 and 2015 respectively.

(5) General and administrative includes general and administrative expense—affiliates of $3,078 and $0 for the three months ended September 30, 2016 , and 2015 , respectively, and $11,521 and $100 for the nine months ended September 30, 2016 and 2015 , respectively.

The accompanying notes are an integral part of the condensed consolidated financial statements.

SPARK ENERGY, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(in thousands)
(unaudited)

	Issued Shares of Class A Common Stock	Issued Shares of Class B Common Stock	Issued Shares of Preferred Stock	Class A Common Stock	Class B Common Stock	Accumulated Other Comprehensive Income (Loss)	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at December 31, 2015	3,119	10,750	—	$ 31	$ 108	$ —	$ 12,565	$ (1,366)	$ 11,338	$ 21,981	$ 33,319
Stock based compensation	—	—	—	—	—	—	1,737	—	1,737	—	1,737
Restricted stock unit vesting	153	—	—	2	—	—	1,060	—	1,062	—	1,062
Excess tax benefit related to restricted stock vesting	—	—	—	—	—	—	186	—	186	—	186
Consolidated net income (1)	—	—	—	—	—	—	—	6,697	6,697	34,839	41,536
Foreign currency translation adjustment for equity method investee	—	—	—	—	—	(33)	—	—	(33)	(40)	(73)
Beneficial conversion feature	—	—	—	—	—	—	243	—	243	—	243
Distributions paid to non-controlling unit holders	—	—	—	—	—	—	—	—	—	(26,284)	(26,284)
Contribution of the Major Energy Companies in excess of cash	—	—	—	—	—	—	—	—	—	6,040	6,040
Dividends paid to Class A common stockholders	—	—	—	—	—	—	—	(6,012)	(6,012)	—	(6,012)
Proceeds from disgorgement of stockholder short-swing profits	—	—	—	—	—	—	941	—	941	—	941
Tax impact from tax receivable agreement upon exchange of units of Spark HoldCo, LLC to shares of Class A Common Stock	—	—	—	—	—	—	4,028	—	4,028	—	4,028
Exchange of shares of Class B common stock to shares of Class A common stock	3,225	(3,225)	—	32	(32)	—	2,716	—	2,716	(2,716)	—
Issuance of Class B Common Stock	—	2,700	—	$ —	$ 27	$ —	$ —	$ —	$ 27	$ 53,967	$ 53,994
Balance at September 30, 2016	6,497	10,225	—	$ 65	$ 103	$ (33)	$ 23,476	$ (681)	$ 22,930	$ 87,787	$ 110,717

(1) Financial information has been recast to include results attributable to the acquisition of the Major Energy Companies from an affiliate on August 23, 2016. See Notes 2 and 3 "Basis of Presentation" and "Acquisitions," respectively, for further discussion.

The accompanying notes are an integral part of the condensed consolidated financial statements.

SPARK ENERGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2016 (1)	2015 (2)
Cash flows from operating activities:		
Net income	$ 41,536	$ 22,843
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization expense	32,743	17,873
Deferred income taxes	1,408	872
Stock based compensation	4,027	1,992
Amortization of deferred financing costs	465	295
Change in fair value of CenStar Earnout	843	—
Bad debt expense	842	6,082
Loss on derivatives, net	(2,887)	6,118
Current period cash settlements on derivatives, net	(18,693)	(15,120)
Other	314	21
Changes in assets and liabilities:		
Decrease in restricted cash	—	707
Decrease in accounts receivable	21,147	18,566
(Increase) decrease in accounts receivable—affiliates	(997)	(216)
Decrease in inventory	568	2,978
Increase in customer acquisition costs	(10,234)	(17,725)
(Increase) decrease in prepaid and other current assets	(923)	11,110
Increase in intangible assets—customer relationships	—	(2,776)
Decrease (increase) in other assets	733	(256)
Decrease in accounts payable and accrued liabilities	(6,490)	(14,610)
Increase in accounts payable—affiliates	636	849
Decrease in other current liabilities	(1,783)	(1,534)
(Decrease) increase in other non-current liabilities	(1,612)	1,606
Net cash provided by operating activities	61,643	39,675
Cash flows from investing activities:		
Purchases of property and equipment	(1,763)	(1,255)
Acquisition of CenStar and Oasis net assets	—	(41,234)
Acquisition of Major Energy Companies and Provider Companies net assets	(30,507)	—
Payment of CenStar Earnout	(1,343)	—
Investment in eREX Spark Marketing Joint Venture	(562)	(330)
Net cash used in investing activities	(34,175)	(42,819)
Cash flows from financing activities:		
Borrowings on the Senior Credit Facility	47,923	52,225
Payments on the Senior Credit Facility	(44,601)	(38,000)
Contributions from NuDevco	—	129
Proceeds from issuance of Class B common stock	13,995	—
Proceeds from disgorgement of stockholders short-swing profits	941	—
Issuance of convertible subordinated notes to affiliate	—	7,075
Restricted stock vesting	(1,183)	(265)
Excess tax benefit related to restricted stock vesting	185	—
Payment of dividends to Class A common stockholders	(6,012)	(3,333)
Payment of distributions to non-controlling unitholders	(26,283)	(11,691)
Net cash (used in) provided by financing activities	(15,035)	6,140
Increase in cash and cash equivalents	12,433	2,996
Cash and cash equivalents—beginning of period	4,474	4,359

Cash and cash equivalents—end of period	$	16,907	$	7,355
Supplemental Disclosure of Cash Flow Information:				
Non-cash items:				
Issuance of Class B common stock to affiliates for Major Energy Companies acquisition	$	40,000	$	—
Contingent consideration - earnout obligations incurred in connection with the Provider Companies and Major Energy Companies acquisitions	$	18,936	$	—
Assumption of legal liability in connection with the Major Energy Companies acquisition	$	5,000	$	—
Contribution of the Major Energy Companies in excess of cash	$	6,040	$	—
Installment consideration incurred in connection with the Provider Companies acquisition	$	3,023	$	—
Property and equipment purchase accrual	$	64	$	11
Liability due to tax receivable agreement	$	(29,912)	$	—
Tax benefit from tax receivable agreement	$	33,124	$	—
Cash paid during the period for:				
Interest	$	1,450	$	1,061
Taxes	$	3,783	$	157

(1) Financial information has been recast to include results attributable to the acquisition of the Major Energy Companies from an affiliate on August 23, 2016. See Notes 2 and 3 "Basis of Presentation" and "Acquisitions," respectively, for further discussion.
(2) Financial information has been recast to include results attributable to the acquisition of Oasis Power Holdings LLC by an affiliate on May 12, 2015. See Notes 2 "Basis of Presentation" for further discussion.

The accompanying notes are an integral part of the condensed consolidated financial statements.

SPARK ENERGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Formation and Organization

Organization

Spark Energy, Inc. ("Spark Energy," "Company," "we" or "us") is an independent retail energy services company that provides residential and commercial customers in competitive markets across the United States with an alternative choice for natural gas and electricity. The Company is a holding company whose sole material asset consists of units in Spark HoldCo, LLC (“Spark HoldCo”). Spark HoldCo owns all of the outstanding membership interests or shares in each of Spark Energy, LLC (“SE”), Spark Energy Gas, LLC (“SEG”), Oasis Power Holdings, LLC ("Oasis"), CenStar Energy Corp. ("CenStar"), Electricity Maine, LLC, Electricity N.H., LLC and Provider Power Mass, LLC (collectively, the "Provider Companies"); and Major Energy Services, LLC, Major Energy Electric Services, LLC, and Respond Power, LLC (collectively, the "Major Energy Companies"), the operating subsidiaries through which the Company operates. The Company is the sole managing member of Spark HoldCo, is responsible for all operational, management and administrative decisions relating to Spark HoldCo’s business and consolidates the financial results of Spark HoldCo and its subsidiaries.

SE is a licensed retail electric provider in multiple states. SE provides retail electricity services to end-use retail customers, ranging from residential and small commercial customers to large commercial and industrial users. SE was formed on February 5, 2002 under the Texas Revised Limited Partnership Act (as recodified by the TBOC) and was converted to a Texas limited liability company on May 21, 2014.

SEG is a retail natural gas provider and asset optimization business competitively serving residential, commercial and industrial customers in multiple states. SEG was formed on January 17, 2001 under the Texas Revised Limited Partnership Act (as recodified by the TBOC) and was converted to a Texas limited liability company on May 21, 2014.

Oasis, through its operating subsidiary, Oasis Power LLC, is a retail energy provider formed on August 28, 2009 as a limited liability company under the TBOC. We acquired Oasis on July 31, 2015 from an affiliate.

CenStar is a retail energy provider incorporated on July 18, 2008 under the New York Business Corporation Law. We acquired CenStar on July 8, 2015.

The Provider Companies operate as retail energy providers. Electricity Maine, LLC, Electricity N.H., LLC, and Provider Power Mass, LLC were formed on June 17, 2010, January 20, 2012 and August 22, 2012, respectively, as limited liability companies under the Maine Limited Liability Company Act. We acquired the Provider Companies on August 1, 2016.

The Major Energy Companies operate as retail energy providers. Major Energy Services, LLC, Major Energy Electric Services, LLC and Respond Power, LLC were formed on October 11, 2005, September 12, 2007 and July 11, 2008, respectively, as limited liability companies under the New York Limited Liability Company Law. We completed the purchase of all the outstanding membership interests of the Major Energy Companies on August 23, 2016 from an affiliate, as described in Note 2.

We are a Delaware corporation formed on April 22, 2014 for the purpose facilitating an initial public offering ("IPO") of our Class A common stock, par value $0.01 per share ("Class A common stock"), and to become the sole managing member of, and to hold an ownership interest in, Spark HoldCo. In connection with our IPO, NuDevco Retail Holdings LLC ("NuDevco Retail Holdings") formed NuDevco Retail, LLC (“NuDevco Retail”), a single member limited liability company, on May 29, 2014, to hold the remaining Spark HoldCo units and shares of our Class B common stock, par value $0.01 per share ("Class B common stock"). In January 2016, Retailco, LLC

("Retailco") succeeded to the interest of NuDevco Retail Holdings of its Class B common stock and an equal number of Spark HoldCo units it held pursuant to a series of transfers. See Note 4 “Equity” for further discussion.

W. Keith Maxwell, III is the owner of a majority in voting power of our common stock through his ownership of NuDevco Retail and Retailco. Retailco is a wholly owned subsidiary of TxEx Energy Investments, LLC ("TxEx"), which is wholly owned by Mr. Maxwell. NuDevco Retail is a wholly owned subsidiary of NuDevco Retail Holdings, which is a wholly owned subsidiary of Electric HoldCo, LLC, which is also a wholly owned subsidiary of TxEx.

Emerging Growth Company Status

As a company with less than $1.0 billion in revenues during its last fiscal year, the Company qualifies as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other regulatory requirements.

The Company will remain an “emerging growth company” until as late as the last day of the Company's 2019 fiscal year, or until the earliest of (i) the last day of the fiscal year in which the Company has $1.0 billion or more in annual revenues; (ii) the date on which the Company becomes a “large accelerated filer” (the fiscal year-end on which the total market value of the Company’s common equity securities held by non-affiliates is $700 million or more as of June 30); (iii) the date on which the Company issues more than $1.0 billion of non-convertible debt over a three -year period.

As a result of the Company's election to avail itself of certain provisions of the JOBS Act, the information that the Company provides may be different than what you may receive from other public companies in which you hold an equity interest.

Exchange and Registration Rights

The Spark HoldCo Limited Liability Company Agreement provides that anytime the Company issues a new share of Class A or Class B common stock (except for issuances of Class A common stock upon an exchange of Class B common stock), Spark HoldCo will concurrently issue a limited liability company unit either to the holder of the Class B common stock or to the Company in the case of the issuance of shares of Class A common stock. As a result, the number of Spark HoldCo units held by the Company always equals the number of shares of Class A common stock outstanding.

Each share of Class B common stock, all of which are held by NuDevco Retail and Retailco, has no economic rights but entitles the holder to one vote on all matters to be voted on by stockholders generally. Holders of Class A common stock and Class B common stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law or by our certificate of incorporation.

NuDevco Retail and Retailco have the right to exchange (the “Exchange Right”) all or a portion of their Spark HoldCo units (together with a corresponding number of shares of Class B common stock) for Class A common stock (or cash at Spark Energy, Inc.’s or Spark HoldCo’s election (the “Cash Option”)) at an exchange ratio of one share of Class A common stock for each Spark HoldCo unit (and corresponding share of Class B common stock) exchanged. In addition, NuDevco Retail and Retailco have the right, under certain circumstances, to cause the Company to register the offer and resale of NuDevco Retail's and Retailco's shares of Class A common stock obtained pursuant to the Exchange Right. Retail Acquisition Co., LLC ("RAC") is entitled to similar registration rights under the CenStar Note and Oasis Note. Refer to Note 7 "Debt" for further discussion.

2. Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements (“interim statements”) of the Company have been prepared in accordance with accounting principles generally accepted in the United States

(“GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC"), and include all wholly owned subsidiaries. This information should be read in conjunction with our consolidated financial statements and notes contained in our annual report on Form 10-K for the year ended December 31, 2015 . The Company's unaudited condensed consolidated financial statements are presented on a consolidated basis and include all wholly-owned and controlled subsidiaries. We account for investments over which we have significant influence but not a controlling financial interest using the equity method of accounting.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Effects on the business, financial condition and results of operations resulting from revisions to estimates are recognized when the facts that give rise to the revision become known. The information furnished herein reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the condensed consolidated financial statements. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the full year or for any interim period.

Transactions with Affiliates

The Company also enters into transactions with and pays certain costs on behalf of affiliates that are commonly controlled by W. Keith Maxwell III, and these affiliates enter into transactions with and pay certain costs on our behalf, in order to reduce risk, reduce administrative expense, create economies of scale, create strategic alliances and supply goods and services among these related parties.

These transactions include, but are not limited to, employee benefits provided through the Company’s benefit plans, insurance plans, leased office space, administrative salaries for management due diligence work, recurring management consulting, and accounting, tax, legal, or technology services based on services provided, departmental usage, or headcount, which are considered reasonable by management. As such, the accompanying condensed consolidated financial statements include costs that have been incurred by the Company and then directly billed or allocated to affiliates, and costs that have been incurred by our affiliates and then directly billed or allocated to us, and are recorded net in general and administrative expense on the condensed consolidated statements of operations with a corresponding accounts receivable—affiliates or accounts payable—affiliates, respectively, recorded in the condensed consolidated balance sheets. Additionally, the Company enters into transactions with certain affiliates for sales or purchases of natural gas and electricity, which are recorded in retail revenues, retail cost of revenues and net asset optimization revenues in the condensed consolidated statements of operations with a corresponding accounts receivable—affiliate or accounts payable—affiliate in the condensed consolidated balance sheets. The allocations and related estimates and assumptions are described more fully in Note 12 “Transactions with Affiliates.”

Presentation of the Acquisition of Oasis Power Holdings, LLC

On May 12, 2015, RAC, an affiliate of the Company, completed the acquisition of 100% of the membership interests of Oasis. Also, on May 12, 2015, Spark HoldCo entered into a Membership Interest Purchase Agreement (the "Oasis Purchase Agreement") with RAC for the purchase of all the membership interests of Oasis. Spark HoldCo completed the acquisition of Oasis from RAC on July 31, 2015. Because the acquisition of Oasis was a transfer of equity interests of entities under common control, the Company's historical financial statements reflect operations of Oasis from May 12, 2015 to July 31, 2015. The unaudited condensed consolidated financial statements for this recast period had been prepared from RAC's historical cost-basis and may not necessarily be indicative of the actual results of operations that would have occurred had the Company owned Oasis during the recast period.

Presentation of the Acquisition of Major Energy Companies

On April 15, 2016, National Gas & Electric, LLC (“NG&E”), an affiliate of the Company , completed the acquisition of 100% of the membership interests of Major Energy Companies. On May 3, 2016, Spark HoldCo and Retailco entered into a Membership Interest Purchase Agreement (the "Major Purchase Agreement") with NG&E for the purchase of all of the membership interests of the Major Energy Companies. Spark HoldCo and Retailco completed the acquisition of the Major Energy Companies from NG&E on August 23, 2016. Because the acquisition of the Major Energy Companies was a transfer of equity interests of entities under common control, the Company's historical financial statements have been recast in this Form 10-Q to include the results attributable to Major Energy Companies from April 15, 2016. The unaudited condensed consolidated financial statements for this recast period have been prepared from Major Energy Companies' historical cost-basis and may not necessarily be indicative of the actual results of operations that would have occurred had the Company owned the Major Energy Companies during the recast period.

Subsequent Events

Subsequent events have been evaluated through the date these financial statements are issued. Any material subsequent events that occurred prior to such date have been properly recognized or disclosed in the condensed consolidated financial statements. See Note 14 “Subsequent Events” for further discussion.

Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported earnings.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB") issued Accounting Standards Update (“ASU”) No. 2014-09 ("ASU 2014-09"), *Revenue from Contracts with Customers (Topic 606)* , which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* , which deferred the effective date to periods beginning after December 15, 2017. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016. The Company is selecting a transition method and determining the effect of the standard on its ongoing financial reporting.

The FASB issued additional amendments to ASU 2014-09, as amended by ASU 2015-14:

- March 2016 - ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU 2016-08"). ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to customers.
- April 2016 - ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* ("ASU 2016-10"). ASU 2016-10 covers two specific topics: performance obligations and licensing. This amendment includes guidance on immaterial promised goods or services, shipping or handling activities, separately identifiable performance obligations, functional or symbolic intellectual property licenses, sales-based and usage-based royalties, license restrictions (time, use, geographical) and licensing renewals.
- May 2016 - ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients* ("ASU 2016-12"). ASU 2016-12 clarifies certain core recognition principles including collectability, sales tax presentation, noncash consideration, contract modifications and completed contracts at transition and disclosures no longer required if the full retrospective transition method is adopted.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* (“ASU 2015-11”). ASU 2015-11 amends existing guidance to require subsequent measurement of inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. Earlier application is permitted as of the beginning of an interim or annual reporting period. The Company does not expect the adoption of ASU 2015-11 will have a material effect on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02") . ASU 2016-02 amends existing accounting standards for lease accounting by requiring entities to include substantially all leases on the balance sheet by requiring the recognition of right-of-use assets and lease liabilities for all leases. Entities may elect to not recognize leases with a maximum possible term of less than 12 months. For lessees, a lease is classified as finance or operating and the asset and liability are initially measured at the present value of the lease payments. For lessors, accounting for leases is largely unchanged from previous guidance. ASU 2016-02 also requires qualitative disclosures along with certain specific quantitative disclosures for both lessees and lessors. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, with early adoption permitted, and are effective for interim periods in the year of adoption. The ASU should be applied using a modified retrospective approach, which requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718)* ("ASU 2016-09"). ASU 2016-09 includes provisions intended to simplify various aspects of accounting for shared-based payments, including income tax consequences, classification of awards as either equity or liability and classification on the statement of cash flows. Under current U.S. GAAP, excess tax benefits are currently recorded in equity and presented as a financing activity on the statement of cash flows. Upon adoption, excess tax benefits for share-based payments will be recorded as a reduction of income taxes and reflected in operating cash flows. This guidance is effective for annual and interim reporting periods of public entities beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 requires entities to use a current expected credit loss ("CECL") model, which is a new impairment model based on expected losses rather than incurred losses. The model requires financial assets measured at amortized cost be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected credit losses during the period. The measurement of expected losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This guidance is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted for annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 provides guidance on the presentation and classification of eight specific cash flow issues in the statement of cash flows. Those issues are cash payment for debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instrument or other debt instrument with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; cash proceeds from the settlement of insurance claims, cash received from settlement of corporate-owned life insurance policies; distribution received from equity method investees; beneficial interest in securitization transactions; and classification of cash receipts and payments that have aspects of more than one class of cash flows. The guidance is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. This ASU should be applied using a retrospective transition method for each period presented. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* (“ASU 2016-16”). ASU 2016-16 requires immediate recognition of the current and deferred income tax consequences of intercompany asset transfers other than inventory. Current U.S. GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This guidance is effective for annual and interim reporting periods of public entities beginning after December 15, 2017, with early adoption permitted as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. This ASU should be applied using a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

3. Acquisitions

Acquisition of the Provider Companies

On August 1, 2016, the Company and Spark HoldCo completed the purchase of all of the outstanding membership interests of the Provider Companies. The Provider Companies serve electrical customers in Maine, New Hampshire and Massachusetts. The purchase price for the Provider Companies was approximately $34.1 million , which included $1.3 million in working capital, subject to adjustments, and up to $9.0 million in earnout payments, valued at $4.8 million as of the purchase date, to be paid by June 30, 2017, subject to the achievement of certain performance targets (the "Provider Earnout"). See Note 8 "Fair Value Measurements" for further discussion on the Provider Earnout. The purchase price was funded by the issuance of 699,742 shares of Class B common stock (and a corresponding number of Spark HoldCo units) sold to Retailco, valued at $14.0 million based on a value of $20 per share; borrowings under the Senior Credit Facility of $10.6 million ; and $3.8 million in net installment consideration to be paid in ten monthly payments that commenced in August 2016. The first payment of $0.4 million was made with the initial consideration paid. See Note 7 "Debt" for further discussion of the Senior Credit Facility.

The acquisition of the Provider Companies has been accounted for under the acquisition method in accordance with ASC 805, *Business Combinations* (“ASC 805”) . The allocation of purchase consideration was based upon the estimated fair value of the tangible and identifiable intangible assets acquired and liabilities assumed in the acquisition. The allocation was made to major categories of assets and liabilities based on management’s best estimates, supported by independent third-party analyses. The excess of the purchase price over the estimated fair value of tangible and intangible assets acquired and liabilities assumed was allocated to goodwill. The allocation of the purchase consideration is as follows (in thousands):

Cash	$	51
Net working capital, net of cash acquired		1,229
Intangible assets - customer relationships and non-compete agreements		24,417
Intangible assets - trademark		529
Goodwill		26,040
Fair value of derivative liabilities		(18,163)
Total	**$**	**34,103**

The fair values of intangible assets were measured primarily based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined by ASC 820, *"Fair Value Measurement"* ("ASC 820"). The fair value of derivative liabilities were measured by utilizing readily available quoted market prices and non-exchange-traded contracts fair valued using market price quotations available through brokers or over-the-counter and on-line exchanges and represent a Level 2 measurement as defined by ASC 820. Refer to Note 8 "Fair Value Measurements" for further discussion on the fair values hierarchy. Significant inputs for Level 3 measurements were as follows:

Customer relationships. The customer relationships, reflective of the Provider Companies' customer base, were valued using an excess earnings method under the income approach. Using this method, the Company estimated the future cash flows resulting from the existing customer relationships, considering attrition as well as charges for contributory assets, such as net working capital, intangible assets, and assembled workforce. These future cash flows were then discounted using an appropriate risk-adjusted rate of return to arrive at the present value of the expected future cash flows. These customer relationships were bifurcated between unhedged and hedged and will be amortized to depreciation and amortization based on the expected future net cash flows by year and expensed to Retail cost of revenues based on the expected term of the underlying fixed price contract acquired in each reporting period, respectively.

Trademark. The fair value of the Provider Companies' trademark is reflective of the value associated with the recognition and reputation of the Provider Companies to its target markets. The fair value of the trademark was estimated using the income approach. Under this approach, the Company estimated the expected trademark royalty revenue by analyzing market royalty rates of comparative trademark agreements and applying an expected royalty rate to estimate royalty revenue. Such estimated royalty revenue was then added to the forecast of the Provider Companies' revenue, which was then discounted using an appropriate risk adjusted rate of return. The trademark is being amortized over the estimated five -year life of the asset on a straight-line basis.

Non-compete agreements. The non-compete agreements provide the Company with a certain level of assurance that the Provider Companies' expected earnings stream will not be disrupted by competition from Provider Companies' previous members. The fair value of the non-compete agreements was determined using the differential valuation approach. Under this approach, the Company estimated the present value of expected future cash flows under two scenarios; one scenario assumes the non-compete agreements are in place and the other scenario assumes the absence of non-compete agreements. The resulting difference between the two scenarios is the implied value of the non-compete agreements, which was further adjusted by an estimated probability factor representing the likelihood that previous members of the Provider Companies would be successful competitors.

Goodwill. The excess of the purchase consideration over the estimated fair value of the amounts initially assigned to the identifiable assets acquired and liabilities assumed was recorded as goodwill. Goodwill arose on the acquisition of the Provider Companies primarily due the value of its assembled workforce, along with access to new utility service territories. Goodwill recorded in connection with the acquisition of the Provider Companies is deductible for income tax purposes because the Provider Companies was an acquisition of all of the assets of the Provider Companies. The valuation and purchase price allocation of the Provider Companies was based on a preliminary fair value analysis. The Company anticipates adjustments to the working capital amounts that are expected to be finalized prior to the measurement period's expiration.

The Company’s condensed consolidated statements of operations for the three and nine months ended September 30, 2016, respectively, included $19.6 million of revenue and $6.9 million of losses from operations related to the operations of the Provider Companies. We have not included pro forma information for the Provider Companies acquisition because it did not have a material impact on our financial position or results of operations.

Acquisition of the Major Energy Companies

On August 23, 2016, the Company and Spark HoldCo completed the transfer of all of the outstanding membership interests of the Major Energy Companies, which are retail energy companies operating in Connecticut, Illinois, Maryland (including the District of Columbia), Massachusetts, New Jersey, New York, Ohio, and Pennsylvania across 43 utilities, from NG&E in exchange for consideration of $63.2 million , which included $4.3 million in working capital, subject to adjustments; an assumed litigation reserve of $5.0 million , and up to $35.0 million in installment and earnout payments, valued at $13.1 million as of the purchase date, to be paid to the previous members of the Major Energy Companies, in annual installments on March 31, 2017, 2018 and 2019, subject to the achievement of certain performance targets (the “Major Earnout”). In addition, the Company is obligated to issue up to 200,000 shares of Class B common stock (and a corresponding number of Spark HoldCo units) to NG&E, subject to the achievement of certain performance targets, valued at $0.8 million (40,718 shares valued at $20 per share) as of the purchase date (the "Stock Earnout"). See Note 8 “Fair Value Measurements” for further discussion on the Major Earnout and Stock Earnout. The purchase price was funded by the issuance of 2,000,000 shares of Class B common stock (and a corresponding number of Spark HoldCo units) valued at $40.0 million based on a value of $20 per share, to NG&E. NG&E is owned by W. Keith Maxwell, III, our Chairman of the Board, founder and majority shareholder.

The acquisition of the Major Energy Companies by the Company and Spark HoldCo from NG&E was a transfer of equity interests of entities under common control on August 23, 2016. Accordingly, the assets acquired and liabilities assumed were based on their historical values as of August 23, 2016. NG&E acquired the Major Energy Companies on April 15, 2016 and the fair value of the net assets acquired were as follows (in thousands):

Cash	$	17,368
Property and equipment		14
Intangible assets - customer relationships & non-compete agreements		24,271
Other assets - trademarks		4,973
Non-current deferred tax assets		1,042
Goodwill		35,137
Net working capital, net of cash acquired		(6,345)
Fair value of derivative liabilities		(7,260)
Total	$	69,200

The initial working capital estimate paid to the Major Energy Companies by NG&E was $10.3 million . The Company subsequently paid $4.3 million in working capital to NG&E. Approximately $6.0 million was recorded as an equity transaction and treated as a contribution.

Goodwill was transferred based on the acquisition of the Major Energy Companies by NG&E on April 15, 2016 and was primarily due to the Major Energy Companies brand strength, established vendor relationships and access to new utility service territories. Goodwill recorded in connection with the transfer of the Major Energy Companies is deductible for income tax purposes.

The Major Energy Companies contributed revenues of $47.6 million and earnings of $5.2 million to the Company for the three month period ending September 30, 2016; and contributed revenues of $80.8 million and earnings of $5.6 million to the Company for the nine month period ending September 30, 2016.

The following unaudited pro forma revenue and earnings summary presents consolidated information of the Company as if the acquisition had occurred on January 1, 2015 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue	$158,094	$136,590	$434,997	$411,357
Earnings	$2,878	$2,567	$17,071	$6,503

The pro forma results are not necessarily indicative of our consolidated results of operations in future periods or the results that actually would have been realized had the companies operated on a combined basis during the periods presented. The revenue and earnings for the three months ended September 30, 2016 reflects actual results of operations since the financial results were fully combined during that period. The pro forma results include adjustments primarily related to amortization of acquired intangibles, and certain accounting policy alignments as well as direct and incremental acquisition related costs reflected in the historical financial statements. The preliminary purchase price allocation was used to prepare the pro forma adjustments. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments.

4. Equity

Non-controlling Interest

The Company holds an economic interest and is the sole managing member in Spark HoldCo, with NuDevco Retail and Retailco holding the remaining economic interest in Spark HoldCo. As a result, the Company has consolidated the financial position and results of operations of Spark HoldCo and reflected the economic interest retained by NuDevco Retail and Retailco as a non-controlling interest.

From January 1, 2015 through September 30, 2016 , the Company and NuDevco Retail and Retailco owned the following economic interests in Spark HoldCo:

	The Company	NuDevco Retail and Retailco (1)
From January 1, 2015 to May 3, 2015	21.82%	78.18%
From May 4, 2015 to December 30, 2015	22.37%	77.63%
From December 31, 2015 to February 2, 2016	22.49%	77.51%
From February 3, 2016 to March 31, 2016	29.70%	70.30%
From April 1, 2016 to May 3, 2016	42.14%	57.86%
From May 4, 2016 to May 17, 2016	42.46%	57.54%
From May 18, 2016 to May 24, 2016	42.64%	57.36%
From May 25, 2016 to June 7, 2016	42.66%	57.34%
From June 8, 2016 to June 30, 2016	46.23%	53.77%
From July 1, 2016 to July 14, 2016	46.23%	53.77%
From July 15, 2016 to July 31, 2016	46.32%	53.68%
From August 1, 2016 to August 17, 2016	44.12%	55.88%
From August 18, 2016 to August 22, 2016	44.13%	55.87%
From August 23, 2016 to September 22, 2016	38.85%	61.15%
From September 23, 2016 to September 30, 2016	38.85%	61.15%

(1) In January 2016, Retailco succeeded to the interest of NuDevco Retail Holdings of its Class B common stock and an equal number of Spark HoldCo units it held pursuant to a series of transfers.

The following table summarizes the portions of net income and income tax expense (benefit) attributable to non-controlling interest (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income allocated to non-controlling interest	$ 6,569	$ 5,011	$ 35,356	$ 19,058
Income tax expense (benefit) allocated to non-controlling interest	(49)	450	517	99
Net income attributable to non-controlling interest	$ 6,618	$ 4,561	$ 34,839	$ 18,959

Issuance of Class A Common Stock Upon Vesting of Restricted Stock Units

The Company's economic interests in Spark HoldCo increased on May 4, 2015, December 31, 2015, May 4, 2016, May 18, 2016, May 25, 2016, July 15, 2016, August 18, 2016 and September 23, 2016 due to the vesting of restricted stock units.

On May 4, 2015, 118,629 restricted stock units vested, with 97,193 shares of common stock distributed to the holders of these units and with 21,436 shares of common stock withheld by the Company to cover taxes owed on the vesting of such units. On December 31, 2015, 29,500 restricted stock units vested, with 21,430 shares of common stock distributed to the holders of these units and with 8,070 shares of common stock withheld by the Company to cover taxes owed on the vesting of such units.

On May 4, 2016, 101,210 restricted stock units vested, with 77,814 shares of common stock distributed to the holders of these units and with 23,396 shares of common stock withheld by the Company to cover taxes owed on the vesting of such units. On May 18, 2016, 53,853 restricted stock units vested, with 43,683 shares of common stock distributed to the holders of these units and with 10,170 shares of common stock withheld by the Company to cover taxes owed on the vesting of such units. On May 25, 2016, 5,000 restricted stock units vested, with 5,000 shares of common stock distributed to the holders of these units.

On July 15, 2016, 32,704 restricted stock units vested, with 23,030 shares of common stock distributed to the holders of these units and 9,674 shares of common stock withheld by the Company to cover taxes owed on the vesting of such units.

On August 18, 2016, 4,166 restricted stock units vested, with 3,019 shares of common stock distributed to the holders of these units and 1,147 shares of common stock withheld by the Company to cover taxes owed on the vesting of such units. On September 23, 2016, 580 restricted stock units vested, with 383 shares of common stock distributed to the holders of these units and 197 shares of common stock withheld by the Company to cover taxes owed on the vesting of such units.

Issuance of Class B Common Stock

On August 1, 2016, the Company issued 699,742 shares of Class B common stock to Retailco in connection with the acquisition of the Provider Companies. On August 23, 2016, the Company issued 2,000,000 shares of Class B common stock to Retailco in connection with the acquisition of Major Energy Companies.

Conversion of Class B Common Stock to Class A Common Stock

On February 3, 2016, April 1, 2016 and June 8, 2016, Retailco exchanged 1,000,000 , 1,725,000 and 500,000 , respectively, of its Spark HoldCo units (together with a corresponding number of shares of Class B common stock) for shares of Class A common stock at an exchange ratio of one share of Class A common stock for each Spark

HoldCo unit (and corresponding share of Class B common stock) exchanged. Refer to Note 10 "Taxes" for further discussion.

Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income attributable to stockholders (the numerator) by the weighted-average number of Class A common shares outstanding for the period (the denominator). Class B common shares are not included in the calculation of basic earnings per share because they are not participating securities and have no economic interest in the Company. Diluted earnings per share is similarly calculated except that the denominator is increased (1) using the treasury stock method to determine the potential dilutive effect of the Company's outstanding unvested restricted stock units, (2) using the if-converted method to determine the potential dilutive effect of the Company's Class B common stock and (3) using the if-converted method to determine the potential dilutive effect of the outstanding convertible subordinated notes into the Company's Class B common stock.

The following table presents the computation of earnings per share for the three and nine months ended September 30, 2016 and 2015 (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income attributable to stockholders of Class A common stock	$ 183	$ 1,314	$ 6,697	$ 3,884
Basic weighted average Class A common shares outstanding	6,491	3,097	5,434	3,053
Basic EPS attributable to stockholders	**$ 0.03**	**$ 0.42**	**$ 1.23**	**$ 1.27**
Net income attributable to stockholders of Class A common stock	$ 183	$ 1,314	$ 6,697	$ 3,884
Effect of conversion of Class B common stock to shares of Class A common stock, net of tax effect	—	3,605	—	11,734
Effect of conversion of convertible subordinated notes into shares of Class B common stock and shares of Class B common stock into shares of Class A common stock, net of tax effect	(467)	(520)	(358)	(436)
Diluted net income (loss) attributable to stockholders of Class A common stock	(284)	4,399	6,339	15,182
Basic weighted average Class A common shares outstanding	6,491	3,097	5,434	3,053
Effect of dilutive Class B common stock	—	10,750	—	10,750
Effect of dilutive convertible subordinated notes into shares of Class B common stock and shares of Class B common stock into shares of Class A common stock	505	351	505	118
Effect of dilutive restricted stock units	59	34	111	27
Diluted weighted average shares outstanding	7,055	14,232	6,050	13,948
Diluted EPS attributable to stockholders	**$ (0.04)**	**$ 0.31**	**$ 1.05**	**$ 1.09**

The conversion of shares of Class B common stock to shares of Class A common stock was not recognized in dilutive earnings per share for the three months and nine months ended September 30, 2016 as the effect of the conversion was antidilutive.

Variable Interest Entity

On January 1, 2016, we adopted ASU No. 2015-02, *Consolidation (Topic 810)* ("ASU 2015-02"). ASU 2015-02 changed the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. Upon adoption, we continued to consolidate Spark HoldCo, but considered Spark HoldCo to be a variable interest entity requiring additional disclosures in the footnotes of our condensed consolidated financial statements.

Spark HoldCo is a variable interest entity due to its lack of rights to participate in significant financial and operating decisions and inability to dissolve or otherwise remove its management. Spark HoldCo owns all of the outstanding membership interests in each of the operating subsidiaries through which the Company operates. The Company is the sole managing member of Spark HoldCo, manages Spark HoldCo's operating subsidiaries through this managing membership interest, and is considered the primary beneficiary of Spark HoldCo.

The assets of Spark HoldCo cannot be used to settle the obligations of the Company except through distributions to the Company, and the liabilities of Spark HoldCo cannot be settled by the Company except through contributions to Spark HoldCo.

The following table includes the carrying amounts and classification of the assets and liabilities of Spark HoldCo that are included in the Company's condensed consolidated balance sheet as of September 30, 2016 (in thousands):

		September 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$	16,850
Accounts receivable		79,744
Other current assets		63,094
Total current assets		159,688
Non-current assets:		
Goodwill		79,556
Other assets		42,485
Total non-current assets		122,041
Total Assets	$	281,729
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$	78,511
Intercompany payable with Spark Energy, Inc.		5,555
Current portion of Senior Credit Facility		49,269
Contingent consideration		11,464
Other current liabilities		20,021
Total current liabilities		164,820
Long-term liabilities:		
Convertible subordinated notes to affiliates		6,542
Contingent consideration		7,472
Other long-term liabilities		1,467
Total long-term liabilities		15,481
Total Liabilities	$	180,301

5. Property and Equipment

Property and equipment consist of the following amounts:

	Estimated useful lives	September 30, 2016	December 31, 2015
	(years)	*(In thousands)*	
Information technology	2 – 5	$ 29,228	$ 27,392
Leasehold improvements	2 – 5	4,568	4,568
Furniture and fixtures	2 – 5	1,012	1,007
Total		34,808	32,967
Accumulated depreciation		(29,942)	(28,491)
Property and equipment—net		**$ 4,866**	**$ 4,476**

Information technology assets include software and consultant time used in the application, development and implementation of various systems including customer billing and resource management systems. As of September 30, 2016 and December 31, 2015 , information technology includes $0.8 million and $0.5 million , respectively, of costs associated with assets not yet placed into service.

Depreciation expense recorded in the condensed consolidated statements of operations was $0.5 million and $0.3 million for the three months ended September 30, 2016 and 2015 , respectively, and $1.4 million and $1.2 million for the nine months ended September 30, 2016 and 2015 , respectively.

6. Goodwill, Customer Relationships and Trademarks

Goodwill, customer relationships and trademarks consist of the following amounts (in thousands):

	September 30, 2016	December 31, 2015
Goodwill	**$ 79,556**	**$ 18,379**
Customer relationships - Acquired (1)		
Cost	$ 63,571	$ 14,883
Accumulated amortization	(22,022)	(4,503)
Customer relationships - Acquired, net	**$ 41,549**	**$ 10,380**
Customer relationships - Other (2)		
Cost	$ 4,320	$ 4,320
Accumulated amortization	(2,349)	(1,271)
Customer relationships - Other, net	**$ 1,971**	**$ 3,049**
Trademarks (3)		
Cost	$ 6,770	$ 1,268
Accumulated amortization	(311)	(74)
Trademarks, net	**$ 6,459**	**$ 1,194**

(1) Customer relationships - Acquired represents those customer acquisitions accounted for under the acquisition method in accordance with ASC 805.
(2) Customer relationships - Other represent portfolios of customer contracts not accounted for in accordance with ASC 805 as these acquisitions were not in conjunction with the acquisition of businesses.
(3) Trademarks reflect values associated with the recognition and positive reputation of acquired businesses accounted for as part of the acquisition method in accordance with ASC 805 through the acquisition of CenStar, Oasis, the Major Energy Companies and the Provider Companies. These trademarks are recorded as other assets in the condensed consolidated balance sheets.

Changes in goodwill, customer relationships and trademarks consisted of the following (in thousands):

	Goodwill	Customer Relationships - Acquired	Customer Relationships - Others	Trademarks
Balance at December 31, 2015	$ 18,379	$ 10,380	$ 3,049	$ 1,194
Additions	61,177	48,688	—	5,502
Amortization expense	—	(17,519)	(1,078)	(237)
Balance at September 30, 2016	$ 79,556	$ 41,549	$ 1,971	$ 6,459

Approximately $9.4 million of the $17.5 million customer relationships amortization expense for the nine months ending September 30, 2016 is included in cost of revenues.

Estimated future amortization expense for customer relationships and trademarks at September 30, 2016 is as follows (in thousands):

Year ending December 31,	
2016	$ 10,117
2017	12,913
2018	10,337
2019	5,892
2020	2,895
> 5 years	7,825
Total	**$ 49,979**

7. Debt

Debt consists of the following amounts (in thousands):

	September 30, 2016	December 31, 2015
Current portion of Senior Credit Facility—Working Capital Line (1) (2)	$ 26,000	$ 22,500
Current portion of Senior Credit Facility—Acquisition Line (1) (2)	23,269	5,306
Current portion of Note Payable—Pacific Summit Energy	13,445	—
Total current debt	62,714	27,806
Long-term portion of Senior Credit Facility—Acquisition Line (1)	—	14,592
Convertible subordinated notes to affiliate (3)	6,542	6,339
Total long-term debt	6,542	20,931
Total debt	$ 69,256	$ 48,737

(1) As of September 30, 2016 and December 31, 2015 , the Company had $33.0 million and $21.5 million in letters of credit issued, respectively.
(2) As of September 30, 2016 and December 31, 2015 , the weighted average interest rate on the current portion of our Senior Credit Facility was 4.38% and 3.90% , respectively.
(3) During the three and nine months ended September 30, 2016 , respectively, we paid in-kind $0.2 million and $ 0.4 million of interest, which was added to the outstanding balance of the convertible subordinated notes. Unamortized discount of $0.9 million and $0.7 million at September 30, 2016 and December 31, 2015 , respectively, is related to beneficial conversion features of the convertible subordinated notes. On October 5, 2016, RAC issued to the Company an irrevocable commitment to convert the CenStar Note and the Oasis Note into shares of Class B common stock on January 8, 2017 and January 31, 2017, respectively. See Note 14 "Subsequent Events."

Deferred financing costs were $0.6 million and $0.7 million as of September 30, 2016 and December 31, 2015 , respectively, representing capitalized financing costs in connection with the amendment and restatement of our Senior Credit Facility on July 8, 2015. Of these amounts, $0.6 million and $0.5 million is recorded in other current assets in the condensed consolidated balance sheets as of each of September 30, 2016 and December 31, 2015 , and zero and $0.2 million is recorded in other assets in the condensed consolidated balance sheets as of September 30, 2016 and December 31, 2015 , respectively, based on the terms of the Senior Credit Facility.

Interest expense consists of the following components for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest incurred on Senior Credit Facility	$ 712	$ 351	$ 1,435	$ 670
Commitment fees	30	44	113	141
Letters of credit fees	165	124	457	223
Amortization of deferred financing costs	231	195	465	295
Interest incurred on convertible subordinated notes to affiliate (1)	132	86	385	86
Interest Expense	$ 1,270	$ 800	$ 2,855	$ 1,415

1) Includes amortization of the discount on the convertible subordinated notes to affiliates of less than $0.1 million and $0.1 million , respectively for the three and nine months ended September 30, 2016

Senior Credit Facility

The Company, as guarantor, and Spark HoldCo (the “Borrower,” and together with SE, SEG, CenStar, CenStar Operating Company, LLC, Oasis, Oasis Power, LLC, Electricity Maine, LLC, Electricity N.H., LLC, and Provider Power Mass, LLC, each a subsidiary of Spark HoldCo, the “Co-Borrowers”) are party to a senior secured revolving credit facility (“Senior Credit Facility”), which includes a senior secured revolving working capital facility up to $82.5 million ("Working Capital Line") and a secured revolving line of credit of $25.0 million ("Acquisition Line") to be used specifically for the financing of up to 75% of the cost of acquisitions with the remainder to be financed by the Company either through cash on hand or the issuance of subordinated debt or equity. On September 30, 2016, the Company and the Co-Borrowers elected to reduce the capacity of the Working Capital Line from $82.5 million to $60.0 million . The Senior Credit Facility will mature on July 8, 2017 and may be extended for one additional year with lender consent. Borrowings under the Acquisition Line will be repaid 25% per year with the remainder due at maturity.

On June 1, 2016, the Company and the Co-Borrowers entered into Amendment No. 3 to the Senior Credit Facility to, among other things, increase the Working Capital Line from $60.0 million to $82.5 million in accordance with the Co-Borrowers' right to increase under the existing terms of the Senior Credit Facility. Amendment No. 3 also provides for the addition of new lenders and re-allocates working capital and revolving commitments among existing and new lenders. Amendment No. 3 also provides for additional representations of the Co-Borrowers and additional protections of the lenders of the Senior Credit Facility.

On August 1, 2016, the Company and the Co-Borrowers entered into Amendment No. 4 to the Senior Credit Facility to, among other things, amend the provisions under the Acquisition Line to allow for the Provider Companies acquisition. Amendment No. 4 also raises the minimum availability under the Working Capital Line to $40.0 million . In addition, Amendment No. 4 designates Major Energy Companies as "unrestricted subsidiaries" upon the closing of such acquisition on August 23, 2016. Refer to Note 3 "Acquisitions" for further discussion.

At our election, the interest rate under the Working Capital Line is generally determined by reference to:

- the Eurodollar rate plus an applicable margin of up to 3.00% per annum (based upon the prevailing utilization); or

- the alternate base rate plus an applicable margin of up to 2.00% per annum (based upon the prevailing utilization). The alternate base rate is equal to the highest of (i) Société Générale’s prime rate, (ii) the federal funds rate plus 0.50% per annum, or (iii) the reference Eurodollar rate plus 1.00% ; or
- the rate quoted by Société Générale as its cost of funds for the requested credit plus up to 2.50% per annum (based upon the prevailing utilization).

The interest rate is generally reduced by 25 basis points if utilization under the Working Capital Line is below fifty percent.
Borrowings under the Acquisition Line are generally determined by reference to:

- the Eurodollar rate plus an applicable margin of up to 3.75% per annum (based upon the prevailing utilization); or
- the alternate base rate plus an applicable margin of up to 2.75% per annum (based upon the prevailing utilization). The alternate base rate is equal to the highest of (i) Société Générale's prime rate, (ii) the federal funds rate plus 0.50% per annum, or (iii) the reference Eurodollar rate plus 1.00% .

The Co-Borrowers pay an annual commitment fee of 0.375% or 0.5% on the unused portion of the Working Capital Line depending upon the unused capacity and 0.5% on the unused portion of the Acquisition Line. The lending syndicate under the Senior Credit Facility is entitled to several additional fees including an upfront fee, annual agency fee, and fronting fees based on a percentage of the face amount of letters of credit payable to any syndicate member that issues a letter a credit.

The Company has the ability to elect the availability under the Working Capital Line between $40.0 million to $82.5 million . On September 30, 2016, the Company and the Co-Borrowers elected to reduce the capacity of the Working Capital Line from $82.5 million to $60.0 million . Availability under the working capital line will be subject to borrowing base limitations. The borrowing base is calculated primarily based on 80% to 90% of the value of eligible accounts receivable and unbilled product sales (depending on the credit quality of the counterparties) and inventory and other working capital assets. The Co-Borrowers must generally seek approval of the agent or the lenders for permitted acquisitions to be financed under the Acquisition Line.

The Senior Credit Facility is secured by pledges of the equity of the portion of Spark HoldCo owned by the Company and of the equity of Spark HoldCo’s subsidiaries and the Co-Borrowers’ present and future subsidiaries, all of the Co-Borrowers’ and their subsidiaries’ present and future property and assets, including accounts receivable, inventory and liquid investments, and control agreements relating to bank accounts. The Senior Credit Facility also contains covenants that, among other things, require the maintenance of specified ratios or conditions as follows:

- *Minimum Net Working Capital* . The Co-Borrowers must maintain minimum consolidated net working capital through December 30, 2016 equal to the greater of $5.0 million or 10% , and from December 31, 2016 and thereafter equal to the greater of $5.0 million or 15% of the elected availability under the Working Capital Line.

- *Minimum Adjusted Tangible Net Worth.* Spark Energy, Inc. must maintain a minimum consolidated adjusted tangible net worth at all times equal to the net cash proceeds from equity issuances occurring after the date of the Senior Credit Facility plus the greater of (i) 20% of aggregate commitments under the Working Capital Line plus 33% of borrowings under the Acquisition Line and (ii) $18.0 million .

- *Minimum Fixed Charge Coverage Ratio.* Spark Energy, Inc. must maintain a minimum fixed charge coverage ratio of 1.10 to 1.00 (with quarterly increases to the numerator of increments of 0.05 up to a maximum of 1.25). The Fixed Charge Coverage Ratio is defined as the ratio of (a) Adjusted EBITDA to (b) the sum of consolidated interest expense (other than interest paid-in-kind in respect of any Subordinated Debt), letter of credit fees, commitment fees, acquisition earn-out payments, distributions and scheduled amortization payments.

- *Maximum Total Leverage Ratio.* Spark Energy, Inc. must maintain a ratio of total indebtedness (excluding the Working Capital Facility and qualifying subordinated debt) to Adjusted EBITDA of a maximum of 2.50 to 1.00.

The Senior Credit Facility contains various negative covenants that limit the Company's ability to, among other things, do any of the following:

- incur certain additional indebtedness;
- grant certain liens;
- engage in certain asset dispositions;
- merge or consolidate;
- make certain payments, distributions, investments, acquisitions or loans; or
- enter into transactions with affiliates.

Spark Energy, Inc. is entitled to pay cash dividends to the holders of the Class A common stock and Spark HoldCo will be entitled to make cash distributions to NuDevco Retail and Retailco (or their successors in interest) so long as: (a) no default exists or would result from such a payment; (b) the Co-Borrowers are in pro forma compliance with all financial covenants before and after giving effect to such payment and (c) the outstanding amount of all loans and letters of credit does not exceed the borrowing base limits. Spark HoldCo's inability to satisfy certain financial covenants or the existence of an event of default, if not cured or waived, under the Senior Credit Facility could prevent the Company from paying dividends to holders of the Class A common stock.

The Senior Credit Facility contains certain customary representations and warranties and events of default. Events of default include, among other things, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults and cross-acceleration to certain indebtedness, change in control in which affiliates of W. Keith Maxwell III own less than 40% of the outstanding voting interests in the Company, certain events of bankruptcy, certain events under ERISA, material judgments in excess of $5.0 million , certain events with respect to material contracts, actual or asserted failure of any guaranty or security document supporting the Senior Credit Facility to be in full force and effect and changes of control. If such an event of default occurs, the lenders under the Senior Credit Facility would be entitled to take various actions, including the acceleration of amounts due under the facility and all actions permitted to be taken by a secured creditor.

In addition, the Senior Credit Facility contains affirmative covenants that are customary for credit facilities of this type. The covenants include delivery of financial statements (including any filings made with the SEC, maintenance of property and insurance, payment of taxes and obligations, material compliance with laws, inspection of property, books and records and audits, use of proceeds, payments to bank blocked accounts, notice of defaults and certain other customary matters.

Convertible Subordinated Notes to Affiliate

In connection with the financing of the CenStar acquisition, the Company, together with Spark HoldCo, issued the CenStar Note to RAC for $2.1 million on July 8, 2015. The CenStar Note matures on July 8, 2020, and bears interest at an annual rate of 5% , payable semiannually. The Company has the right to pay interest in kind at its option. The CenStar Note is convertible into shares of the Company's Class B common stock, par value $0.01 per share (and a related unit of Spark HoldCo) at a conversion price of $16.57 per share. RAC may not exercise conversion rights for the first eighteen months after the CenStar Note is issued. The CenStar Note is subject to automatic conversion upon a sale of the Company. The CenStar Note is subordinated in certain respects to the Senior Credit Facility pursuant to a subordination agreement. The Company may pay interest and prepay principal so long as the Company is in compliance with its covenants; is not in default under the Senior Credit Facility and has minimum availability of $5.0 million under its borrowing base under the Senior Credit Facility. Shares of Class A common stock resulting from the conversion of the shares of Class B common stock issued as a result of the conversion right under the CenStar Note will be entitled to registration rights identical to the registration rights currently held by NuDevco Retail and Retailco on shares of Class A common stock it receives upon conversion of its existing shares of Class B common stock. On October 5, 2016, RAC issued to the Company an irrevocable commitment to convert the CenStar Note into 134,731 shares of Class B common stock (and related Spark HoldCo units) on January 8, 2017. Please see Note 14 "Subsequent Events."

In connection with the financing of the Oasis acquisition, the Company, together with Spark HoldCo, issued the Oasis Note to RAC for $5.0 million on July 31, 2015. The Oasis Note matures on July 31, 2020, and bears interest at an annual rate of 5% , payable semiannually. The Company has the right to pay-in-kind any interest at its option. The Oasis Note is convertible into shares of the Company's Class B common stock, par value $0.01 per share (and a related unit of Spark HoldCo) at a conversion price of $14.00 per share. RAC may not exercise conversion rights for the first eighteen months after the Oasis Note is issued. The Oasis Note is subject to automatic conversion upon a sale of the Company. The Oasis Note is subordinated in certain respects to the Senior Credit Facility pursuant to a subordination agreement. The Company may pay interest and prepay principal so long as the Company is in compliance with its covenants; is not in default under the Senior Credit Facility and has minimum availability of $5.0 million under its borrowing base under the Senior Credit Facility. Shares of Class A common stock resulting from the conversion of the shares of Class B common stock issued as a result of the conversion right under the Oasis Note will be entitled to registration rights identical to the registration rights currently held by NuDevco Retail and Retailco on shares of Class A common stock it receives upon conversion of its existing shares of Class B common stock. On October 5, 2016, RAC issued to the Company an irrevocable commitment to convert the Oasis Note into 383,090 shares of Class B common stock (and related Spark HoldCo units) on January 31, 2017. Please see Note 14 "Subsequent Events."

The conversion rate of $14.00 per share for the Oasis Note was fixed as of the date of the execution of the Oasis acquisition agreement on May 12, 2015. Due to a rise in the price of our common stock from May 12, 2015 to the closing of Oasis acquisition on July 31, 2015, the conversion rate of $14.00 per share was below the market price per share of Class A common stock of $16.21 on the issuance date of the Oasis Note on July 31, 2015. As a result, the Company assessed the Oasis Note for a beneficial conversion feature. Due to this conversion feature being "in-the-money" upon issuance, we recognized a beneficial conversion feature based on its intrinsic value of $0.8 million as a discount to the Oasis Note and as additional paid-in capital. This discount will be amortized as interest expense under the effective interest method over the life of the Oasis Note.

Pacific Summit Energy LLC

The Major Energy Companies acquired by the Company are party to three trade credit arrangements with Pacific Summit Energy LLC (“Pacific Summit”), which consist of purchase agreements, operating agreements relating to purchasing terms, security agreements, lockbox agreements and guarantees, providing for the exclusive supply of gas and electricity on credit by Pacific Summit to the Major Energy Companies for resale to end users.

Under these arrangements, when the costs that Pacific Summit has paid to procure and deliver the gas and electricity exceed the payments that the Major Energy Companies have made attributable to the gas and electricity purchased, the Major Energy Companies incur interest on the difference. The operating agreements also allow Pacific Summit to provide credit support. Each form of borrowing incurs interest at the floating 90-day LIBOR rate plus 300 basis points (except for certain credit support guaranties that do not bear interest). In connection with these arrangements, the Major Companies have granted first liens to Pacific Summit on a substantial portion of the Major Companies’ assets, including present and future accounts receivable, inventory, liquid assets, and control agreements relating to bank accounts. As of September 30, 2016, the Company had aggregate outstanding amounts payable under these arrangements of approximately $13.4 million , bearing an interest rate of approximately 3.9% . The Company was also the beneficiary under various credit support guarantees issued by Pacific Summit under these arrangements as of such date. On September 27, 2016, we notified Pacific Summit of our election to trigger the expiration of these arrangements as of March 31, 2017, at the end of the primary term.

8. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Fair values are based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. This includes not only the credit standing of counterparties involved and the impact of credit enhancements but also the impact of the Company's own nonperformance risk on its liabilities.

The Company applies fair value measurements to its commodity derivative instruments and a contingent payment arrangement based on the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1—Quoted prices in active markets for identical assets and liabilities. Instruments categorized in Level 1 primarily consist of financial instruments such as exchange-traded derivative instruments.
- Level 2—Inputs other than quoted prices recorded in Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 primarily include non-exchange traded derivatives such as over-the-counter commodity forwards and swaps and options.
- Level 3—Unobservable inputs for the asset or liability, including situations where there is little, if any, observable market activity for the asset or liability. The Level 3 category includes estimated earnout obligations related to the Company's acquisitions.

As the fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3), the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In these cases, the lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents assets and liabilities measured and recorded at fair value in the Company's condensed consolidated balance sheets on a recurring basis by and their level within the fair value hierarchy as of (in thousands):

	Level 1	Level 2	Level 3	Total
September 30, 2016				
Non-trading commodity derivative assets	$ —	$ 915	$ —	$ 915
Trading commodity derivative assets	—	939	—	939
Total commodity derivative assets	**$ —**	**$ 1,854**	**$ —**	**$ 1,854**
Non-trading commodity derivative liabilities	$ (448)	$ (14,448)	$ —	$ (14,896)
Trading commodity derivative liabilities	(58)	(275)	—	(333)
Total commodity derivative liabilities	**$ (506)**	**$ (14,723)**	**$ —**	**$ (15,229)**
Contingent payment arrangement	**$ —**	**$ —**	**$ (18,935)**	**$ (18,935)**

	Level 1		Level 2		Level 3		Total	
December 31, 2015								
Non-trading commodity derivative assets	$	—	$	200	$	—	$	200
Trading commodity derivative assets		—		405		—		405
Total commodity derivative assets	**$**	**—**	**$**	**605**	**$**	**—**	**$**	**605**
Non-trading commodity derivative liabilities	$	(3,324)	$	(7,661)	$	—	$	(10,985)
Trading commodity derivative liabilities		—		(253)		—		(253)
Total commodity derivative liabilities	**$**	**(3,324)**	**$**	**(7,914)**	**$**	**—**	**$**	**(11,238)**
Contingent payment arrangement	**$**	**—**	**$**	**—**	**$**	**(500)**	**$**	**(500)**

The Company had no transfers of assets or liabilities between any of the above levels during the nine months ended September 30, 2016 and the year ended December 31, 2015 .

The Company’s derivative contracts include exchange-traded contracts fair valued utilizing readily available quoted market prices and non-exchange-traded contracts fair valued using market price quotations available through brokers or over-the-counter and on-line exchanges. In addition, in determining the fair value of the Company’s derivative contracts, the Company applies a credit risk valuation adjustment to reflect credit risk that is calculated based on the Company’s or the counterparty’s historical credit risks. As of September 30, 2016 and December 31, 2015 , the credit risk valuation adjustment was not material.

The contingent payment arrangements referred to above reflect estimated earnout obligations incurred in relation to the Company's acquisitions. As of September 30, 2016 , the estimated earnout obligations were $18.9 million , which was comprised of the Provider Earnout, the Major Earnout and the Stock Earnout in the amount of $4.8 million , $13.3 million , and $0.8 million , respectively. As of December 31, 2015 , the estimated earnout obligations were attributed to the CenStar acquisition (the "CenStar Earnout") in the amount of $0.5 million , which was settled by September 30, 2016. As of September 30, 2016 , the estimated earnouts reside on our condensed consolidated balance sheets in current liabilities - contingent consideration and long-term liabilities - contingent consideration in the amount of $11.3 million and $7.6 million , respectively; and as of December 31, 2015 , in current liabilities - contingent consideration in the amount of $0.5 million .

The CenStar Earnout was based on a financial measurement attributable to the operations of CenStar for the year following the closing of the acquisition. In determining the fair value of the CenStar Earnout, the Company forecasted a one year performance measurement, as defined by the CenStar stock purchase agreement. As this calculation was based on management's estimates of the liability, we classified the CenStar Earnout as a Level 3 measurement. During the first quarter of 2016, our estimate of the CenStar Earnout was increased to $1.5 million which was based on the results of operations during such period. In August 2016, we entered into a settlement and release agreement with the seller of CenStar in which the Company paid $1.3 million to such seller and released an additional $0.6 million from escrow in full satisfaction of the earnout obligation under the CenStar stock purchase agreement. During the three and nine months ended September 30, 2016 , the residual earnout amount of $0.2 million was written off via a reduction to general and administrative expense in our condensed consolidated statements of operations.

The Provider Earnout is based on achievement by the Provider Companies of a certain customer count criteria over the nine month period following the closing of the Provider Companies acquisition. The sellers of the Provider Companies are entitled to a maximum of $9.0 million and a minimum of $5.0 million in earnout payments based on the level of customer count attained, as defined by the Provider Companies membership interest purchase agreement. In determining the fair value of the Provider Earnout, the Company forecasted an expected customer count and certain other related criteria and calculated the probability of such forecast being attained. As this calculation is based on management's estimates of the liability, we classified the Provider Earnout as a Level 3 measurement.

The Major Earnout is based on the achievement by the Major Energy Companies of certain performance targets over the 33 month period following NG&E's closing of the Major Energy Companies acquisition (i.e., April 15, 2016). The previous members of Major Energy Companies are entitled to a maximum of $20.0 million in earnout payments based on the level of performance targets attained, as defined by the Major Purchase Agreement. The Stock Earnout obligation is contingent upon the Major Energy Companies achieving the Major Earnout's performance target ceiling, thereby earning the maximum Major Earnout payments. If the Major Energy Companies earn such maximum Major Earnout payments, NG&E would be entitled to a maximum of 200,000 shares of Class B common stock (and a corresponding number of Spark HoldCo units). In determining the fair value of the Major Earnout and the Stock Earnout, the Company forecasted certain expected performance targets and calculated the probability of such forecast being attained. As this calculation is based on management's estimates of the liability, we classified the Major Earnout as a Level 3 measurement.

Other Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, accounts receivable—affiliates, accounts payable, accounts payable—affiliates, and accrued liabilities recorded in the condensed consolidated balance sheets approximate fair value due to the short-term nature of these items. The carrying amount of the Senior Credit Facility recorded in the condensed consolidated balance sheets approximates fair value because of the variable rate nature of the Company's line of credit. The fair value of our convertible subordinated notes to affiliates is not determinable for accounting purposes due to the affiliate nature and terms of the associated debt instrument with the affiliate. The fair value of the payable pursuant to tax receivable agreement—affiliate is not determinable for accounting purposes due to the affiliate nature and terms of the associated agreement with the affiliate.

9. Accounting for Derivative Instruments

The Company is exposed to the impact of market fluctuations in the price of electricity and natural gas and basis costs, storage and ancillary capacity charges from independent system operators. The Company uses derivative instruments to manage exposure to these risks.

The Company holds certain derivative instruments that are not held for trading purposes and are not designated as hedges for accounting purposes. These derivative instruments represent economic hedges that mitigate the Company's exposure to fluctuations in commodity prices. For these derivative instruments, changes in the fair value are recognized currently in earnings in retail revenues or retail cost of revenues.

As part of the Company's strategy to optimize its assets and manage related risks, it also manages a portfolio of commodity derivative instruments held for trading purposes. The Company's commodity trading activities are subject to limits within the Company's Risk Management Policy. For these derivative instruments, changes in the fair value are recognized currently in earnings in net asset optimization revenues.

Derivative assets and liabilities are presented net in the Company's condensed consolidated balance sheets when the derivative instruments are executed with the same counterparty under a master netting arrangement. The Company's derivative contracts include transactions that are executed both on an exchange and centrally cleared as well as over-the-counter, bilateral contracts that are transacted directly with a third party. To the extent the Company has paid or received collateral related to the derivative assets or liabilities, such amounts would be presented net against the related derivative asset or liability's fair value. As of September 30, 2016 and December 31, 2015 , the Company had $1.2 million and $0.1 million in collateral outstanding, respectively. The specific types of derivative instruments the Company may execute to manage the commodity price risk include the following:

- Forward contracts, which commit the Company to purchase or sell energy commodities in the future;
- Futures contracts, which are exchange-traded standardized commitments to purchase or sell a commodity or financial instrument;
- Swap agreements, which require payments to or from counterparties based upon the differential between two prices for a predetermined notional quantity; and

- Option contracts, which convey to the option holder the right but not the obligation to purchase or sell a commodity.

The Company has entered into other energy-related contracts that do not meet the definition of a derivative instrument or qualify for the normal purchase or normal sale exception and are therefore not accounted for at fair value including the following:

- Forward electricity and natural gas purchase contracts for retail customer load, and
- Natural gas transportation contracts and storage agreements.

Volumetric Underlying Derivative Transactions

The following table summarizes the net notional volume buy/(sell) of the Company's open derivative financial instruments accounted for at fair value, broken out by commodity, as of (in thousands):

Non-trading

Commodity	Notional	September 30, 2016	December 31, 2015
Natural Gas	MMBtu	6,760	7,543
Natural Gas Basis	MMBtu	—	455
Electricity	MWh	3,278	1,187

Trading

Commodity	Notional	September 30, 2016	December 31, 2015
Natural Gas	MMBtu	(2,366)	8
Natural Gas Basis	MMBtu	242	(455)

Gains (Losses) on Derivative Instruments

Gains (losses) on derivative instruments, net and current period settlements on derivative instruments were as follows for the periods indicated (in thousands):

	Three Months Ended September 30,	
	2016	2015
(Loss) gain on non-trading derivatives, net	$ (1,183)	$ 132
Gain (loss) on trading derivatives, net	574	(71)
(Loss) gain on derivatives, net	**(609)**	**61**
Current period settlements on non-trading derivatives (1) (2)	(8,889)	4,035
Current period settlements on trading derivatives	20	128
Total current period settlements on derivatives	**$ (8,869)**	**$ 4,163**

(1) Excludes settlements of $0.5 million and $2.0 million , respectively, for the three months ended September 30, 2016 and 2015 related to non-trading derivative liabilities assumed in the acquisitions of CenStar and Oasis.
(2) Excludes settlements of $11.2 million for the three months ended September 30, 2016 related to non-trading derivative liabilities assumed in the acquisitions of the Provider Companies and Major Energy Companies.

	Nine Months Ended September 30,	
	2016	2015
Gain (loss) on non-trading derivatives, net	$ 2,519	$ (5,876)
Gain (loss) on trading derivatives, net	368	(242)
Loss on derivatives, net	**2,887**	**(6,118)**
Current period settlements on non-trading derivatives (1) (2)	3,341	12,643
Current period settlements on trading derivatives	86	244
Total current period settlements on derivatives	**$ 3,427**	**$ 12,887**

(1)Excludes settlements of $0.6 million and $2.2 million , respectively, for the nine months ended September 30, 2016 and 2015 related to non-trading derivative liabilities assumed in the acquisitions of CenStar and Oasis.
(2) Excludes settlements of $14.7 million for the nine months ended September 30, 2016 related to non-trading derivative liabilities assumed in the acquisitions of the Provider Companies and Major Energy Companies.

Gains (losses) on trading derivative instruments are recorded in net asset optimization revenues and gains (losses) on non-trading derivative instruments are recorded in retail revenues or retail cost of revenues on the condensed consolidated statements of operations.

Fair Value of Derivative Instruments

The following tables summarize the fair value and offsetting amounts of the Company's derivative instruments by counterparty and collateral received or paid as of (in thousands):

	September 30, 2016				
Description	Gross Assets	Gross Amounts Offset	Net Assets	Cash Collateral Offset	Net Amount Presented
Non-trading commodity derivatives	$ 1,909	$ (1,312)	$ 597	$ —	$ 597
Trading commodity derivatives	952	(13)	939	—	939
Total Current Derivative Assets	2,861	(1,325)	1,536	—	1,536
Non-trading commodity derivatives	411	(93)	318	—	318
Total Non-current Derivative Assets	411	(93)	318	—	318
Total Derivative Assets	**$ 3,272**	**$ (1,418)**	**$ 1,854**	**$ —**	**$ 1,854**

	September 30, 2016				
Description	Gross Liabilities	Gross Amounts Offset	Net Liabilities	Cash Collateral Offset	Net Amount Presented
Non-trading commodity derivatives	$ (24,955)	$ 10,326	$ (14,629)	$ 1,200	$ (13,429)
Trading commodity derivatives	(356)	23	(333)	—	(333)
Total Current Derivative Liabilities	(25,311)	10,349	(14,962)	1,200	(13,762)
Non-trading commodity derivatives	(4,532)	3,065	(1,467)	—	(1,467)
Total Non-current Derivative Liabilities	(4,532)	3,065	(1,467)	—	(1,467)
Total Derivative Liabilities	**$ (29,843)**	**$ 13,414**	**$ (16,429)**	**$ 1,200**	**$ (15,229)**

	December 31, 2015				
Description	Gross Assets	Gross Amounts Offset	Net Assets	Cash Collateral Offset	Net Amount Presented
Non-trading commodity derivatives	$ 589	$ (389)	$ 200	$ —	$ 200
Trading commodity derivatives	411	(6)	405	—	405
Total Current Derivative Assets	1,000	(395)	605	—	605
Non-trading commodity derivatives	—	—	—	—	—
Total Non-current Derivative Assets	—	—	—	—	—
Total Derivative Assets	**$ 1,000**	**$ (395)**	**$ 605**	**$ —**	**$ 605**

	December 31, 2015				
Description	Gross Liabilities	Gross Amounts Offset	Net Liabilities	Cash Collateral Offset	Net Amount Presented
Non-trading commodity derivatives	$ (13,618)	$ 3,151	$ (10,467)	$ 100	$ (10,367)
Trading commodity derivatives	(320)	67	(253)	—	(253)
Total Current Derivative Liabilities	(13,938)	3,218	(10,720)	100	(10,620)
Non-trading commodity derivatives	(950)	332	(618)	—	(618)
Total Non-current Derivative Liabilities	(950)	332	(618)	—	(618)
Total Derivative Liabilities	**$ (14,888)**	**$ 3,550**	**$ (11,338)**	**$ 100**	**$ (11,238)**

10. Taxes

Income Taxes

The Company and CenStar are each subject to U.S. federal income tax as a corporation. Spark HoldCo and its subsidiaries, with the exception of CenStar, are treated as flow-through entities for U.S. federal income tax purposes, and, as such, are generally not subject to U.S. federal income tax at the entity level. Rather, the tax liability with respect to their taxable income is passed through to their members or partners. Accordingly, the Company is subject to U.S. federal income taxation on its allocable share of Spark HoldCo's net U.S. taxable income.

The Company accounts for income taxes using the assets and liabilities method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and those assets and liabilities tax bases. The Company applies existing tax law and the tax rate that the Company expects to apply to taxable income in the years in which those differences are expected to be recovered or settled in calculating the deferred tax assets and liabilities. Effects of changes in tax rates on deferred tax assets and liabilities are recognized in income in the period of the tax rate enactment.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17") that is intended to simplify the presentation of deferred taxes by requiring that all deferred taxes be classified as noncurrent and presented as a single noncurrent amount for each tax-payment component of an entity. The ASU 2015-17 is effective for fiscal years beginning after December 15, 2016; however, the Company elected early adoption on January 1, 2016, on a retrospective basis. The adoption of ASU 2015-17 resulted in the reclassification of previously-classified net current deferred taxes of approximately $0.9 million from other current liabilities, resulting in a $23.4 million noncurrent deferred tax asset and a $0.9 million noncurrent deferred tax liability on the Company's condensed consolidated balance sheet at December 31, 2015. There was no impact to our condensed consolidated statements of operations for the three and nine months ended September 30, 2016 or 2015 .

The Company periodically assesses whether it is more likely than not that it will generate sufficient taxable income to realize its deferred income tax assets. In making this determination, the Company considers all available positive and negative evidence and makes certain assumptions. The Company considers, among other things, its deferred tax liabilities, the overall business environment, its historical earnings and losses, current industry trends, and its outlook for future years. The Company believes it is more likely than not that the deferred tax assets will be utilized.

On February 3, 2016, Retailco exchanged 1,000,000 of its Spark HoldCo units (together with a corresponding number of shares of Class B common stock) for shares of Class A common stock. The exchange resulted in a step up in tax basis, which gave rise to a deferred tax asset of approximately $8.0 million on the exchange date. In addition, the Company recorded an additional long-term liability as a result of the exchange of approximately $10.3 million pursuant to the Tax Receivable Agreement and a corresponding long-term deferred tax asset of approximately $3.9 million . The initial estimate for the deferred tax asset, net of the liability, under the Tax Receivable Agreement was recorded within additional paid-in capital on our condensed consolidated balance sheet at September 30, 2016 .

On April 1, 2016, Retailco exchanged 1,725,000 of its Spark HoldCo units (together with a corresponding number of shares of Class B common stock) for shares of Class A common stock. The exchange resulted in a step up in tax basis, which gave rise to a deferred tax asset of approximately $7.6 million on the exchange date. In addition, the Company recorded an additional long-term liability as a result of the exchange of approximately $10.3 million pursuant to the Tax Receivable Agreement and a corresponding long-term deferred tax asset of approximately $3.9 million . The initial estimate for the deferred tax asset, net of the liability, under the Tax Receivable Agreement was recorded within additional paid-in capital on our condensed consolidated balance sheet at September 30, 2016 .

On June 8, 2016, Retailco exchanged 500,000 of its Spark HoldCo units (together with a corresponding number of shares of Class B common stock) for shares of Class A common stock. The exchange resulted in a step up in tax basis, which gave rise to a deferred tax asset of approximately $5.3 million on the exchange date. In addition, the Company recorded an additional long-term liability as a result of the exchange of approximately $6.9 million pursuant to the Tax Receivable Agreement and a corresponding long-term deferred tax asset of approximately $2.6 million . The initial estimate for the deferred tax asset, net of the liability, under the Tax Receivable Agreement was recorded within additional paid-in capital on our condensed consolidated balance sheet at September 30, 2016 .

The Company had a net deferred tax asset of approximately $15.6 million related to the step up in tax basis resulting from the purchase by the Company of Spark HoldCo units from NuDevco Retail and NuDevco Retail Holdings (predecessor to Retailco) on the IPO date. In addition, as of September 30, 2016 , the Company had a total liability of $50.6 million for the effect of the Tax Receivable Agreement liability classified as a long-term liability. The Company had a long-term deferred tax asset of approximately $20.0 million related to the Tax Receivable Agreement liability. See Note 12 “Transactions with Affiliates” for further discussion.

The effective U.S. federal and state income tax rate for the nine months ended September 30, 2016 and 2015 is 14.2% and 6.5% , respectively, with respect to pre-tax income attributable to the Company's stockholders. The higher effective tax rate for the nine months ended September 30, 2016 is primarily attributable to the CenStar acquisition, discrete items and a decrease in the non-controlling interest. The discrete items were related to federal tax rate increase that is driven by the additional taxable income from the two acquistions, Provider Companies and Major Energy Companies. The remaining increase is primarily attributable to units exchanged by Retailco, which corresponds with an increase in taxable income allocable to the Company from Spark HoldCo that is subject to U.S. federal income taxation.

Total income tax expense for the nine months ended September 30, 2016 differed from amounts computed by applying the U.S. federal statutory tax rates to pre-tax income primarily due to state taxes and the impact of permanent differences between book and taxable income, most notably the income attributable to non-controlling interest. The effective tax rate includes a rate benefit attributable to the fact that Spark HoldCo operates as a limited liability company treated as a partnership for federal and state income tax purposes and is not subject to federal and state income taxes. Accordingly, the portion of earnings attributable to non-controlling interest is subject to tax when reported as a component of the non-controlling interest’s taxable income. The February, April and June 2016 exchanges by Retailco decreased the effective tax rate benefit attributable to non-controlling interest.

11. Commitment and Contingencies

From time to time, the Company may be involved in legal, tax, regulatory and other proceedings in the ordinary course of business. Other than proceedings discussed below, management does not believe that we are a party to any litigation, claims or proceedings that will have a material impact on the Company’s condensed consolidated financial condition or results of operations. Liabilities for loss contingencies arising from claims, assessments, litigations or other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Indirect Tax Audits

The Company is undergoing various types of indirect tax audits spanning from years 2006 to 2016 for which the Company may have additional liabilities arise. At the time of filing these condensed consolidated financial statements, these indirect tax audits are at an early stage and subject to substantial uncertainties concerning the outcome of audit findings and corresponding responses. We accrued $1.6 million during the nine months ended September 30, 2016, which increased accrued liabilities for these indirect tax audits to reflect our best estimate of the amounts we believe we will owe to $1.9 million at September 30, 2016. The outcome of these indirect tax audits may result in additional expense.

Legal Proceedings

The Company is the subject of the following lawsuits:

John Melville et al v. Spark Energy Inc. and Spark Energy Gas, LLC is a purported class action filed on December 17, 2015 in the United States District Court for the District of New Jersey alleging, among other things, that (i) sales representatives engaged as independent contractors for Spark Energy Gas, LLC engaged in deceptive acts in violation of the New Jersey Consumer Fraud Act and (ii) Spark Energy Gas, LLC breached its contract with plaintiff, including a breach of the covenant of good faith and fair dealing. Plaintiff seeks unspecified compensatory and punitive damages for himself and the purported class, injunctive relief and/or declaratory relief, disgorgement of revenues and/or profits and attorneys' fees. On March 14, 2016, Spark Energy Gas, LLC and Spark Energy, Inc. filed a Motion to Dismiss this case. On April 18, 2016, Plaintiff filed his Opposition to the Motion to Dismiss. On April 25, 2016, Spark Energy, Inc. and Spark Energy Gas, LLC filed a Reply in support of their Motion to Dismiss. The Motion to Dismiss was set on the Court's submission docket for May 2, 2016. The parties are currently waiting on the Court's ruling. Discovery has not yet commenced in this matter. We cannot predict the outcome or consequences of this case.

Halifax-American Energy Company, LLC et al v. Provider Power, LLC, Electricity N.H., LLC, Electricity Maine, LLC, Emile Clavet and Kevin Dean is a lawsuit initially filed on June 12, 2014 in the Rockingham County Superior Court, State of New Hampshire, alleging various claims related to the Provider Companies' employment of a sales contractor formerly employed with one or more of the plaintiffs, including misappropriation of trade secrets and tortious interference with a contractual relationship. The dispute occurred prior to the Company's acquisition of the Provider Companies. Portions of the original claim proceeded to trial and on January 19, 2016, a jury found in favor of the plaintiff. Damages totaling approximately $0.6 million and attorney's fees totaling approximately $0.3 million were awarded to the plaintiff. On May 4, 2016, following post-verdict motions, the defendants filed an appeal in the State of New Hampshire Supreme Court, appealing, among other things the failure of the trial court to direct a verdict for the defendants, to set aside the verdict, or grant judgment for the defendants, and the trial court's award of certain attorneys' fees. On August 1, 2016, in connection with the Company's closing of the acquisition of the Provider Companies, the Provider Companies entered into a joint defense agreement with the remaining defendants. The Provider Companies have posted an appeal bond of $1.0 million in connection with the appeal. On November 2, 2016, a briefing order was distributed by the court. The Provider Companies must have their appellate brief on file with the court no later than December 16, 2016. As of September 30, 2016, the Company has accrued approximately $1.0 million in contingent liabilities related to this litigation. The Company cannot predict the outcome of this case, however initial damages and attorney's fees have been factored into the purchase price for the Provider Companies and the Company has full indemnity coverage and set-off rights against future price installments for any actual exposure in the appeal.

In May 2015, the Major Energy Companies settled with the Illinois Commerce Commission with respect to allegations of misleading marketing practices, for $0.3 million . The amount was formerly accounted for in the condensed combined balance sheet of the Major Energy Companies at December 31, 2015.

In February 2016, the Major Energy Companies settled several claims with respect to allegations of misleading marketing practices with the Maryland Public Service Commission for $0.3 million . The $0.3 million is included in accrued expenses in the condensed combined balance sheet of the Major Energy Companies at December 31, 2015 and was paid in April 2016. Prospectively, the Commission requires the Major Energy Companies to report monthly to the Maryland Public Service Commission on number of customer complaints. The settlement of $0.3 million was paid from a reserve for litigation claims established in connection with the Company's acquisition of the Major Energy Companies, which operates as a reduction to the total purchase price.

In August 2016, the Major Energy Companies settled with the Pennsylvania Public Utility Commission/Bureau of Investigation and Enforcement with respect to allegations of misleading marketing practices, for $4.1 million . The settlement includes quarterly reporting on number of complaints, as well as allowing for only fixed-rate products to be sold. The settlement was paid in August 2016 after the acquisition of the Major Energy Companies. The amount of the settlement was paid from a reserve for litigation claims established in connection with the Company's acquisition of the Major Energy Companies, which operates as a reduction to the total purchase price.

12. Transactions with Affiliates

The Company enters into transactions with and pays certain costs on behalf of affiliates that are commonly controlled in order to reduce risk, reduce administrative expense, create economies of scale, create strategic alliances and supply goods and services to these related parties. The Company also sells and purchases natural gas and electricity with affiliates. The Company presents receivables and payables with the same affiliate on a net basis in the condensed consolidated balance sheets as all affiliate activity is with parties under common control.

Master Service Agreement with Retailco Services, LLC

We entered into a Master Service Agreement (the "Master Service Agreement") effective January 1, 2016 with Retailco Services, LLC ("Retailco Services"), which is wholly owned by W. Keith Maxwell III. The Master Service Agreement is for a one -year term and renews automatically for successive one -year terms unless the Master Service Agreement is terminated by either party. Retailco Services provides us with operational support services such as: enrollment and renewal transaction services; customer billing and transaction services; electronic payment processing services; customer services and information technology infrastructure and application support services under the Master Service Agreement. See "Cost Allocations" for further discussion of the fees paid in connection with the Master Service Agreement during the three and nine months ended September 30, 2016 .

Accounts Receivable and Payable — Affiliates

The Company recorded current accounts receivable—affiliates of $2.8 million and $1.8 million as of September 30, 2016 and December 31, 2015 , respectively, and current accounts payable—affiliates of $2.6 million and $2.0 million as of September 30, 2016 and December 31, 2015 , respectively, for certain direct billings and cost allocations for services the Company provided to affiliates, services our affiliates provided to us, and sales or purchases of natural gas and electricity with affiliates.

Prepaid Assets — Affiliates

The Company prepaid NuDevco Retail and Retailco for costs of certain employee benefits to be provided through the Company's benefit plans and recorded current prepaid assets—affiliates of less than $0.1 million and $0.2 million as of September 30, 2016 and December 31, 2015 , respectively.

Convertible Subordinated Notes to Affiliate

In connection with the financing of the CenStar acquisition, the Company, together with Spark HoldCo, issued the CenStar Note to Retailco Acquisition Co, LLC ("RAC"), which is wholly owned by W. Keith Maxwell III, for $2.1 million on July 8, 2015. In connection with the financing of the Oasis acquisition, the Company, together with Spark HoldCo, issued the Oasis Note to RAC for $5.0 million on July 31, 2015. On October 5, 2016, RAC became irrevocably bound to convert the CenStar Note and the Oasis Note into shares of Class B common stock on January 8, 2017 and January 31, 2017, respectively. Refer to Note 7 "Debt" for further discussion.

Revenues and Cost of Revenues — Affiliates

The Company and an affiliate are party to an agreement whereby the Company purchases natural gas from an affiliate. Cost of revenues—affiliates, recorded in net asset optimization revenues in the condensed consolidated statements of operations for the three months ended September 30, 2016 and 2015 related to this agreement were zero and $3.4 million , respectively. Cost of revenues—affiliates, recorded in net asset optimization revenues in the condensed consolidated statements of operations for the nine months ended September 30, 2016 and 2015 related to this agreement were $1.6 million and $9.6 million , respectively.

The Company also purchases natural gas at a nearby third-party plant inlet that is then sold to an affiliate. Revenues—affiliates, recorded in net asset optimization revenues in the condensed consolidated statements of operations for the three months ended September 30, 2016 and 2015 related to these sales were zero and $0.3 million , respectively. Revenues—affiliates, recorded in net asset optimization revenues in the condensed consolidated statements of operations for the nine months ended September 30, 2016 and 2015 related to these sales were $0.2 million and $0.9 million , respectively.

Additionally, the Company entered into a natural gas transportation agreement with another affiliate at its pipeline, whereby the Company transports retail natural gas and pays the higher of (i) a minimum monthly payment or (ii) a transportation fee per MMBtu times actual volumes transported. The current transportation agreement renews annually on February 28 at a fixed rate per MMBtu without a minimum monthly payment. While this transportation agreement remains in effect, this entity was no longer an affiliate as Mr. Maxwell terminated his interest in the affiliate on May 16, 2016. Cost of revenues—affiliates, recorded in retail cost of revenues in the condensed consolidated statements of operations related to this activity, was less than $0.1 million for each of the periods from April 1, 2016 to May 16, 2016 and from January 1, 2016 to May 16, 2016.

Cost Allocations

The Company paid certain expenses on behalf of affiliates, which are reimbursed by the affiliates to the Company, and our affiliates paid certain expenses on our behalf, which are reimbursed by us. These transactions include costs that can be specifically identified and certain allocated overhead costs associated with general and administrative services, including executive management, due diligence work, recurring management consulting, facilities, banking arrangements, professional fees, insurance, information services, human resources and other support departments to or from the affiliates. Where costs incurred on behalf of the affiliate or us could not be determined by specific identification for direct billing, the costs were primarily allocated to the affiliated entities or us based on percentage of departmental usage, wages or headcount.

The total net amount direct billed and allocated from affiliates was $3.2 million and $12.8 million , respectively, for the three and nine months ended September 30, 2016 . Of this total net amount, the Company recorded general and administrative expense of $2.9 million and $11.0 million for the three and nine months ended September 30, 2016 , respectively, in the condensed consolidated statement of operations in connection with fees paid, net of damages charged, under the Master Service Agreement with Retailco Services. Additionally under the Master Service Agreement, we capitalized $0.2 million and $1.3 million of property and equipment for the application, development and implementation of various systems during three and nine months ended September 30, 2016 . The remaining amount was direct billed and allocated from other affiliates and recorded as general and administrative expense in the condensed consolidated statement of operations.

The total net amount direct billed and allocated to affiliates was $0.6 million and $2.3 million , respectively, for the three and nine months ended September 30, 2015 , which was recorded as a reduction in general and administrative expense in the condensed consolidated statement of operations.

Distributions to and Contributions from Affiliates

During the nine months ended September 30, 2016 and 2015 , the Company made distributions to NuDevco Retail and Retailco of $19.9 million (includes $10.1 million to Retailco and $9.8 million to NG&E) and $11.7 million in conjunction with the payment of its quarterly distributions attributable to its holding of Spark HoldCo units. During the nine months ended September 30, 2016 , the Company made distributions to NuDevco Retail and Retailco for gross-up distributions of $6.3 million in connection with distributions made between Spark HoldCo and Spark Energy, Inc. for payment of income taxes incurred by Spark Energy, Inc.

Proceeds from Disgorgement of Stockholder Short-swing Profits

During the three and nine months ended September 30, 2016 , the Company received $0.3 million and $0.9 million , respectively, from Retailco for the disgorgement of stockholder short-swing profits under Section 16(b) under the Exchange Act. The amount was recorded as an increase to additional paid-in capital in our condensed consolidated balance sheet.

Class B Common Stock

In connection with the Major Energy Companies acquisition, the Company issued Retailco 2,000,000 shares of Class B common stock (and a corresponding number of Spark HoldCo units) to NG&E. In connection with the financing of the Provider Companies acquisition, the Company sold 699,742 shares of Class B common stock (and a corresponding number of Spark HoldCo units) sold to RetailCo, valued at $14.0 million based on a value of $20 per share. See further discussion in Note 3.

Tax Receivable Agreement

The Company is party to a Tax Receivable Agreement with Spark HoldCo, NuDevco Retail Holdings and NuDevco Retail. This agreement generally provides for the payment by the Company to Retailco, LLC (as successor to NuDevco Retail Holdings) and NuDevco Retail of 85% of the net cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the Company actually realizes (or is deemed to realize in certain circumstances) in future periods as a result of (i) any tax basis increases resulting from the purchase by the Company of Spark HoldCo units from NuDevco Retail Holdings, (ii) any tax basis increases resulting from the exchange of Spark HoldCo units for shares of Class A common stock pursuant to the Exchange Right (or resulting from an exchange of Spark HoldCo units for cash pursuant to the Cash Option) and (iii) any imputed interest deemed to be paid by the Company as a result of, and additional tax basis arising from, any payments the Company makes under the Tax Receivable Agreement. The Company retains the benefit of the remaining 15% of these tax savings. See Note 10 "Taxes" for further discussion.

In certain circumstances, the Company may defer or partially defer any payment due (a "TRA Payment") to the holders of rights under the Tax Receivable Agreement, which are currently Retailco and NuDevco Retail. During the five -year period ending September 30, 2019, the Company will defer all or a portion of any TRA Payment owed pursuant to the Tax Receivable Agreement to the extent that Spark HoldCo does not generate sufficient Cash Available for Distribution (as defined below) during the four-quarter period ending September 30th of the applicable year in which the TRA Payment is to be made in an amount that equals or exceeds 130% (the "TRA Coverage Ratio") of the Total Distributions (as defined below) paid in such four-quarter period by Spark HoldCo. For purposes of computing the TRA Coverage Ratio:

- "Cash Available for Distribution" is generally defined as the Adjusted EBITDA of Spark HoldCo for the applicable period, less (i) cash interest paid by Spark HoldCo, (ii) capital expenditures of Spark HoldCo (exclusive of customer acquisition costs) and (iii) any taxes payable by Spark HoldCo; and
- "Total Distributions" are defined as the aggregate distributions necessary to cause the Company to receive distributions of cash equal to (i) the targeted quarterly distribution the Company intends to pay to holders of its Class A common stock payable during the applicable four-quarter period, plus (ii) the estimated taxes payable by the Company during such four-quarter period, plus (iii) the expected TRA Payment payable during the calendar year for which the TRA Coverage Ratio is being tested.

In the event that the TRA Coverage Ratio is not satisfied in any calendar year, the Company will defer all or a portion of the TRA Payment to NuDevco Retail or Retailco under the Tax Receivable Agreement to the extent necessary to permit Spark HoldCo to satisfy the TRA Coverage Ratio (and Spark HoldCo is not required to make and will not make the pro rata distributions to its members with respect to the deferred portion of the TRA Payment). If the TRA Coverage Ratio is satisfied in any calendar year, the Company is obligated to pay NuDevco Retail or Retailco the full amount of the TRA Payment.

Following the five -year deferral period ending September 30, 2019, the Company will be obligated to pay any outstanding deferred TRA Payments to the extent such deferred TRA Payments do not exceed (i) the lesser of the Company's proportionate share of aggregate Cash Available for Distribution of Spark HoldCo during the five -year deferral period or the cash distributions actually received by the Company during the five -year deferral period, reduced by (ii) the sum of (a) the aggregate target quarterly dividends (which, for the purposes of the Tax Receivable Agreement, will be $0.3625 per share per quarter) during the five -year deferral period, (b) the Company's estimated taxes during the five -year deferral period, and (c) all prior TRA Payments and (y) if with respect to the quarterly period during which the deferred TRA Payment is otherwise paid or payable, Spark HoldCo has or reasonably determines it will have amounts necessary to cause the Company to receive distributions of cash equal to the target quarterly distribution payable during that quarterly period. Any portion of the deferred TRA Payments not payable due to these limitations will no longer be payable.

We met the threshold coverage ratio required to fund the first TRA Payment to Retailco and NuDevco Retail under the Tax Receivable Agreement during the four-quarter period ending September 30, 2016, resulting in an initial TRA Payment of $1.4 million becoming due in December 2016. On November 6, 2016, Retailco and NuDevco Retail granted the Company the right to defer the TRA Payment until May 2018. During the period of time when the Company has elected to defer the TRA Payment, the outstanding payment amount will accrue interest at a rate calculated in the manner provided for under the Tax Receivable Agreement. The liability has been classified as non-current in our condensed consolidated balance sheet at September 30, 2016 . See also Note 14 "Subsequent Events."

13. Segment Reporting

The Company’s determination of reportable business segments considers the strategic operating units under which the Company makes financial decisions, allocates resources and assesses performance of its retail and asset optimization businesses.

The Company’s reportable business segments are retail natural gas and retail electricity. The retail natural gas segment consists of natural gas sales to, and natural gas transportation and distribution for, residential and commercial customers. Asset optimization activities, considered an integral part of securing the lowest price natural gas to serve retail gas load, are part of the retail natural gas segment. The Company recorded asset optimization revenues of $26.0 million and $27.7 million and asset optimization cost of revenues of $25.9 million and $28.2 million for the three months ended September 30, 2016 and 2015 , respectively, which are presented on a net basis in asset optimization revenues. The Company recorded asset optimization revenues of $89.1 million and $120.7 million and asset optimization cost of revenues of $89.1 million and $119.4 million for the nine months ended September 30, 2016 and 2015 , respectively, which are presented on a net basis in asset optimization revenues. The retail electricity segment consists of electricity sales and transmission to residential and commercial customers. Corporate and other consists of expenses and assets of the retail natural gas and retail electricity segments that are managed at a consolidated level such as general and administrative expenses.

To assess the performance of the Company’s operating segments, the Chief Operating Decision Maker analyzes retail gross margin. The Company defines retail gross margin as operating income plus (i) depreciation and amortization expenses and (ii) general and administrative expenses, less (i) net asset optimization revenues (expenses), (ii) net gains (losses) on derivative instruments, and (iii) net current period cash settlements on derivative instruments. The Company deducts net gains (losses) on derivative instruments, excluding current period cash settlements, from the retail gross margin calculation in order to remove the non-cash impact of net gains and losses on derivative instruments.

Retail gross margin is a primary performance measure used by our management to determine the performance of our retail natural gas and electricity business by removing the impacts of our asset optimization activities and net non-cash income (loss) impact of our economic hedging activities. As an indicator of our retail energy business’ operating performance, retail gross margin should not be considered an alternative to, or more meaningful than, operating income, as determined in accordance with GAAP.

Below is a reconciliation of retail gross margin to income before income tax expense (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Reconciliation of Retail Gross Margin to Income before taxes				
Income before income tax expense	$ 7,930	$ 6,455	$ 48,388	$ 24,442
Interest and other income	(240)	(5)	(340)	(326)
Interest expense	1,270	800	2,855	1,415
Operating Income	8,960	7,250	50,903	25,531
Depreciation and amortization	8,295	7,557	23,337	17,873
General and administrative	18,009	15,493	55,188	43,909
Less:				
Net asset optimization (expenses) revenues	108	(545)	(42)	1,317
Net, Gain (losses) on non-trading derivative instruments	(1,183)	132	2,519	(5,876)
Net, Cash settlements on non-trading derivative instruments	(8,889)	4,035	3,341	12,643
Retail Gross Margin	**$ 45,228**	**$ 26,678**	**$ 123,610**	**$ 79,229**

The Company uses retail gross margin and net asset optimization revenues as the measure of profit or loss for its business segments. This measure represents the lowest level of information that is provided to the chief operating decision maker for our reportable segments.

Financial data for business segments are as follows (in thousands):

Three Months Ended September 30, 2016	Retail Electricity	Retail Natural Gas	Corporate and Other	Eliminations	Spark Retail
Total Revenues	$ 144,243	$ 13,851	$ —	$ —	$ 158,094
Retail cost of revenues	113,600	9,230	—	—	122,830
Less:					
Net asset optimization expenses	—	108	—	—	108
Gains on non-trading derivatives	68	(1,251)	—	—	(1,183)
Current period settlements on non-trading derivatives	(8,614)	(275)	—	—	(8,889)
Retail Gross Margin	**$ 39,189**	**$ 6,039**	**$ —**	**$ —**	**$ 45,228**

Three Months Ended September 30, 2015	Retail Electricity	Retail Natural Gas	Corporate and Other	Eliminations	Spark Retail
Total revenues	$ 76,913	$ 14,354	$ —	$ —	$ 91,267
Retail cost of revenues	50,787	10,180	—	—	60,967
Less:					
Net asset optimization expenses	—	(545)	—	—	(545)
Gains (losses) gains on non-trading derivatives	3,891	(3,759)	—	—	132
Current period settlements on non-trading derivatives	3,310	725	—	—	4,035
Retail Gross Margin	**$ 18,925**	**$ 7,753**	**$ —**	**$ —**	**$ 26,678**

Nine Months Ended September 30, 2016	Retail Electricity	Retail Natural Gas	Corporate and Other	Eliminations	Spark Retail
Total revenues	$ 293,571	$ 84,450	$ —	$ —	$ 378,021
Retail cost of revenues	209,617	38,976	—	—	248,593
Less:					
Net asset optimization expenses	—	(42)	—	—	(42)
(Losses) gains on non-trading derivatives	997	1,522	—	—	2,519
Current period settlements on non-trading derivatives	731	2,610	—	—	3,341
Retail Gross Margin	**$ 82,226**	**$ 41,384**	**$ —**	**$ —**	**$ 123,610**
Total Assets at September 30, 2016	**$ 474,575**	**$ 185,145**	**$ 170,074**	**$ (492,063)**	**$ 337,731**
Goodwill at September 30, 2016	**$ 77,271**	**$ 2,285**	**$ —**	**$ —**	**$ 79,556**

Nine Months Ended September 30, 2015	Retail Electricity	Retail Natural Gas	Corporate and Other	Eliminations	Spark Retail
Total revenues	$ 170,060	$ 93,253	$ —	$ —	$ 263,313
Retail cost of revenues	122,864	53,136	—	—	176,000
Less:					
Net asset optimization revenues	—	1,317	—	—	1,317
(Losses) gains on non-trading derivatives	(2,201)	(3,675)	—	—	(5,876)
Current period settlements on non-trading derivatives	5,727	6,916	—	—	12,643
Retail Gross Margin	**$ 43,670**	**$ 35,559**	**$ —**	**$ —**	**$ 79,229**
Total Assets at December 31, 2015	**$ 150,245**	**$ 113,583**	**$ 88,823**	**$ (190,417)**	**$ 162,234**
Goodwill at December 31, 2015	**$ 16,476**	**$ 1,903**	**$ —**	**$ —**	**$ 18,379**

14. Subsequent Events

Conversion of CenStar and Oasis Notes

On October 5, 2016, RAC issued to the Company an irrevocable commitment to convert the CenStar Note and the Oasis Note into 134,731 and 383,090 shares of Class B common stock (and related Spark HoldCo units), respectively, on January 8, 2017 and January 31, 2017, respectively.

Declaration of Dividends

On October 27, 2016 , the Company declared a quarterly dividend of $0.3625 to holders of record of our Class A common stock on December 1, 2016 and payable on December 14, 2016 .

TRA Payment Deferral

On November 6, 2016, Retailco and NuDevco Retail waived their right to receive an approximate $1.4 million payment for the Tax Receivable Agreement that was due from the Company on December 15, 2016. The Company has been given the right to defer this payment for up to eighteen months, subject to interest at the rate agreed to in the Tax Receivable Agreement. The liability has been classified as non-current as of September 30, 2016.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this report and the audited combined and consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations included in our Form 10-K for the year ended December 31, 2015 that was filed with the Securities and Exchange Commission ("SEC"). In this report, the terms "Spark Energy," "Company," "we," "us" and "our" refer collectively to Spark Energy, Inc. and its subsidiaries.

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. These forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), can be identified by the use of forward-looking terminology including "may," "should," "likely," "will," "believe," "expect," "anticipate," "estimate," "continue," "plan," "intend," "projects," or other similar words. All statements, other than statements of historical fact included in this report, regarding strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans, objectives and beliefs of management are forward-looking statements. Forward-looking statements appear in a number of places in this report and may include statements about business strategy and prospects for growth, customer acquisition costs, ability to pay cash dividends, cash flow generation and liquidity, availability of terms of capital, competition and government regulation and general economic conditions. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot give any assurance that such expectations will prove correct.

The forward-looking statements in this report are subject to risks and uncertainties. Important factors that could cause actual results to materially differ from those projected in the forward-looking statements include, but are not limited to:

- changes in commodity prices,
- extreme and unpredictable weather conditions,
- the sufficiency of risk management and hedging policies,
- customer concentration,
- federal, state and local regulation,
- key license retention,
- increased regulatory scrutiny and compliance costs,
- our ability to borrow funds and access credit markets,
- restrictions in our debt agreements and collateral requirements,
- credit risk with respect to suppliers and customers,
- level of indebtedness,
- changes in costs to acquire customers,
- actual customer attrition rates,
- actual bad debt expense in non-POR markets,
- accuracy of internal billing systems,
- ability to successfully navigate entry into new markets,
- whether our majority stockholder or its affiliates offer us acquisition opportunities on terms that are commercially acceptable to us,
- ability to successfully and efficiently integrate acquisitions into our operations,
- competition, and
- other factors discussed in "Risk Factors" in our Form 10-K for the year ended December 31, 2015, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 and in our other public filings and press releases.

You should review the risk factors and other factors noted throughout or incorporated by reference in this report that could cause our actual results to differ materially from those contained in any forward-looking statement. All forward-looking statements speak only as of the date of this report. Unless required by law, we disclaim any obligation to publicly update or revise these statements whether as a result of new information, future events or otherwise. It is not possible for us to predict all risks, nor can we assess the impact of all factors on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Overview

Spark Energy, Inc. ("Spark Energy," "Company," "we" or "us") is a growing independent retail energy services company founded in 1999 that provides residential and commercial customers in competitive markets across the United States with an alternative choice for their natural gas and electricity. We purchase our natural gas and electricity supply from a variety of wholesale providers and bill our customers monthly for the delivery of natural gas and electricity based on their consumption at either a fixed or variable price. Natural gas and electricity are then distributed to our customers by local regulated utility companies through their existing infrastructure. As of September 30, 2016 , we operated in 90 utility service territories across 18 states.

We operate these businesses in two operating segments:

- *Retail Natural Gas Segment* . We purchase natural gas supply through physical and financial transactions with market counterparts and supply natural gas to residential and commercial consumers pursuant to fixed-price, variable-price and flat-rate contracts. For the three months ended September 30, 2016 and 2015 , approximately 9% and 16% , respectively, of our retail revenues were derived from the sale of natural gas. We also identify wholesale natural gas arbitrage opportunities in conjunction with our retail procurement and hedging activities, which we refer to as asset optimization.

- *Retail Electricity Segment* . We purchase electricity supply through physical and financial transactions with market counterparts and ISOs and supply electricity to residential and commercial consumers pursuant to fixed-price and variable-price contracts. For the three months ended September 30, 2016 and 2015 , approximately 91% and 84% , respectively, of our retail revenues were derived from the sale of electricity.

Acquisitions

Acquisition of the Provider Companies

On August 1, 2016, the Company and Spark HoldCo completed the purchase of all of the outstanding membership interests in the retail energy providers. Electricity Maine, LLC, Electricity N.H., LLC, and Provider Power Mass, LLC, (the “Provider Companies”), which are all Maine limited liability companies. The Provider Companies serve electrical customers in Maine, New Hampshire and Massachusetts and had approximately 121,000 RCEs on August 1, 2016. The purchase price for the Provider Companies was approximately $34.1 million, which included $1.3 million in working capital, subject to adjustments, and up to $9.0 million in earnout payments, valued at $4.8 million as of the purchase date, to be paid by June 30, 2017, subject to the achievement of certain performance targets. The purchase price was funded by the issuance of 699,742 shares of Class B common stock (and a corresponding number of Spark HoldCo units) sold to Retailco, LLC ("Retailco"), valued at $14.0 million based on a value of $20 per share; borrowings under our Senior Credit Facility (defined below) of $10.6 million; and $3.8 million in installment consideration to be paid in nine monthly payments that commenced in August 2016. The first payment of $0.4 million was made with the initial consideration paid.

Acquisition of the Major Energy Companies

On August 23, 2016, the Company and Spark HoldCo completed the purchase of all of the outstanding membership interests in the retail energy providers Major Energy Services, LLC, Major Energy Electric Services, LLC, and

Respond Power, LLC (the "Major Energy Companies"), which are all New York limited liability companies. The Major Energy Companies were purchased from National Gas & Electric, LLC ("NG&E"), which is owned by the Company's founder and majority shareholder. The Major Energy Companies serve natural gas and electricity customers in Connecticut, Illinois, Maryland (including the District of Columbia), Massachusetts, New Jersey, New York, Ohio, and Pennsylvania and had 220,000 RCEs on August 23, 2016. The purchase price for the Major Energy Companies was approximately $63.2 million, which included $4.3 million in working capital, subject to adjustments; an assumed litigation reserve of $5.0 million, and up to $35.0 million in installment and earnout payments, valued at $13.1 million as of the purchase date, to be paid to the previous members of the Major Energy Companies, in annual installments on March 31, 2017, 2018 and 2019, subject to the achievement of certain performance targets (the “Major Earnout”). In addition, the Company is obligated to issue up to 200,000 shares of Class B common stock (and a corresponding number of Spark HoldCo units) to NG&E, subject to the achievement of certain performance targets, valued at $0.8 million (40,718 shares valued at $20 per share) as of the purchase date (the "Stock Earnout"). The purchase price was funded by the issuance of 2,000,000 shares of Class B common stock (and a corresponding number of Spark HoldCo units) valued at $40.0 million based on a value of $20 per share, to NG&E. NG&E is owned by W. Keith Maxwell, III, our Chairman of the Board, founder and majority shareholder.

Recent Developments

Declaration of Dividends

On October 27, 2016 , the Company declared a quarterly dividend of $0.3625 to holders of record of our Class A common stock on December 1, 2016 and payable on December 14, 2016 .

Residential Customer Equivalents

The following table shows activity of our RCEs during the three months ended September 30, 2016 :

RCEs:					
(In thousands)	**June 30, 2016 (1)**	**Additions (2)**	**Attrition**	**September 30, 2016**	**% Increase (Decrease)**
Retail Electricity RCEs	424	195	(66)	553	30%
Retail Natural Gas RCEs	200	16	(16)	200	—%
Total Retail RCEs	**624**	**211**	**(82)**	**753**	**21%**

(1) Includes 215,000 RCEs of the Major Energy Companies. See "-Factors Affecting Comparability of Historical Financial Results - Presentation of the Acquisition of the Major Energy Companies" for further discussion on the presentation of our results of the Major Energy Companies.
(2) Includes 121,000 RCEs from the Provider Companies.

The following table details our RCEs by geographical location as of September 30, 2016 :

RCEs by Geographic Location:						
(In thousands)	**Electricity**	**% of Total**	**Natural Gas**	**% of Total**	**Total**	**% of Total**
East	441	80%	116	58%	557	74%
Midwest	51	9%	52	26%	103	14%
Southwest	61	11%	32	16%	93	12%
Total	**553**	**100%**	**200**	**100%**	**753**	**100%**

The geographical regions noted above include the following states:

- East - New York, Connecticut, Maine, Massachusetts, Pennsylvania, Maryland (including the District of Columbia), New Hampshire, New Jersey, and Florida;
- Midwest - Illinois, Indiana, Ohio and Michigan; and
- Southwest - Texas, California, Colorado, Arizona and Nevada.

Investment in eREX Spark Marketing Joint Venture

The Company and Spark HoldCo, together with eREX Co., Ltd., a Japanese company, are joint venture partners in eREX Spark Marketing Co., Ltd ("ESM"). Operations for ESM began on April 1, 2016 in connection with the deregulation of the Japanese power market. ESM has received more than 30,000 customer applications, which are currently excluded from our count of residential customer equivalents ("RCEs").

Drivers of our Business

Customer Growth

Customer growth is a key driver of our operations. Our customer growth strategy includes acquiring customers through acquisitions as well as organically.

Acquisitions. Our Founder formed NG&E in 2015 for the purpose of purchasing retail energy companies and retail customer books that could ultimately be resold to us. We currently expect that we would fund any potential drop-downs with some combination of cash, subordinated debt, or the issuance of Class B common stock (and corresponding Spark HoldCo units) to NG&E. However, actual consideration paid for the assets will depend, among other things, on our capital structure and liquidity at the time of any drop-down. This drop-down strategy affords us access to opportunities that might not otherwise be available to us due to our size and availability of capital.

Additionally, we may independently acquire both portfolios of customers as well as smaller retail energy companies through some combination of cash, borrowings under the Acquisition Line (defined below) of the Senior Credit Facility (defined below), through the issuance of Class A common stock to the public, or through financing arrangements with our Founder and his affiliates, however there is no guarantee that we will continue to do so.

Organic Growth. Our organic sales strategies are used to both maintain and grow our customer base by offering competitive pricing, price certainty and/or green product offerings. We manage growth on a market-by-market basis by developing price curves in each of the markets we serve and comparing the market prices to the price the local regulated utility is offering. We then determine if there is an opportunity in a particular market based on our ability to create a competitive product on economic terms that satisfies our profitability objectives and provides customer value. We develop marketing campaigns using a combination of sales channels, with an emphasis on door-to-door marketing and outbound telemarketing given their flexibility and historical effectiveness. We identify and acquire customers through a variety of additional sales channels, including our inbound customer care call center, online marketing, email, direct mail, affinity programs, direct sales, brokers and consultants. As we continue to grow our customer count it is more difficult to achieve higher growth rates organically. Our marketing team continuously evaluates the effectiveness of each customer acquisition channel and makes adjustments in order to achieve desired growth and profitability targets.

Customer Acquisition Cost

Management of customer acquisition costs is a key component to our profitability. Customer acquisition costs are spending for organic customer acquisitions and do not include customer acquisitions through acquisitions of businesses or portfolios of customer contracts, which are recorded as customer relationships.

We attempt to maintain a disciplined approach to recovery of our customer acquisition costs within defined periods. We capitalize and amortize our customer acquisition costs over a two year period, which is based on the expected average length of a customer relationship. We factor in the recovery of customer acquisition costs in determining which markets we enter and the pricing of our products in those markets. Accordingly, our results are significantly influenced by our customer acquisition spending.

Customer acquisition cost for the three months ended September 30, 2016 was approximately $8.2 million , inclusive of costs attributable to the Provider Companies and Major Energy Companies. During the first half of 2016, we reduced the amount we spent on organic customer acquisition cost in order to maintain, rather than grow, our current level of RCEs, and shifted our resources to acquisitions. During the three months ended September 30, 2016 , we have increased our spending on organic customer acquisitions as we refocus on organic growth for the second half of 2016.

Our Ability to Manage Customer Attrition

Customer attrition is primarily due to: (i) customer initiated switches; (ii) residential moves and (iii) disconnection for customer payment defaults.

Customer attrition for the three months ended September 30, 2016 was 3.8% . Our customer attrition has been lower in recent quarters as we have increased our focus on the acquisition of higher lifetime value customers. We have also increased our customer win-back efforts, and have more aggressively pursued proactive renewals and other customer relationship strategies to maintain a low level of customer attrition.

Customer Credit Risk

Our bad debt expense for the three and nine months ended September 30, 2016 was less than 1.0% of non-POR market retail revenues. An increased focus on collection efforts and timely billing along with tighter credit requirements for new enrollments in non-POR markets have led to a reduction in the bad debt expense in 2016. We have also been able to collect on debts that we have previously written off, which have further reduced our bad debt expense during the three months ended September 30, 2016.

Weather Conditions

Weather conditions directly influence the demand for natural gas and electricity and affect the prices of energy commodities. Our hedging strategy is based on forecasted customer energy usage, which can vary substantially as a result of weather patterns deviating from historical norms. We are particularly sensitive to this variability because of our current substantial concentration and focus on growth in the residential customer segment in which energy usage is highly sensitive to weather conditions that impact heating and cooling demand. During the three months ended September 30, 2016 , we experienced warmer than normal weather conditions, which positively impacted overall customer usage.

Asset Optimization

Our natural gas business includes opportunistic transactions in the natural gas wholesale marketplace in conjunction with our retail procurement and hedging activities. Asset optimization opportunities primarily arise during the winter heating season when demand for natural gas is the highest. As such, the majority of our asset optimization profits are made in the winter. Given the opportunistic nature of these activities, we experience variability in our earnings from our asset optimization activities from year to year. As these activities are accounted for using mark to-market fair value accounting, the timing of our revenue recognition often differs from the actual cash settlement.

Net asset optimization results were a gain of $0.1 million for the three months ended September 30, 2016 , primarily due to limited arbitrage opportunities we captured during the three months ended September 30, 2016 , offset by $0.9 million of our annual legacy demand charges allocated to the quarter. During the full year 2016 , we are obligated to pay demand charges of approximately $2.6 million under certain long-term legacy transportation assets that our predecessor entity acquired prior to 2013.

Factors Affecting Comparability of Historical Financial Results

Presentation of the Acquisition of the Major Energy Companies

On April 15, 2016, NG&E completed its acquisition of the Major Energy Companies. On May 3, 2016, the Company and Spark HoldCo, entered into a Membership Interest Purchase Agreement (the "Major Purchase Agreement") with Retailco and NG&E for the purchase of all the membership interests of the Major Energy Companies. The Company completed the acquisition of the Major Energy Companies from NG&E on August 23, 2016. Because the acquisition of the Major Energy Companies was a transfer of equity interests of entities under common control, the Company's historical financial statements previously filed with the SEC have been recast in this Form 10-Q to include the results attributable to the Major Energy Companies from April 15, 2016. The unaudited condensed consolidated financial statements for this recasted period have been prepared from NG&E's historical cost-basis and may not necessarily be indicative of the actual results of operations that would have occurred had the Company owned the Major Energy Companies during the recasted period.

How We Evaluate Our Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2016	2015	2016	2015
Adjusted EBITDA	$ 20,316	$ 5,601	$ 57,076	$ 20,610
Retail Gross Margin	$ 45,228	$ 26,678	$ 123,610	$ 79,229

Adjusted EBITDA . We define “Adjusted EBITDA” as EBITDA less (i) customer acquisition costs incurred in the current period, (ii) net gain (loss) on derivative instruments, and (iii) net current period cash settlements on derivative instruments, plus (iv) non-cash compensation expense and (v) other non-cash operating items. EBITDA is defined as net income (loss) before provision for income taxes, interest expense and depreciation and amortization.

We deduct all current period customer acquisition costs (representing spending for organic customer acquisitions) in the Adjusted EBITDA calculation because such costs reflect a cash outlay in the period in which they are incurred, even though we capitalize such costs and amortize them over two years in accordance with our accounting policies. The deduction of current period customer acquisition costs is consistent with how we manage our business, but the comparability of Adjusted EBITDA between periods may be affected by varying levels of customer acquisition costs. For example, our Adjusted EBITDA is lower in periods of organic customer growth reflecting larger organic customer acquisition spending.

We do not deduct the cost of customer acquisitions through acquisitions of businesses or portfolios of customers in calculated Adjusted EBITDA.

We deduct our net gains (losses) on derivative instruments, excluding current period cash settlements, from the Adjusted EBITDA calculation in order to remove the non-cash impact of net gains and losses on derivative instruments. We also deduct non-cash compensation expense as a result of restricted stock units that are issued under our long-term incentive plan.

We believe that the presentation of Adjusted EBITDA provides information useful to investors in assessing our liquidity and financial condition and results of operations and that Adjusted EBITDA is also useful to investors as a financial indicator of a company’s ability to incur and service debt, pay dividends and fund capital expenditures. Adjusted EBITDA is a supplemental financial measure that management and external users of our condensed consolidated financial statements, such as industry analysts, investors, commercial banks and rating agencies, use to assess the following:

- our operating performance as compared to other publicly traded companies in the retail energy industry, without regard to financing methods, capital structure or historical cost basis;
- the ability of our assets to generate earnings sufficient to support our proposed cash dividends; and
- our ability to fund capital expenditures (including customer acquisition costs) and incur and service debt.

Retail Gross Margin. We define retail gross margin as operating income plus (i) depreciation and amortization expenses and (ii) general and administrative expenses, less (i) net asset optimization revenues, (ii) net gains (losses) on non-trading derivative instruments, and (iii) net current period cash settlements on non-trading derivative instruments. Retail gross margin is included as a supplemental disclosure because it is a primary performance measure used by our management to determine the performance of our retail natural gas and electricity business by removing the impacts of our asset optimization activities and net non-cash income (loss) impact of our economic hedging activities.

We believe retail gross margin provides information useful to investors as an indicator of our retail energy business's operating performance.

The GAAP measures most directly comparable to Adjusted EBITDA are net income and net cash provided by operating activities. The GAAP measure most directly comparable to Retail Gross Margin is operating income. Our non-GAAP financial measures of Adjusted EBITDA and Retail Gross Margin should not be considered as alternatives to net income, net cash provided by operating activities, or operating income. Adjusted EBITDA and Retail Gross Margin are not presentations made in accordance with GAAP and have important limitations as analytical tools. You should not consider Adjusted EBITDA or Retail Gross Margin in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA and Retail Gross Margin exclude some, but not all, items that affect net income and net cash provided by operating activities, and are defined differently by different companies in our industry, our definition of Adjusted EBITDA and Retail Gross Margin may not be comparable to similarly titled measures of other companies.

Management compensates for the limitations of Adjusted EBITDA and Retail Gross Margin as analytical tools by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these data points into management's decision-making process.

The following table presents a reconciliation of Adjusted EBITDA to net income for each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2016**	**2015**	**2016**	**2015**
Reconciliation of Adjusted EBITDA to Net Income:				
Net income	$ 6,801	$ 5,875	$ 41,536	$ 22,843
Depreciation and amortization	8,295	7,557	23,337	17,873
Interest expense	1,270	800	2,855	1,415
Income tax expense	1,129	580	6,852	1,599
EBITDA	17,495	14,812	74,580	43,730
Less:				
Net, Gains (losses) on derivative instruments	(609)	61	2,887	(6,118)
Net, Cash settlements on derivative instruments	(8,869)	4,163	3,427	12,887
Customer acquisition costs	8,242	5,825	15,217	17,725
Plus:				
Non-cash compensation expense	1,585	838	4,027	1,374
Adjusted EBITDA	$ 20,316	$ 5,601	$ 57,076	$ 20,610

The following table presents a reconciliation of Adjusted EBITDA to net cash provided by (used in) operating activities for each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2016**	**2015**	**2016**	**2015**
Reconciliation of Adjusted EBITDA to net cash provided by operating activities:				
Net cash provided by operating activities	$ (48,157)	$ (15,887)	$ 61,643	$ 39,675
Amortization of deferred financing costs	(231)	(194)	(465)	(295)
Bad debt expense	(381)	(1,903)	(842)	(6,082)
Interest expense	1,270	800	2,855	1,415
Income tax expense	1,129	580	6,852	1,599
Changes in operating working capital				
Accounts receivable, prepaids, current assets	4,475	(3,677)	(19,227)	(29,460)
Inventory	1,672	2,103	(568)	(2,978)
Accounts payable and accrued liabilities	54,299	21,690	5,854	13,761
Other	6,240	2,089	974	2,975
Adjusted EBITDA	$ 20,316	$ 5,601	$ 57,076	$ 20,610
Cash Flow Data:				
Cash flows provided by operating activities	$ (48,157)	$ (15,887)	$ 61,643	$ 39,675
Cash flows used in investing activities	17,976	(22,057)	(34,175)	(42,819)
Cash flows used in financing activities	34,242	40,284	(15,035)	6,140

The following table presents a reconciliation of Retail Gross Margin to operating income for each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2016**	**2015**	**2016**	**2015**
Reconciliation of Retail Gross Margin to Operating Income:				
Operating income	$ 8,960	$ 7,250	$ 50,903	$ 25,531
Depreciation and amortization	8,295	7,557	23,337	17,873
General and administrative	18,009	15,493	55,188	43,909
Less:				
Net asset optimization (expenses) revenues	108	(545)	(42)	1,317
Net, Gains (losses) on non-trading derivative instruments	(1,183)	132	2,519	(5,876)
Net, Cash settlements on non-trading derivative instruments	(8,889)	4,035	3,341	12,643
Retail Gross Margin	$ 45,228	$ 26,678	$ 123,610	$ 79,229

Consolidated Results of Operations

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

(In Thousands)	Three Months Ended September 30,		
	2016	2015	Change
Revenues:			
Retail revenues	$ 157,986	$ 91,812	$ 66,174
Net asset optimization expenses	108	(545)	653
Total Revenues	158,094	91,267	66,827
Operating Expenses:			
Retail cost of revenues	122,830	60,967	61,863
General and administrative	18,009	15,493	2,516
Depreciation and amortization	8,295	7,557	738
Total Operating Expenses	149,134	84,017	65,117
Operating income	8,960	7,250	1,710
Other (expense)/income:			
Interest expense	(1,270)	(800)	(470)
Interest and other income	240	5	235
Total other expenses	(1,030)	(795)	(235)
Income before income tax expense	7,930	6,455	1,475
Income tax expense	1,129	580	549
Net income	$ 6,801	$ 5,875	$ 926
Adjusted EBITDA [(1)]	$ 20,316	$ 5,601	$ 14,715
Retail Gross Margin [(1)]	45,228	26,678	18,550
Customer Acquisition Costs	8,242	5,825	2,417
RCE Attrition	3.8%	5.0%	(1.2)%

(1) Adjusted EBITDA and Retail Gross Margin are non-GAAP financial measures. See "—How We Evaluate Our Operations" for a reconciliation of Adjusted EBITDA and Retail Gross Margin to their most directly comparable financial measures presented in accordance with GAAP.

Total Revenues. Total revenues for the three months ended September 30, 2016 were approximately $158.1 million , an increase of approximately $66.8 million , or 73% , from approximately $91.3 million for the three months ended September 30, 2015 , as indicated in the table below (in millions). Additional volumes are primarily driven by the acquisitions of the Provider Companies and Major Energy Companies.

Change in electricity volumes sold	$ 78.2
Change in natural gas volumes sold	0.9
Change in electricity unit revenue per MWh	(10.9)
Change in natural gas unit revenue per MMBtu	(2.1)
Change in net asset optimization revenue (expense)	0.7
Change in total revenues	$ 66.8

Retail Cost of Revenues . Total retail cost of revenues for the three months ended September 30, 2016 was approximately $122.8 million , an increase of approximately $61.8 million , or 101% , from approximately $61.0

million for the three months ended September 30, 2015 , as indicated in the table below (in millions). Additional volumes are primarily driven by the acquisitions of the Provider Companies and Major Energy Companies.

Change in electricity volumes sold	$	58.9
Change in natural gas volumes sold		0.4
Change in electricity unit cost per MWh		(11.8)
Change in natural gas unit cost per MMBtu		0.1
Change in value of retail derivative portfolio		14.2
Change in retail cost of revenues	$	61.8

General and Administrative Expense . General and administrative expense for the three months ended September 30, 2016 was approximately $18.0 million , an increase of approximately $2.5 million , or 16% , as compared to $15.5 million for the three months ended September 30, 2015 . This increase was primarily attributable to increased billing and other variable costs associated with increased RCEs as a result of the acquisitions of the Provider Companies and the Major Energy Companies and increased stock-based compensation associated with higher stock prices and additional equity awards, partially offset by a reduction in bad debt expense as we had better than anticipated collections as a result of new collection initiatives.

Depreciation and Amortization Expense . Depreciation and amortization expense for the three months ended September 30, 2016 was approximately $8.3 million , an increase of approximately $0.7 million , or 9% , from approximately $7.6 million for the three months ended September 30, 2015 . This increase was primarily due to the increased amortization expense associated with customer intangibles from the acquisitions of the Provider Companies and the Major Energy Companies.

Customer Acquisition Cost . Customer acquisition cost for the three months ended September 30, 2016 was approximately $8.2 million , an increase of approximately $2.4 million , or 41% , from approximately $5.8 million for the three months ended September 30, 2015 . This increase was primarily due to our increased organic sales in the quarter as we have shifted back to organic growth and following the acquisitions of the Provider Companies and the Major Energy Companies.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

In Thousands	Nine Months Ended September 30,		
	2016	2015	Change
Revenues:			
Retail revenues	$ 378,063	$ 261,996	$ 116,067
Net asset optimization (expenses) revenues	(42)	1,317	(1,359)
Total Revenues	378,021	263,313	114,708
Operating Expenses:			
Retail cost of revenues	248,593	176,000	72,593
General and administrative	55,188	43,909	11,279
Depreciation and amortization	23,337	17,873	5,464
Total Operating Expenses	327,118	237,782	89,336
Operating income	50,903	25,531	25,372
Other (expense)/income:			
Interest expense	(2,855)	(1,415)	(1,440)
Interest and other income	340	326	14
Total other (expenses)/income	(2,515)	(1,089)	(1,426)
Income before income tax expense	48,388	24,442	23,946
Income tax expense	6,852	1,599	5,253
Net income	$ 41,536	$ 22,843	$ 18,693
Adjusted EBITDA (1)	$ 57,076	$ 20,610	$ 36,466
Retail Gross Margin (1)	123,610	79,229	44,381
Customer Acquisition Costs	15,217	17,725	(2,508)
RCE Attrition	4.1%	5.3%	(1.2)%

(1) Adjusted EBITDA and Retail Gross Margin are non-GAAP financial measures. See "—How We Evaluate Our Operations" for a reconciliation of Adjusted EBITDA and Retail Gross Margin to their most directly comparable financial measures presented in accordance with GAAP.

Total Revenues. Total revenues for the nine months ended September 30, 2016 were approximately $378.0 million , an increase of approximately $114.7 million , or 44% , from approximately $263.3 million for the nine months ended September 30, 2015 , as indicated in the table below (in millions). Additional volumes are primarily driven by the acquisitions of the Provider Companies and the Major Energy Companies.

Change in electricity volumes sold	$ 156.6
Change in natural gas volumes sold	3.2
Change in electricity unit revenue per MWh	(33.1)
Change in natural gas unit revenue per MMBtu	(10.6)
Change in net asset optimization revenue (expense)	(1.4)
Change in total revenues	$ 114.7

Retail Cost of Revenues . Total retail cost of revenues for the nine months ended September 30, 2016 was approximately $248.6 million , an increase of approximately $72.6 million , or 41% , from approximately $176.0 million for the nine months ended September 30, 2015 , as indicated in the table below (in millions). Additional volumes are primarily driven by the acquisitions of the Provider Companies and the Major Energy Companies.

Change in electricity volumes sold	$	116.4
Change in natural gas volumes sold		2.0
Change in electricity unit cost per MWh		(31.5)
Change in natural gas unit cost per MMBtu		(15.2)
Change in value of retail derivative portfolio		0.9
Change in retail cost of revenues	$	72.6

General and Administrative Expense . General and administrative expense for the nine months ended September 30, 2016 was approximately $55.2 million , an increase of approximately $11.3 million , or 26% , as compared to $43.9 million for the nine months ended September 30, 2015 . This increase was primarily due to increased billing and other variable costs associated with increased RCEs, including those added as a result of the acquisitions of the Provider Companies and the Major Energy Companies, increased stock-based compensation associated with higher stock prices and additional equity awards, and additional litigation expense. This increase was partially offset by cost reductions from the Master Service Agreement with Retailco Services and lower overall bad debt expense as we had better than anticipated collections as a result of new collection initiatives, and as the impact of attrition in the Southern California market was limited to 2015.

Depreciation and Amortization Expense . Depreciation and amortization expense for the nine months ended September 30, 2016 was approximately $23.3 million , an increase of approximately $5.4 million , or 30% , from approximately $17.9 million for the nine months ended September 30, 2015 . This increase was primarily due to the increased amortization expense associated with customer intangibles from the acquisitions of the Provider Companies and the Major Energy Companies and other acquisitions of retail customer books.

Customer Acquisition Cost . Customer acquisition cost for the nine months ended September 30, 2016 was approximately $15.2 million , a decrease of approximately $2.5 million , or 14% , from approximately $17.7 million for the nine months ended September 30, 2015 . This decrease was primarily due to our decreased organic sales in the first half of 2016 as we had shifted our focus to growth through acquisitions.

Operating Segment Results

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
	(in thousands, except per unit operating data)			
Retail Natural Gas Segment				
Total Revenues	$ 13,851	$ 14,354	$ 84,450	$ 93,253
Retail Cost of Revenues	9,230	10,180	38,976	53,136
Less: Net Asset Optimization (Expenses) Revenues	108	(545)	(42)	1,317
Less: Net Gains on non-trading derivatives, net of cash settlements	(1,526)	(3,034)	4,132	3,241
Retail Gross Margin—Gas	$ 6,039	$ 7,753	$ 41,384	$ 35,559
Volume of Gas (MMBtu)	1,775,174	1,672,120	10,893,631	10,527,078
Retail Gross Margin — Gas ($/MMBtu)	*$ 3.40*	*$ 4.64*	*$ 3.80*	*$ 3.38*
Retail Electricity Segment				
Total Revenues	$ 144,243	$ 76,913	$ 293,571	$ 170,060
Retail Cost of Revenues	113,600	50,787	209,617	122,864
Less: Net Gains (Losses) on non-trading derivatives, net of cash settlements	(8,546)	7,201	1,728	3,526
Retail Gross Margin—Electricity	$ 39,189	$ 18,925	$ 82,226	$ 43,670
Volume of Electricity (MWh)	1,451,182	719,758	2,917,674	1,519,011
Retail Gross Margin—Electricity ($/MWh)	*$ 27.01*	*$ 26.29*	*$ 28.18*	*$ 28.75*

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Retail Natural Gas Segment

Total revenues for the Retail Natural Gas Segment for the three months ended September 30, 2016 were approximately $13.9 million , a decrease of approximately $0.5 million , or 4% , from approximately $14.4 million for the three months ended September 30, 2015 . This decrease was primarily attributable to lower rates driven by the lower commodity pricing environment, which resulted in a decrease in total revenues of $2.1 million , partially offset by an increase of $0.9 million due to higher customer sales volumes driven by the addition of customers through our Major Energy Companies acquisition, as well as a $0.7 million increase in net asset optimization revenues.

Retail cost of revenues for the Retail Natural Gas Segment for the three months ended September 30, 2016 was approximately $9.2 million , a decrease of $1.0 million , or 9% , from approximately $10.2 million for the three months ended September 30, 2015 . This decrease was primarily due to the change in the value of our retail derivative portfolio used for hedging, which resulted in a decrease of $1.5 million, partially offset by the addition of customers through our Major Energy Companies acquisition, which resulted in an increase of $0.4 million .

Retail gross margin for the Retail Natural Gas Segment for the three months ended September 30, 2016 was approximately $6.0 million , a decrease of approximately $1.7 million , or 23% , from approximately $7.8 million for the three months ended September 30, 2015 , as indicated in the table below (in millions).

Change in volumes sold	$	0.5
Change in unit margin per MMBtu		(2.3)
Change in retail natural gas segment retail gross margin	$	(1.8)

Retail Electricity Segment

Total revenues for the Retail Electricity Segment for the three months ended September 30, 2016 were approximately $144.2 million , an increase of approximately $67.3 million , or 88% , from approximately $76.9 million for the three months ended September 30, 2015 . This increase was largely because of an increase in volumes, primarily due to our acquisition of the Major Energy Companies and the Provider Companies, as well as organic growth in the East, resulting in an increase of $78.2 million . This increase was partially offset by lower customer pricing, driven by the lower commodity pricing environment from milder than anticipated weather, which resulted in a decrease of $10.9 million .

Retail cost of revenues for the Retail Electricity Segment for the three months ended September 30, 2016 was approximately $113.6 million , an increase of approximately $62.8 million , or 124% , from approximately $50.8 million for the three months ended September 30, 2015 . This increase was primarily due to the addition of customers through our acquisitions of the Major Energy Companies and the Provider Companies, as well as organic growth in the East, resulting in an increase of $58.9 million . We additionally recognized a change in the value of our retail derivative portfolio used for hedging, which resulted in an increase of $15.7 million. These increases were partially offset by decreased supply costs, which resulted in a decrease of $11.8 million .

Retail gross margin for the Retail Electricity Segment for the three months ended September 30, 2016 was approximately $39.2 million , an increase of approximately $20.3 million , or 107% , from approximately $18.9 million for the three months ended September 30, 2015 , as indicated in the table below (in millions).

Change in volumes sold	$	19.2
Change in unit margin per MWh		1.1
Change in retail electricity segment retail gross margin	$	20.3

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Retail Natural Gas Segment

Total revenues for the Retail Natural Gas Segment for the nine months ended September 30, 2016 were approximately $84.5 million , a decrease of approximately $8.8 million , or 9% , from approximately $93.3 million for the nine months ended September 30, 2015 . This decrease was primarily attributable to lower rates driven by the lower commodity pricing environment, which resulted in a decrease in total revenues of $10.6 million , and a decrease of $1.4 million in net optimization revenues, partially offset by an increase in customer sales volume resulting from the acquisitions of Major Energy Companies, which increased total revenues by $3.2 million .

Retail cost of revenues for the Retail Natural Gas Segment for the nine months ended September 30, 2016 was approximately $39.0 million , a decrease of approximately $14.1 million , or 27% , from approximately $53.1 million for the nine months ended September 30, 2015 . This decrease was due to decreased supply costs, which resulted in a decrease of $15.2 million , and a decrease of $0.9 million in the value of our retail derivative portfolio used for hedging. These decreases were partially offset by an increase of $2.0 million related to increased volume resulting from the acquisition of the Major Energy Companies.

Retail gross margin for the Retail Natural Gas Segment for the nine months ended September 30, 2016 was approximately $41.4 million , an increase of approximately $5.8 million , or 16% , from approximately $35.6 million for the nine months ended September 30, 2015 , as indicated in the table below (in millions).

Change in volumes sold	$	1.2
Change in unit margin per MMBtu		4.6
Change in retail natural gas segment retail gross margin	$	5.8

Retail Electricity Segment

Total revenues for the Retail Electricity Segment for the nine months ended September 30, 2016 were approximately $293.6 million , an increase of approximately $123.5 million , or 73% , from approximately $170.1 million for the nine months ended September 30, 2015 . This increase was primarily due to an increase in volume from the acquisition of the Major Energy Companies and the Provider Companies and the addition of several higher volume commercial customers in the East, which resulted in an increase in revenues of $156.6 million . This increase was partially offset by a decrease in electricity pricing, driven by the lower commodity pricing environment from milder than anticipated weather, which resulted in a decrease of $33.1 million .

Retail cost of revenues for the Retail Electricity Segment for the nine months ended September 30, 2016 was approximately $209.6 million , an increase of approximately $86.7 million , or 71% , from approximately $122.9 million for the nine months ended September 30, 2015 . This increase was primarily due to an increase in volume as a result of the acquisition of the Major Energy Companies and the Provider Companies and the addition of higher volume commercial customers in the East, which resulted in an increase of $116.4 million . Additionally, there was an increase of $1.8 million due to a change in the value of our retail derivative portfolio used for hedging. These increases were partially offset by decreased commodity prices, which resulted in a decrease in retail cost of revenues of $31.5 million .

Retail gross margin for the Retail Electricity Segment for the nine months ended September 30, 2016 was approximately $82.2 million , an increase of approximately $38.5 million , or 88% , from approximately $43.7 million for the nine months ended September 30, 2015 , as indicated in the table below (in millions).

Change in volumes sold	$	40.2
Change in unit margin per MWh		(1.7)
Change in retail electricity segment retail gross margin	$	38.5

Liquidity and Capital Resources

Our liquidity requirements fluctuate with our customer acquisition costs, acquisitions, collateral posting requirements on our derivative instruments portfolio, distributions, the effects of the timing between payments of payables and receipts of receivables, including bad debt receivables, and our general working capital needs for ongoing operations. Our borrowings under the Senior Credit Facility are also subject to material variations on a seasonal basis due to the timing of commodity purchases to satisfy required natural gas inventory purchases and to meet customer demands during periods of peak usage. Moreover, estimating our liquidity requirements is highly dependent on then-current market conditions, including forward prices for natural gas and electricity, and market volatility.

Our primary sources of liquidity are cash generated from operations and borrowings under our Senior Credit Facility. We believe that cash generated from these sources will be sufficient to sustain current operations and to pay required taxes and quarterly cash distributions including the quarterly dividend to the holders of the Class A common stock for the next twelve months.

The covenants under the Senior Credit Facility require us to hold increasing levels of net working capital over time. The Senior Credit Facility, as amended, includes a $25 million secured revolving line of credit ("Acquisition Line") for the purpose of financing permitted acquisitions, which enables us to pursue growth through acquisitions. We are obligated to make payments outstanding under the Acquisition Line of 25% per year with the balance due at maturity, which in turn increases availability under the line. We are constrained in our ability to grow through acquisitions using financing under the Senior Credit Facility to the extent we have utilized the capacity under this Acquisition Line. The Senior Credit Facility will mature on July 8, 2017 and may be extended for one additional year with lender consent. We intend to negotiate the extension of the Senior Credit Facility during the first half of 2017. We believe we will be able to renegotiate and extend the Senior Credit Facility on commercially reasonable terms.

In addition, the Senior Credit Facility requires us to finance permitted acquisitions with at least 25% of either cash on hand, equity contributions or subordinated debt. We have historically issued convertible subordinated notes and Class B common stock (and corresponding Spark HoldCo units) to an affiliate of our Founder and majority stockholder in order to finance acquisitions. There can be no assurance that our Founder and majority stockholder and their affiliates will continue to finance our acquisition activities through such notes and Class B common stock (and corresponding Spark HoldCo units).

In connection with this acquisition strategy, Retailco periodically sells shares of our Class A common stock into the market for the purposes of financing the underlying transactions. Our prospects could be negatively impacted if Retailco was unable to make such sales to fund its acquisition of assets to drop down to us.

On October 7, 2016, we filed a registration statement under the Securities Act on Form S-3 covering offers and sales, from time to time, by us of up to $200,000,000 of Class A common stock, preferred stock, depositary shares and warrants, and by the selling stockholders named therein of up to 11,339,563 shares of Class A common stock. The registration statement was declared effective on October 20, 2016.

Based upon our current plans, level of operations and business conditions, we believe that our cash on hand, cash generated from operations, and available borrowings under the Senior Credit Facility will be sufficient to meet our capital requirements and working capital needs. We believe that the financing of any additional growth through acquisitions in 2016 and early 2017 may require further equity financing and/or further expansion of our Senior Credit Facility to accommodate such growth.

The following table details our total liquidity as of the date presented:

(In thousands)		September 30, 2016
Cash and cash equivalents	$	16,907
Senior Credit Facility Working Capital Line Availability (1)		955
Senior Credit Facility Acquisition Line Availability (2)		1,731
Total Liquidity	**$**	**19,593**

(1) Subject to Senior Credit Facility borrowing base restrictions. See "—Cash Flows—Senior Credit Facility."
(2) Subject to Senior Credit Facility covenant restrictions. See "—Cash Flows—Senior Credit Facility."

Capital expenditures for the nine months ended September 30, 2016 included approximately $15.2 million for customer acquisitions and $1.8 million related to information systems improvements.

The Spark HoldCo, LLC Agreement provides, to the extent cash is available, for distributions pro rata to the holders of Spark HoldCo units such that we receive an amount of cash sufficient to cover the estimated taxes payable by us, the targeted quarterly dividend we intend to pay to holders of our Class A common stock, and payments under the Tax Receivable Agreement we have entered into with Spark HoldCo, Retailco and NuDevco Retail.

During the nine months ended September 30, 2016 , we paid dividends to holders of our Class A common stock related to the three months ended December 31, 2015, March 31, 2016 and June 30, 2016 in the amount of $0.3625 per share for each dividend declaration, or $6.0 million in the aggregate. On October 27, 2016 , our Board of Directors declared a quarterly dividend of $0.3625 per share for the third quarter of 2016 to holders of the Class A common stock on December 1, 2016 . This dividend will be paid on December 14, 2016 . The dividends that we anticipate paying on an annualized basis equal approximately $1.45 per share or $9.4 million in the aggregate on an annualized basis based on 6,496,559 shares of Class A common stock outstanding at September 30, 2016 . Our ability to pay dividends in the future will depend on many factors, including the performance of our business in the future and restrictions under our Senior Credit Facility. The financial covenants included in the Senior Credit Facility require the Company to retain increasing amounts of working capital over time, which may have the effect of restricting our ability to pay dividends. Management does not currently believe that the financial covenants in the Senior Credit Facility will cause any such restrictions.

In order to pay our stated dividends to holders of our Class A common stock and corresponding distributions to holders of our non-controlling interest, Spark HoldCo generally is required to distribute approximately $ $14.8 million on an annualized basis to holders of Spark HoldCo units based on 10,224,242 shares of Class B common stock outstanding at September 30, 2016 . If our business does not generate enough cash for Spark HoldCo to make such distributions, we may have to borrow to pay our dividend. If our business generates cash in excess of the amounts required to pay an annual dividend of $1.45 per share of Class A common stock, we currently expect to reinvest any such excess cash flows in our business and not increase the dividends payable to holders of our Class A common stock. However, our future dividend policy is within the discretion of our board of directors and will depend upon various factors, including the results of our operations, our financial condition, capital requirements and investment opportunities.

We expect to make payments pursuant to the Tax Receivable Agreement that we have entered into with Retailco LLC (as assignee of NuDevco Retail Holdings), NuDevco Retail and Spark HoldCo in connection with the Initial Public Offering of Spark Energy, Inc. Except in cases where we elect to terminate the Tax Receivable Agreement early (or the Tax Receivable Agreement is terminated early due to certain mergers or other changes of control) or we have available cash but fail to make payments when due, generally we may elect to defer payments due under the Tax Receivable Agreement for up to five years if we do not have available cash to satisfy our payment obligations under the Tax Receivable Agreement or if our contractual obligations limit our ability to make these payments. Any such deferred payments under the Tax Receivable Agreement generally will accrue interest. If we were to defer substantial payment obligations under the Tax Receivable Agreement on an ongoing basis, the accrual of those obligations would reduce the availability of cash for other purposes, but we would not be prohibited from paying dividends on our Class A common stock.

We met the threshold coverage ratio required to fund the first TRA Payment to Retailco and NuDevco Retail under the Tax Receivable Agreement during the four-quarter period ending September 30, 2016, resulting in an initial TRA Payment of $1.4 million becoming due in December 2016. On November 6, 2016, Retailco and NuDevco Retail granted the Company the right to defer the TRA Payment until May 2018. During the period of time when the Company has elected to defer the TRA Payment, the outstanding payment amount will accrue interest at a rate calculated in the manner provided for under the Tax Receivable Agreement. The liability has been classified as non-current in our condensed consolidated balance sheet at September 30, 2016. See Note 11 “Transactions with Affiliates” and Note 14 "Subsequent Events" in the notes to our condensed consolidated financial statements for additional details on the Tax Receivable Agreement. See also “Risk Factors—Risks Related to our Class A Common Stock” in our Annual Report on Form 10-K for the year ended December 31, 2015 for risks related to the Tax Receivable Agreement.

Pacific Summit Energy LLC

The Major Energy Companies acquired by the Company are party to three trade credit arrangements with Pacific Summit Energy LLC (“Pacific Summit”), which consist of purchase agreements, operating agreements relating to purchasing terms, security agreements, lockbox agreements and guarantees, providing for the exclusive supply of gas and electricity on credit by Pacific Summit to the Major Energy Companies for resale to end users.

The arrangements allow the Major Energy Companies to purchase gas and electricity on credit at fixed prices or prices to be determined at the time of the transaction confirmation. Under the arrangements, when the costs that Pacific Summit has paid to procure and deliver the gas and electricity exceed the payments that the Major Energy Companies have made attributable to the gas and electricity purchased, the Major Energy Companies incur interest on the difference at the floating 90-day LIBOR rate plus 300 basis points. The outstanding balance of the difference may not exceed $15.0 million for MES, and $20.0 million for each of MEES and Respond. The operating agreements also allow Pacific Summit to provide credit support, with a limit of $10.0 million for MES and $20.0 million for each of MEES and Respond, which also incurs interest at the floating 90-day LIBOR rate plus 300 basis points (except for certain credit support guaranties that do not bear interest). In connection with these arrangements, the Major Companies have granted first liens to Pacific Summit on a substantial portion of the Major Companies’ assets, including present and future accounts receivable, inventory, liquid assets, and control agreements relating to bank accounts. As of September 30, 2016, the Company had aggregate outstanding payables under these arrangements of approximately $13.4 million , bearing an interest rate of 3.9% . The Company was also the beneficiary of various credit support guarantees issued by Pacific Summit under these arrangements as of such date.

Pursuant to the operating agreements and the lockbox agreements, payments from the Major Energy Companies are placed into a secured lockbox. The Major Energy Companies are required to maintain a minimum balance in the lockbox accounts, and payments from the lockbox are made to Pacific Summit prior to any payment to the Major Energy Companies. To secure the payment obligations of the Major Energy Companies under the arrangements, Pacific Summit has a security interest, in among other things, funds in the lockbox account, certain accounts receivable and inventory supplied by Pacific Summit. Each of the Major Energy Companies has also guaranteed the payment obligations of the other Major Energy Companies under these arrangements.

Each of the arrangements has a primary term expiring on March 31, 2017, which term automatically renews for one year periods unless either party notifies the other 180 days prior to the expiration of the term. On September 27, 2016, we notified Pacific Summit of our election to trigger the expiration of these arrangements as of March 31, 2017, at the end of the primary term.

Cash Flows

Our cash flows were as follows for the respective periods (in thousands):

	Nine Months Ended September 30,		
	2016	2015	Change
Net cash provided by operating activities	$ 61,643	$ 39,675	$ 21,968
Net cash used in investing activities	$ (34,175)	$ (42,819)	$ 8,644
Net cash (used in) provided by financing activities	$ (15,035)	$ 6,140	$ (21,175)

Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015

Cash Flows Provided by Operating Activities . Cash flows provided by operating activities for the nine months ended September 30, 2016 increased by $22.0 million compared to the nine months ended September 30, 2015 . The increase was primarily due to an increase in retail gross margin in 2016, including the acquisitions of the Provider Companies and the Major Energy Companies.

Cash Flows Used in Investing Activities . Cash flows used in investing activities decreased by $8.6 million for the nine months ended September 30, 2016 , which was primarily due to the acquisitions of the Provider Companies and the Major Energy Companies.

Cash Flows Used in Financing Activities . Cash flows used in financing activities increased by $21.2 million for the nine months ended September 30, 2016 . Cash flows used in financing activities were primarily due to additional dividends and distributions, respectively, made to holders of our Class A and Class B common stock and increased net payments under our Senior Credit Facility.

Senior Credit Facility

The Company, as guarantor, and Spark HoldCo (the “Borrower,” and together with Spark Energy, LLC, Spark Energy Gas, LLC, CenStar Energy Corp, CenStar Operating Company, LLC, Oasis Power Holdings, LLC and Oasis Power, LLC, Electricity Maine, LLC, Electricity N.H., LLC and Provider Power Mass, LLC, each a subsidiary of Spark HoldCo, the “Co-Borrowers”) are party to a senior secured revolving credit facility, as amended (“Senior Credit Facility”).

On June 1, 2016, the Company and the Co-Borrowers entered into Amendment No. 3 to the Senior Credit Facility to, among other things, increase the Working Capital Line (defined below) from $60.0 million to $82.5 million in accordance with the Co-Borrowers' right to increase under the existing terms of the Senior Credit Facility. Amendment No. 3 also provides for the addition of new lenders and re-allocates working capital and revolving commitments among existing and new lenders. Amendment No. 3 also provides for additional representations of the Co-Borrowers and additional protections of the lenders of the Senior Credit Facility.

The Company and the Co-Borrowers have entered into Amendment No. 4 to the Senior Credit Facility, effective August 1, 2016, to, among other things, provide for the acquisition of the Provider Companies and also provide for certain additional amendments automatically upon the closing of the acquisition of the Major Energy Companies. Upon such closing, the Major Energy Companies became unrestricted subsidiaries, as that term is defined in the Senior Credit Facility. Amendment No. 4 also raised the minimum availability under the Working Capital Line to $40.0 million. On September 30, 2016, the Company and the Co-Borrowers elected to reduce the capacity of the Working Capital Line from $82.5 million to $60.0 million.

The Senior Credit Facility, as amended, includes a senior secured revolving working capital facility of $60.0 million ("Working Capital Line") and a $25.0 million secured revolving Acquisition Line, to be used specifically for the financing of up to 75% of the cost of acquisitions with the remainder to be financed by the Company either through cash on hand or the issuance of subordinated debt or equity. The Senior Credit Facility will mature on July 8, 2017 and may be extended for one additional year with lender consent. Borrowings under the Acquisition Line will be repaid 25% per year with the remainder due at maturity.

At the Borrower's election, the interest rate under the Working Capital Line is generally determined by reference to:

- the Eurodollar rate plus an applicable margin of up to 3.00% per annum (based upon the prevailing utilization); or
- the alternate base rate plus an applicable margin of up to 2.00% per annum (based upon the prevailing utilization). The alternate base rate is equal to the highest of (i) Société Générale's prime rate, (ii) the federal funds rate plus 0.50% per annum, or (iii) the reference Eurodollar rate plus 1.00%; or
- the rate quoted by Société Générale as its cost of funds for the requested credit plus up to 2.50% per annum (based upon the prevailing utilization).

The interest rate is generally reduced by 25 basis points if utilization under the Working Capital Line is below fifty percent.

Borrowings under the Acquisition Line are generally determined by reference to:

- the Eurodollar rate plus an applicable margin of up to 3.75% per annum (based upon the prevailing utilization); or
- the alternate base rate plus an applicable margin of up to 2.75% per annum (based upon the prevailing utilization). The alternate base rate is equal to the highest of (i) Société Générale's prime rate, (ii) the federal funds rate plus 0.50% per annum, or (iii) the reference Eurodollar rate plus 1.00%.

The Co-Borrowers pay an annual commitment fee of 0.375% or 0.50% on the unused portion of the Working Capital Line depending upon the unused capacity and 0.50% on the unused portion of the Acquisition Line. The lending syndicate under the Senior Credit Facility is entitled to several additional fees including an upfront fee, annual agency fee, and fronting fees based on a percentage of the face amount of letters of credit payable to any syndicate member that issues a letter a credit.

The Company has the ability to elect the availability under the Working Capital Line between $40.0 million to $82.5 million. On September 30, 2016, the Company and the Co-Borrowers elected an availability of $60.0 million under the Working Capital Line. Availability under the working capital line is subject to borrowing base limitations. The borrowing base is calculated primarily based on 80% to 90% of the value of eligible accounts receivable and unbilled product sales (depending on the credit quality of the counterparties) and inventory and other working capital assets. The Co-Borrowers must generally seek approval of the Agent or the lenders for permitted acquisitions to be financed under the Acquisition Line.

The Senior Credit Facility is secured by pledges of the equity of the portion of Spark HoldCo owned by the Company and of the equity of Spark HoldCo's subsidiaries (excluding the Major Energy Companies) and the Co-Borrowers' present and future subsidiaries, all of the Co-Borrowers' and their subsidiaries' present and future property and assets, including accounts receivable, inventory and liquid investments, and control agreements relating to bank accounts. The Major Energy Companies are excluded from the definition of "Borrowers" under the Senior Credit Facility. Accordingly, we do not factor in their working capital into our working capital covenants.

The Senior Credit Facility also contains covenants that, among other things, require the maintenance of specified ratios or conditions as follows:

- *Minimum Net Working Capital* . The Co-Borrowers must maintain minimum consolidated net working capital through December 30, 2016 equal to the greater of $5.0 million or 10% of the elected availability under the Working Capital Line, and from December 31, 2016 and thereafter equal to the greater of $5.0 million or 15% of the elected availability under the Working Capital Line.

- *Minimum Adjusted Tangible Net Worth* . The Co-Borrowers must maintain a minimum consolidated adjusted tangible net worth at all times equal to the net cash proceeds from equity issuances occurring after the date of the Senior Credit Facility plus the greater of (i) 20% of aggregate commitments under the Working Capital Line plus 33% of borrowings under the Acquisition Line and (ii) $18.0 million.

- *Minimum Fixed Charge Coverage Ratio* . Spark Energy, Inc. must maintain a minimum fixed charge coverage ratio of 1.10 to 1.00 (with quarterly increases to the numerator of increments of 0.05 up to a maximum of 1.25). The Fixed Charge Coverage Ratio is defined as the ratio of (a) Adjusted EBITDA to (b) the sum of consolidated interest expense (other than interest paid-in-kind in respect of any Subordinated Debt), letter of credit fees, commitment fees, acquisition earn-out payments, distributions and scheduled amortization payments.

- *Maximum Total Leverage Ratio* . Spark Energy, Inc. must maintain a ratio of total indebtedness (excluding the Working Capital Facility and qualifying subordinated debt) to Adjusted EBITDA of a maximum of 2.50 to 1.00.

The Senior Credit Facility contains various negative covenants that limit the Company’s ability to, among other things, do any of the following:

- incur certain additional indebtedness;
- grant certain liens;
- engage in certain asset dispositions;
- merge or consolidate;
- make certain payments, distributions, investments, acquisitions or loans; or
- enter into transactions with affiliates.

Spark Energy, Inc. is entitled to pay cash dividends to the holders of the Class A common stock and Spark HoldCo is entitled to make cash distributions to NuDevco Retail Holdings, LLC so long as: (a) no default exists or would result from such a payment; (b) the Co-Borrowers are in pro forma compliance with all financial covenants before and after giving effect to such payment and (c) the outstanding amount of all loans and letters of credit does not exceed the borrowing base limits. Spark HoldCo’s inability to satisfy certain financial covenants or the existence of an event of default, if not cured or waived, under the Senior Credit Facility could prevent the Company from paying dividends to holders of the Class A common stock.

The Senior Credit Facility contains certain customary representations and warranties and events of default. Events of default include, among other things, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults and cross-acceleration to certain indebtedness, change in control in which affiliates of W. Keith Maxwell III own less than 40% of the outstanding voting interests in the Company, certain events of bankruptcy, certain events under ERISA, material judgments in excess of $5.0 million, certain events with respect to material contracts, actual or asserted failure of any guaranty or security document supporting the Senior Credit Facility to be in full force and effect and changes of control. If such an event of default occurs, the lenders under the Senior Credit Facility would be entitled to take various actions, including the acceleration of amounts due under the facility and all actions permitted to be taken by a secured creditor.

Master Service Agreement with Retailco Services, LLC

We entered into a Master Service Agreement (the “Master Service Agreement”), effective January 1, 2016, with Retailco Services, LLC ("Retailco Services"), which is wholly owned by W. Keith Maxwell III. The Master Service Agreement is for a one-year term and renews automatically for successive one-year terms unless the Master Service Agreement is terminated by either party. Retailco Services provides us with operational support services such as: enrollment and renewal transaction services; customer billing and transaction services; electronic payment processing services; customer services and information technology infrastructure and application support services under the Master Service Agreement.

During three and nine months ended September 30, 2016 , the Company recorded general and administrative expense of $2.9 million and $11.0 million , respectively, in connection with this Master Service Agreement.

Additionally, under the Master Service Agreement, we capitalized $0.2 million and $1.3 million , respectively, during three and nine months ended September 30, 2016 of property and equipment for software and consultant time used in the application, development and implementation of various systems including customer billing and resource management systems.

Ongoing Obligations in Connection with Acquisitions

The Company is obligated to make earnout and installment payments in connection with the acquisitions of the Major Energy Companies and Provider Companies as more fully described in this Quarterly Report on Form 10-Q. In the case of the Major Energy Companies acquisition, these payments could be as much as $35 million depending upon operating results and the customer counts through 2019. See further discussion related to the valuation of the earnouts in Note 8, Fair Value Measurements. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations - Acquisitions - Acquisition of the Major Energy Companies."

Convertible Subordinated Notes to Affiliate

The Company from time to time issues subordinated debt to affiliates of Retailco, which owns a majority of the Company’s outstanding common stock and is indirectly owned by W. Keith Maxwell III, who serves as the Chairman of the Board of Directors of the Company. The Company’s Senior Credit Facility requires that at least 25% of permitted acquisitions thereunder be financed with either cash on hand or subordinated debt.

The Company has outstanding a convertible subordinated note to Retailco Acquisition Co, LLC ("RAC"), which is wholly owned by W. Keith Maxwell III, for $2.1 million. The convertible subordinated note matures on July 8, 2020, and bears interest at an annual rate of 5.00%. The Company has the right to pay interest in kind. The convertible subordinated note is convertible into shares of the Company’s Class B common stock (and a related unit of Spark HoldCo) at a conversion price of $16.57. RAC may not exercise conversion rights for the first eighteen months that the convertible subordinated note is outstanding. The convertible subordinated note is subject to automatic conversion upon a sale of the Company. Shares of Class A common stock resulting from the conversion of the shares of Class B common stock issued as a result of the conversion right under the convertible subordinated note will be entitled to registration rights identical to the registration rights currently held by Retailco, LLC on shares of Class A common stock it receives upon conversion of its existing shares of Class B common stock. On October 5, 2016, RAC issued to the Company an irrevocable commitment to convert this convertible subordinated note into 134,731 shares of Class B common stock on January 8, 2017.

The Company has outstanding a convertible subordinated note to RAC for $5.0 million. The convertible subordinated note matures on July 31, 2020 and bears interest at a rate of 5.00% per annum payable semiannually. The Company has the right to pay interest in kind. The convertible subordinated note is convertible into shares of Class B common stock (and a related unit of Spark HoldCo) at a conversion rate of $14.00 per share. RAC cannot exercise any conversion rights for the first eighteen months that the convertible note is outstanding. The convertible subordinated note is subject to automatic conversion upon a sale of the Company. Shares of Class A common stock resulting from the conversion of the shares of Class B common stock issued as a result of the conversion right under the convertible subordinated note are entitled to registration rights identical to the registration rights currently held by Retailco, LLC on shares of Class A common stock it receives upon conversion of its existing shares of Class B common stock. On October 5, 2016, RAC issued to the Company an irrevocable commitment to convert this convertible subordinated note into 383,090 shares of Class B common stock on January 31, 2017.

Each of the convertible subordinated notes is subordinated in certain respects to the Senior Credit Facility pursuant to a subordination agreement. The Company may pay interest and prepay principal on the convertible subordinated notes so long as the Company is in compliance with its covenants, is not in default under the Senior Credit Facility and has minimum availability of $5.0 million under its borrowing base under the Senior Credit Facility.

Investment in ESM . The Company and Spark HoldCo, together with eREX Co., Ltd., a Japanese company, are joint venture partners in eREX Spark Marketing Co., Ltd ("ESM"). Operations for ESM began on April 1, 2016 in connection with the deregulation of the Japanese power market. ESM has received more than 30,000 customer applications, which are currently excluded from our count of RCEs. To date, the Company has contributed 98.0 million Japanese Yen, or $0.9 million, for 20% ownership of ESM. As certain conditions under ESM joint venture agreement are met, the Company is committed to make additional capital contributions totaling 58.4 million Japanese Yen, or $0.6 million (based on exchange rates at September 30, 2016) through November 2016.

Off-Balance Sheet Arrangements

As of September 30, 2016 we had no material off-balance sheet arrangements.

Related Party Transactions

For a discussion of related party transactions see Note 12 “Transactions with Affiliates” in the unaudited condensed consolidated financial statements.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are described in “Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2015 . There have been no changes to these policies and estimates since the date of our Annual Report on Form 10-K for the year ended December 31, 2015 .

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB") issued Accounting Standards Update (“ASU”) No. 2014-09 ("ASU 2014-09"), *Revenue from Contracts with Customers (Topic 606)* , which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14 ("ASU 2015-14"), *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* , which deferred the effective date to periods beginning after December 15, 2017. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016. The Company is selecting a transition method and determining the effect of the standard on its ongoing financial reporting.

The FASB issued additional amendments to ASU 2014-09, as amended by ASU 2015-14:

- March 2016 - ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU 2016-08"). ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to customers.
- April 2016 - ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* ("ASU 2016-10"). ASU 2016-10 covers two specific topics: performance obligations and licensing. This amendment includes guidance on immaterial promised goods or services, shipping or handling activities, separately identifiable performance obligations, functional or symbolic intellectual property licenses, sales-based and usage-based royalties, license restrictions (time, use, geographical) and licensing renewals.
- May 2016 - ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients* ("ASU 2016-12"). ASU 2016-12 clarifies certain core recognition principles including collectability, sales tax presentation, noncash consideration, contract modifications and completed contracts at transition and disclosures no longer required if the full retrospective transition method is adopted.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* (“ASU 2015-11”). ASU 2015-11 amends existing guidance to require subsequent measurement of inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. Earlier application is permitted as of the beginning of an interim or annual reporting period. The Company does not expect the adoption of ASU 2015-11 will have a material effect on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02") . ASU 2016-02 amends existing accounting standards for lease accounting by requiring entities to include substantially all leases on the balance sheet by requiring the recognition of right-of-use assets and lease liabilities for all leases. Entities may elect to not recognize leases with a maximum possible term of less than 12 months. For lessees, a lease is classified as finance or operating and the asset and liability are initially measured at the present value of the lease payments. For lessors, accounting for leases is largely unchanged from previous guidance. ASU 2016-02 also requires qualitative disclosures along with certain specific quantitative disclosures for both lessees and lessors. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, with early adoption permitted, and are effective for interim periods in the year of adoption. The ASU should be applied using a modified retrospective approach, which requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718)* ("ASU 2016-09"). ASU 2016-09 includes provisions intended to simplify various aspects of accounting for shared-based payments, including income tax consequences, classification of awards as either equity or liability and classification on the statement of cash flows. Under current U.S. GAAP, excess tax benefits are currently recorded in equity and presented as a financing activity on the statement of cash flows. Upon adoption, excess tax benefits for share-based payments will be recorded as a reduction of income taxes and reflected in operating cash flows. This guidance is effective for annual and interim reporting periods of public entities beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 requires entities to use a current expected credit loss ("CECL") model, which is a new impairment model based on expected losses rather than incurred losses. The model requires financial assets measured at amortized cost be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected credit losses during the period. The measurement of expected losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This guidance is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted for annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 provides guidance on the presentation and classification of eight specific cash flow issues in the statement of cash flows. Those issues are cash payment for debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instrument or other debt instrument with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; cash proceeds from the settlement of insurance claims, cash received from settlement of corporate-owned life insurance policies; distribution received from equity method investees; beneficial interest in securitization transactions; and classification of cash receipts and payments that have aspects of more than one class of cash flows. The guidance is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. This ASU should be applied using a retrospective transition method for each period presented. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"). ASU 2016-16 requires immediate recognition of the current and deferred income tax consequences of intercompany asset transfers other than inventory. Current U.S. GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This guidance is effective for annual and interim reporting periods of public entities beginning after December 15, 2017, with early adoption permitted as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. This ASU should be applied using a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

Contingencies

In the ordinary course of business, we may become party to lawsuits, administrative proceedings and governmental investigations, including regulatory and other matters.

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

For a discussion of the status of current litigation and governmental investigations, see Note 11 "Commitments and Contingencies" in the Company's unaudited condensed consolidated financial statements.

Emerging Growth Company Status

We are an "emerging growth company" within the meaning of the federal securities laws. For as long as we are an emerging growth company, we will not be required to comply with certain requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, the reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and the exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards, but we have irrevocably opted out of the extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We intend to take advantage of these exemptions until we are no longer an emerging growth company. We will cease to be an "emerging growth company" upon the earliest of: (i) the last day of the fiscal year in which we have $1.0 billion or more in annual revenues; (ii) the date on which we become a "large accelerated filer" (the fiscal year-end on which the total market value of our common equity securities held by non-affiliates is $700 million or more as of June 30); (iii) the date on which we issue more than $1.0 billion of non-convertible debt over a three-year period; or (iv) the last day of 2019.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to our operations result primarily from changes in commodity prices and interest rates, as well as counterparty credit risk. We employ established policies and procedures to manage our exposure to these risks.

Commodity Price Risk

We hedge and procure our energy requirements from various wholesale energy markets, including both physical and financial markets and through short and long term contracts. Our financial results are largely dependent on the margin we are able to realize between the wholesale purchase price of natural gas and electricity plus related costs and the retail sales price we charge our customers. We actively manage our commodity price risk by entering into various derivative or non-derivative instruments to hedge the variability in future cash flows from fixed-price forecasted sales and purchases of natural gas and electricity in connection with our retail energy operations. These instruments include forwards, futures, swaps, and option contracts traded on various exchanges, such as NYMEX and Intercontinental Exchange, or ICE, as well as over-the-counter markets. These contracts have varying terms and durations, which range from a few days to a few years, depending on the instrument. Our asset optimization group utilizes similar derivative contracts in connection with its trading activities to attempt to generate incremental gross margin by effecting transactions in markets where we have a retail presence. Generally, any of such instruments that are entered into to support our retail electricity and natural gas business are categorized as having been entered into for non-trading purposes, and instruments entered into for any other purpose are categorized as having been entered into for trading purposes. Our net gain (loss) on non-trading derivative instruments net of cash settlements was $(10.1) million and $5.9 million for the three and nine months ended September 30, 2016 , respectively.

We have adopted risk management policies to measure and limit market risk associated with our fixed-price portfolio and our hedging activities. For additional information regarding our commodity price risk and our risk management policies, see "Item 1A—Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015 .

We measure the commodity risk of our non-trading energy derivatives using a sensitivity analysis on our net open position. As of September 30, 2016 , our Gas Non-Trading Fixed Price Open Position (hedges net of retail load) was a long position of 268,249 MMBtu. An increase of 10% in the market prices (NYMEX) from their September 30, 2016 levels would have increased the fair market value of our net non-trading energy portfolio by $0.1 million . Likewise, a decrease of 10% in the market prices (NYMEX) from their September 30, 2016 levels would have decreased the fair market value of our non-trading energy derivatives by $0.1 million . As of September 30, 2016 , our Electricity Non-Trading Fixed Price Open Position (hedges net of retail load) was a long position of 293,864 MWhs. An increase of 10% in the forward market prices from their September 30, 2016 levels would have increased the fair market value of our net non-trading energy portfolio by $1.2 million . Likewise, a decrease of 10% in the forward market prices from their September 30, 2016 levels would have decreased the fair market value of our non-trading energy derivatives by $1.2 million .

We measure the commodity risk of our trading energy derivatives using a sensitivity analysis on our net open position. As of September 30, 2016 , we did not have a Gas Trading Fixed Price Open Position.

Credit Risk

In many of the utility service territories where we conduct business, POR programs have been established, whereby the local regulated utility offers services for billing the customer, collecting payment from the customer and remitting payment to us. This service results in substantially all of our credit risk being linked to the applicable utility and not to our end-use customer in these territories. Approximately 69% and 68% of our retail revenues were derived from territories in which substantially all of our credit risk was directly linked to local regulated utility companies for three and nine months ended September 30, 2016 , respectively, all of which had investment grade ratings as of such date. During the same period, we paid these local regulated utilities a weighted average discount of approximately 1.43% and 1.39%, respectively, of total revenues for customer credit risk protection. In certain of the POR markets in which we operate, the utilities limit their collections exposure by retaining the ability to transfer a delinquent account back to us for collection when collections are past due for a specified period. If our collection efforts are unsuccessful, we return the account to the local regulated utility for termination of service. Under these service programs, we are exposed to credit risk related to payment for services rendered during the time between when the customer is transferred to us by the local regulated utility and the time we return the customer to the utility for termination of service, which is generally one to two billing periods. We may also realize a loss on fixed-price customers in this scenario due to the fact that we will have already fully hedged the customer's expected commodity usage for the life of the contract.

In non-POR markets, we manage customer credit risk through formal credit review in the case of commercial customers, and credit score screening, deposits and disconnection for non-payment, in the case of residential customers. Economic conditions may affect our customers' ability to pay bills in a timely manner, which could increase customer delinquencies and may lead to an increase in bad debt expense. Our bad debt expense for the three and nine months ended September 30, 2016 was less than 1.0% of non-POR market retail revenues. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Drivers of Our Business" for an analysis of our bad debt expense related to non-POR markets during the nine months ended September 30, 2016 .

We are exposed to wholesale counterparty credit risk in our retail and asset optimization activities. We manage this risk at a counterparty level and secure our exposure with collateral or guarantees when needed. At September 30, 2016 , approximately 88% of our total exposure of $3.4 million was either with an investment grade customer or otherwise secured with collateral or a guarantee.

Interest Rate Risk

We are exposed to fluctuations in interest rates under our variable-price debt obligations. At September 30, 2016 , we were co-borrowers under the Senior Credit Facility, under which $49.3 million of variable rate indebtedness was outstanding. Based on the average amount of our variable rate indebtedness outstanding during the three months ended September 30, 2016 , a 1% percent increase in interest rates would have resulted in additional annual interest expense of approximately $0.5 million . We do not currently employ interest rate hedges, although we may choose to do so in the future.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on this evaluation, management concluded that our disclosure controls and procedures were effective as of September 30, 2016 at the reasonable assurance level.

Management believes the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with GAAP.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended September 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are the subject of lawsuits and claims arising in the ordinary course of business from time to time. Management cannot predict the ultimate outcome of such lawsuits and claims. While the lawsuits and claims are asserted for amounts that may be material should an unfavorable outcome occur, management does not currently expect that these matters will have a material adverse effect on our financial position or results of operations. See Note 11 "Commitments and Contingencies" to the unaudited consolidated financial statements for a description of certain other proceedings.

The Company is the subject of the following lawsuits:

John Melville et al v. Spark Energy Inc. and Spark Energy Gas, LLC

John Melville et al v. Spark Energy Inc. and Spark Energy Gas, LLC is a purported class action filed on December 17, 2015 in the United States District Court for the District of New Jersey alleging, among other things, that (i) sales representatives engaged as independent contractors for Spark Energy Gas, LLC engaged in deceptive acts in violation of the New Jersey Consumer Fraud Act and (ii) Spark Energy Gas, LLC breached its contract with plaintiff, including a breach of the covenant of good faith and fair dealing. Plaintiff seeks unspecified compensatory and punitive damages for himself and the purported class, injunctive relief and/or declaratory relief, disgorgement of revenues and/or profits and attorneys' fees. On March 14, 2016, Spark Energy Gas, LLC and Spark Energy, Inc. filed a Motion to Dismiss this case. On April 18, 2016, Plaintiff filed his Opposition to the Motion to Dismiss. On April 25, 2016, Spark Energy, Inc. and Spark Energy Gas, LLC filed a Reply in support of their Motion to Dismiss. The Motion to Dismiss was set on the Court's submission docket for May 2, 2016. The parties are currently waiting on the Court's ruling. Discovery has not yet commenced in this matter. We cannot predict the outcome or consequences of this case.

Item 1A. Risk Factors.

Security holders and potential investors in our securities should carefully consider the risk factors under "Risk Factors" in our 2015 Annual Report on Form 10-K and in Part II, Other Information and in Item 1A. Risk Factors in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (the "First Quarter 2016 Form 10-Q"). There has been no material change in our risk factors from those described in the 2015 Annual Report on Form 10-K and the First Quarter 2016 Form 10-Q. These risks are not the sole risks for investors. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

		Incorporated by Reference			
Exhibit	Exhibit Description	Form	Exhibit Number	Filing Date	SEC File No.
2.1#	Membership Interest Purchase Agreement, by and among Spark Energy, Inc., Spark HoldCo, LLC, Provider Power, LLC, Kevin B. Dean and Emile L. Clavet, dated as of May 3, 2016.	10-Q	2.1	5/5/2016	001-36559
2.2#	Membership Interest Purchase Agreement, by and among Spark Energy, Inc., Spark HoldCo, LLC, Retailco, LLC and National Gas & Electric, LLC, dated as of May 3, 2016.	10-Q	2.2	5/5/2016	001-36559
2.3#	Amendment No. 1 to the Membership Interest Purchase Agreement, dated as of July 26, 2016, by and among Spark Energy, Inc., Spark HoldCo, LLC, Provider Power, LLC, Kevin B. Dean and Emile L. Clavet.	8-K	2.1	8/1/2016	001-36559
3.1	Amended and Restated Certificate of Incorporation of Spark Energy, Inc.	8-K	3.1	8/4/2014	001-36559
3.2	Amended and Restated Bylaws of Spark Energy, Inc.	8-K	3.2	8/4/2014	001-36559
4.1	Class A Common Stock Certificate	S-1	4.1	6/30/2014	333-196375
10.1	Amended and Restated Subscription Agreement, dated as of July 27, 2016, by and among Spark Energy, Inc., Spark HoldCo, LLC and Retailco, LLC.	8-K	10.1	8/1/2016	001-36559
10.2	Amendment No. 4 to Amended and Restated Credit Agreement, effective as of August 1, 2016, by and among the Company, Spark HoldCo, Spark Energy, LLC, Spark Energy Gas, LLC, CenStar Energy Corp, CenStar Operating Company, LLC, Oasis Power Holdings, LLC and Oasis Power, LLC, as co-borrowers, the banks party thereto and Société Générale, as administrative agent.	8-K	10.2	8/1/2016	001-36559
10.3 †*	Spark Energy, Inc. Amended and Restated Long-Term Incentive Plan.				
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.				
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.				
32**	Certifications pursuant to 18 U.S.C. Section 1350.				
101.INS*	XBRL Instance Document.				
101.SCH*	XBRL Schema Document.				
101.CAL*	XBRL Calculation Document.				
101.LAB*	XBRL Labels Linkbase Document.				
101.PRE*	XBRL Presentation Linkbase Document.				
101.DEF*	XBRL Definition Linkbase Document.				

* Filed herewith
** Furnished herewith
# The registrant agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request
† Compensatory plan or arrangement or managerial contract

APPENDIX A

CFTC. The Commodity Futures Trading Commission.

ERCOT . The Electric Reliability Council of Texas, the independent system operator and the regional coordinator of various electricity systems within Texas.

FCM. Futures Commission Merchant, an individual or organization that does both of the following: a) solicits or accepts orders to buy or sell futures contracts, options on futures, retail off-exchange contracts or swaps and b) accepts money or other assets from customers to support such orders.

FERC. The Federal Energy Regulatory Commission, a regulatory body that regulates, among other things, the distribution and marketing of electricity and the transportation by interstate pipelines of natural gas in the United States.

ISO. An independent system operator. An ISO is similar to an RTO in that it manages and controls transmission infrastructure in a particular region.

MMBtu. One million British Thermal Units, a standard unit of heating equivalent measure for natural gas. A unit of heat equal to 1,000,000 Btus, or 1 MMBtu, is the thermal equivalent of approximately 1,000 cubic feet of natural gas.

MWh. One megawatt hour, a unit of electricity equal to 1,000 kilowatt hours (kWh), or the amount of energy equal to one megawatt of constant power expended for one hour of time.

Non-POR Market. A non-purchase of accounts receivable market.

POR Market. A purchase of accounts receivable market.

REP . A retail electricity provider.

RCE. A residential customer equivalent, refers to a natural gas customer with a standard consumption of 100 MMBtu's per year or an electricity customer with a standard consumption of 10 MWh's per year.

RTO. A regional transmission organization. A RTO is a third party entity that manages transmission infrastructure in a particular region.

SIGNATURES

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

Spark Energy, Inc.

November 10, 2016	/s/ Robert Lane
	Robert Lane
	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

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* Filed herewith
** Furnished herewith
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† Compensatory plan or arrangement or managerial contract

SPARK ENERGY, INC.
AMENDED AND RESTATED LONG TERM INCENTIVE PLAN

1. **Purpose** . The purpose of the Spark Energy, Inc. Amended and Restated Long Term Incentive Plan (the "Plan") is to provide a means through which Spark Energy, Inc., a Delaware corporation (the "Company"), and its Subsidiaries and Parents may attract and retain able persons as employees, directors and consultants of the Company, and its Subsidiaries and Parents, and to provide a means whereby those persons upon whom the responsibilities of the successful administration and management of the Company, and its Subsidiaries and Parents, rest, and whose present and potential contributions to the welfare of the Company, and its Subsidiaries and Parents, are of importance, can acquire and maintain stock ownership, or awards the value of which is tied to the performance of the Company, thereby strengthening their concern for the welfare of the Company, and its Subsidiaries and Parents, and their desire to remain employed. A further purpose of this Plan is to provide such employees, directors and consultants with additional incentive and reward opportunities designed to enhance the profitable growth of the Company. Accordingly, this Plan primarily provides for the granting of Incentive Stock Options, options which do not constitute Incentive Stock Options, Restricted Stock Awards, Restricted Stock Units, Stock Appreciation Rights, Dividend Equivalents, Bonus Stock, Other Stock-Based Awards, Annual Incentive Awards, Performance Awards, or any combination of the foregoing, as is best suited to the circumstances of the particular individual as provided herein. The Plan was amended and restated to expand the sources of shares of Stock effective as of September 1, 2016.

2. **Definitions** . For purposes of this Plan, the following terms shall be defined as set forth below, in addition to such terms defined in Section 1 hereof:

(a) "Annual Incentive Award" means a conditional right granted to an Eligible Person under Section 8(c) hereof to receive a cash payment, Stock or other Award, unless otherwise determined by the Committee, after the end of a specified year.

(b) "Award" means any Option, SAR, Restricted Stock, Restricted Stock Unit, Bonus Stock, Dividend Equivalent, Other Stock-Based Award, Performance Award or Annual Incentive Award, together with any other right or interest granted to a Participant under this Plan.

(c) "Beneficiary" means one or more persons, trusts or other entities which have been designated by a Participant, in his or her most recent written beneficiary designation filed with the Committee, to receive the benefits specified under this Plan upon such Participant's death or to which Awards or other rights are transferred if and to the extent permitted under Section 10(b) hereof. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the persons, trusts or other entities entitled by will or the laws of descent and distribution to receive such benefits.

(d) "Board" means the Company's Board of Directors.

(e) "Bonus Stock" means Stock granted as a bonus pursuant to Section 6(f).

(f) "Business Day" means any day other than a Saturday, a Sunday, or a day on which banking institutions in the state of Texas are authorized or obligated by law or executive order to close.

(g) "Change in Control" means, except as otherwise provided in an Award agreement, the occurrence of any of the following events:

(i) The consummation of an agreement to acquire or a tender offer for beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act by any Person, of 50% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided , however , that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company or (D) any acquisition by any entity pursuant to a transaction that complies with clauses (A), (B) and (C) of paragraph (iii) below;

(ii) Individuals who constitute the Incumbent Board cease for any reason to constitute at least a majority of the Board;

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or an acquisition of assets of another entity (a "Business Combination"), in each case, unless, following such Business Combination, (A) the Outstanding Company Voting Securities immediately prior to such Business Combination represent or are converted into or exchanged for securities that represent or are convertible into more than 50% of, respectively, the then outstanding shares of common stock or common equity interests and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors or other governing body, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company, or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (B) no Person (excluding any employee benefit plan (or related trust) of the Company or the entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock or common equity interests of the entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors or other governing body of such entity to the extent that such ownership results solely from ownership of the Company that existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors or similar governing body of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award that provides for the deferral of compensation and is subject to the Nonqualified Deferred Compensation Rules, then the transaction or event described in subsection (i), (ii), (iii) or (iv) above with respect to such Award must also constitute a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5), and as relates to the holder of such Award, to the extent required to comply with the Nonqualified Deferred Compensation Rules.

(h) "Code" means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto.

(i) "Committee" means a committee of two or more directors designated by the Board to administer this Plan; provided , however , that, to the extent administration of this Plan by "outside directors" is required in order to qualify for tax deductibility under section 162(m) of the Code, the Board may require that the Committee consist solely of two or more directors who are a Qualified Members.

(j) "Covered Employee" means an Eligible Person who is a Covered Employee as specified in Section 8(e) of this Plan.

(k) "Dividend Equivalent" means a right, granted to an Eligible Person under Section 6(g), to receive cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments.

(l) "Effective Date" means July 28, 2014.

(m) "Eligible Person" means all officers and employees of the Company or of any of its Subsidiaries or Parents, and other persons who provide services to the Company or any of its Subsidiaries or Parents, including directors of the Company. An employee on leave of absence may be considered as still in the employ of the Company or any of its Subsidiaries or Parents for purposes of eligibility for participation in this Plan. With respect to the grant of an ISO, Eligible Person shall mean an employee of the Company or a parent or subsidiary corporation (within the meaning of sections 424(e) and (f) of the Code) of the Company.

(n) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.

(o) "Fair Market Value" means, as of any specified date, (i) if the Stock is listed on a national securities exchange, the closing sales price of the Stock, as reported on the stock exchange composite tape on that date (or if no sales occur on that date, on the last preceding date on which such sales of the Stock are so reported) or as determined in such other manner as the Committee deems appropriate (provided, that, to the extent necessary, such manner is consistent with the Nonqualified Deferred Compensation Rules); (ii) if the Stock is not traded on a national securities exchange but is traded over the counter at the time a determination of its fair market value is required to be made under the Plan, the average between the reported high and low bid and asked prices of Stock on the most recent date on which Stock was publicly traded or as determined in such other manner as the Committee deems appropriate (provided, that, to the extent necessary, such manner is consistent with the Nonqualified Deferred Compensation Rules); (iii) in the event Stock is not publicly traded at the time a determination of its value is required to be made under the Plan, the amount determined by the Committee in its discretion in such manner as it deems appropriate, taking into account all factors the Committee deems appropriate including, without limitation, the Nonqualified Deferred Compensation Rules; or (iv) on the date of a Qualifying Public Offering of Stock, the offering price under such Qualifying Public Offering.

(p) "Incentive Stock Option" or "ISO" means any Option intended to be and designated as an incentive stock option within the meaning of section 422 of the Code or any successor provision thereto.

(q) "Incumbent Board" means the portion of the Board constituted of the individuals who are members of the Board as of the Effective Date and any other individual who becomes a director of the Company after the Effective Date and whose election or appointment by the Board or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board.

(r) "Nonqualified Deferred Compensation Rules" means the limitations or requirements of section 409A of the Code and the guidance and regulations promulgated thereunder.

(s) "Option" means a right, granted to an Eligible Person under Section 6(b) hereof, to purchase Stock or other Awards at a specified price during specified time periods.

(t) "Other Stock-Based Awards" means Awards granted to an Eligible Person under Section 6(i) hereof.

(u) "Parent" means any corporation or other entity which owns, directly or indirectly, a majority of the voting power of the voting equity securities or equity interest of the Company.

(v) "Participant" means a person who has been granted an Award under this Plan which remains outstanding, including a person who is no longer an Eligible Person.

(w) "Performance Award" means a right, granted to an Eligible Person under Section 8 hereof, to receive Awards based upon performance criteria specified by the Committee.

(x) "Person" means any person or entity of any nature whatsoever, specifically including an individual, a firm, a company, a corporation, a partnership, a limited liability company, a trust or other entity; a Person, together with that Person's affiliates and associates (as those terms are defined in Rule 12b-2 under the Exchange Act, provided that "registrant" as used in Rule 12b-2 shall mean the Company), and any Persons acting as a partnership, limited partnership, joint venture, association, syndicate or other group (whether or not formally organized), or otherwise acting jointly or in concert or in a coordinated or consciously parallel manner (whether or not pursuant to any express agreement), for the purpose of acquiring, holding, voting or disposing of securities of the Company with such Person, shall be deemed a single "Person."

(y) "Qualifying Public Offering" means a firm commitment underwritten public offering of Stock for cash where the shares of Stock registered under the Securities Act are listed on a national securities exchange.

(z) "Qualified Member" means a member of the Committee who is a "nonemployee director" within the meaning of Rule 16b-3(b)(3) and an "outside director" within the meaning of Treasury Regulation 1.162-27 under section 162(m) of the Code.

(aa) "Restricted Stock" means Stock granted to an Eligible Person under Section 6(d) hereof, that is subject to certain restrictions and to a risk of forfeiture.

(bb) "Restricted Stock Unit" means a right, granted to an Eligible Person under Section 6(e) hereof, to receive Stock, cash or a combination thereof at the end of a specified deferral or vesting period.

(cc) "Rule 16b-3" means Rule 16b-3, promulgated by the Securities and Exchange Commission under section 16 of the Exchange Act, as from time to time in effect and applicable to this Plan and Participants.

(dd) "Securities Act" means the Securities Act of 1933 and the rules and regulations promulgated thereunder, or any successor law, as it may be amended from time to time.

(ee) "Stock" means the Company's Class A Common Stock, par value $0.01 per share, and such other securities as may be substituted (or resubstituted) for Stock pursuant to Section 9.

(ff) "Stock Appreciation Rights" or "SAR" means a right granted to an Eligible Person under Section 6(c) hereof.

(gg) "Subsidiary" means with respect to the Company, any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by the Company.

3. **Administration** .

(a) Authority of the Committee. This Plan shall be administered by the Committee except to the extent the Board elects to administer this Plan, in which case references herein to the "Committee" shall be deemed to include references to the "Board." Subject to the express provisions of the Plan and Rule 16b-3, the Committee shall have the authority, in its sole and absolute discretion, to (i) adopt, amend, and rescind administrative and interpretive rules and regulations relating to the Plan; (ii) determine the Eligible Persons to whom, and the time or times at which, Awards shall be granted; (iii) determine the amount of cash and/or the number of shares of Stock, as applicable Stock Appreciation Rights, Restricted Stock Units, Restricted Stock Awards, Dividend Equivalents, Bonus Stock, Other Stock-Based Awards, Annual Incentive Awards, Performance Awards, or any combination thereof, that shall be the subject of each Award; (iv) determine the terms and provisions of each Award agreement (which need not be identical), including provisions defining or otherwise relating to (A) the term and the period or periods and extent of exercisability of the Options, (B) the extent to which the transferability of shares of Stock issued or transferred pursuant to any Award is restricted, (C) except as otherwise provided herein, the effect of termination of employment, or the service relationship with the Company, of a Participant on the Award, and (D) the effect of approved leaves of absence (consistent with any applicable regulations of the Internal Revenue Service); (v) accelerate the time of vesting or exercisability of any Award that has been granted; (vi) construe the respective Award agreements and the Plan; (vii) make determinations of the Fair Market Value of the Stock pursuant to the Plan; (viii) delegate its duties under the Plan (including, but not limited to, the authority to grant Awards) to such agents as it may appoint from time to time, provided that the Committee may not delegate its duties where such delegation would violate state corporate law, or with respect to making Awards to, or otherwise with respect to Awards granted to, Eligible Persons who are subject to section 16(b) of the Exchange Act or who are Covered Employees receiving Awards that are intended to constitute "performance-based compensation" within the meaning of section 162(m) of the Code; (ix) subject to Section 10(f), terminate, modify or amend the Plan; (x) subject to the limitations set forth herein, amend any Award agreement; and (xi) make all other determinations, perform all other acts, and exercise all other powers and authority necessary or advisable for administering the Plan, including the delegation of those ministerial acts and responsibilities as the Committee deems appropriate. Subject to Rule 16b-3 and section 162(m) of the Code, the Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan, in any Award, or in any Award agreement in the manner and to the extent it deems necessary or desirable to carry the Plan into effect, and the Committee shall be the sole and final judge of that necessity or desirability. The determinations of the Committee on the matters referred to in this Section 3(a) shall be final and conclusive.

(b) Manner of Exercise of Committee Authority. At any time that a member of the Committee is not a Qualified Member, any action of the Committee relating to an Award granted or to be granted to an Eligible Person who is then subject to section 16 of the Exchange Act in respect of the Company, or relating to an Award intended by the Committee to qualify as "performance-based compensation" within the meaning of section 162(m) of the Code and regulations thereunder, may be taken either (i) by a subcommittee, designated by the Committee, composed solely of two or more Qualified Members, (ii) by the Board or (iii) by the Committee but with each such member who is not a Qualified Member abstaining or recusing himself or herself from such action; provided, however, that, upon such abstention or recusal, the Committee remains composed solely of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of this Plan. Any action of the Committee shall be final, conclusive and binding on all Persons, including the Company, its Subsidiaries, Parents, stockholders, Participants, Beneficiaries, and transferees under Section 10(b) hereof or other persons claiming rights from or through a Participant. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any of its Subsidiaries, Parents, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation will not result in the loss of an exemption under Rule 16b-3(d)(1) for Awards granted to Participants subject to section 16 of the Exchange Act in respect of the Company and will not cause Awards intended to qualify as "performance-based compensation" under section 162(m) of the Code to fail to so qualify. The Committee may appoint agents to assist it in administering the Plan.

(c) Limitation of Liability. The Committee and each member thereof shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or employee of the Company or any of its Subsidiaries or Parents, the Company's legal counsel, independent auditors, consultants or any other agents assisting in the administration of this Plan. Members of the Committee and any officer or employee of the Company or any of its Subsidiaries or Parents acting at the direction or on behalf of the Committee shall not be personally liable for any action or determination taken or made in good faith with respect to this Plan, and shall, to the fullest extent permitted by law, be indemnified and held harmless by the Company with respect to any such action or determination.

(d) No Repricing of Options or Stock Appreciation Rights. Other than pursuant to Section 9, neither the Board nor the Committee may provide for the repricing or exchange of underwater Options or SARs for cash consideration, other Awards, or Options or SARs with an exercise price that is less than the original exercise price of such underwater Options or SARs, unless such repricing or exchange receives the approval of a majority of the holders of the Stock.

4. **Stock Subject to Plan** .

(a) Overall Number of Shares Available for Delivery . Subject to adjustment in a manner consistent with any adjustment made pursuant to Section 9, the total number of shares of Stock reserved and available for issuance in connection with Awards under this Plan shall not exceed 1,375,000 shares, and such total will be available for the issuance of Incentive Stock Options.

(b) Application of Limitation to Grants of Awards . Subject to Section 4(e), no Award may be granted if the number of shares of Stock to be delivered in connection with such Award exceeds the number of shares of Stock remaining available under this Plan minus the number of shares of Stock issuable in settlement of or relating to then-outstanding Awards. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award.

(c) Availability of Shares Not Issued under Awards . Shares of Stock subject to an Award under this Plan that expire or are canceled, forfeited, exchanged, settled in cash or otherwise terminated, including (i) shares forfeited with respect to Restricted Stock, (ii) shares tendered or withheld in payment of any exercise or purchase price of an Award or taxes relating to an Award and (iii) shares that were subject to an Option or an SAR and were not issued or delivered upon the net settlement or net exercise of such Option or SAR, shall be available again for issuance in connection with Awards under the Plan, except that if any such shares could not again be available for Awards to a particular Participant under any applicable law or regulation, such shares shall be available exclusively for Awards to Participants who are not subject to such limitation.

(d) Stock Offered . The shares to be delivered under the Plan shall be made available from (i) authorized but unissued shares of Stock, (ii) Stock held in the treasury of the Company, (iii) previously issued shares of Stock reacquired by the Company, including shares purchased on the open market, or (iv) effective September 1, 2016, Stock held by any Parent or Subsidiary.

5. **Eligibility** . Awards may be granted under this Plan only to Persons who are Eligible Persons at the time of grant thereof.

6. **Specific Terms of Awards** .

(a) General . Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 10(f)), such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment by the Participant, or termination of the Participant's service relationship with the Company, and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion to accelerate, waive or modify, at any time, any term or condition of an Award that is not mandatory under this Plan; provided , however , that the Committee shall not have any discretion to accelerate, waive or modify any term or condition of an Award that is intended to qualify as "performance-based compensation" for purposes of section 162(m) of the Code if such discretion would cause the Award to not so qualify or to accelerate the terms of payment of any Award that provides for a deferral of compensation under the Nonqualified Deferred Compensation Rules if such acceleration would subject a Participant to additional taxes under the Nonqualified Deferred Compensation Rules.

(b) Options . The Committee is authorized to grant Options to Eligible Persons on the following terms and conditions:

(i) Exercise Price . The exercise price per share of Stock subject to an Option shall not be less than the greater of (1) the par value per share of the Stock and (2) 100% of the Fair Market Value per share of the Stock as of the date of grant of the Option (or in the case of an ISO granted to an individual who owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or its parent or any subsidiary corporation (within the meaning of sections 424(e) and (f) of the Code), 110% of the Fair Market Value per share of the Stock on the date of grant); provided, however, nothing in this Section 6(b)(i) is intended to limit the ability of the Company to assume or otherwise grant Options in substitution of awards in connection with any merger, stock purchase, recapitalization or other corporate transaction.

(ii) Time and Method of Exercise . The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such Exercise Price may be paid or deemed to be paid, the form of such payment, including without limitation cash, Stock, other Awards or awards granted under other plans of the Company or any

Subsidiary, or other property (including notes or other contractual obligations of Participants to make payment on a deferred basis), and the methods by or forms in which Stock will be delivered or deemed to be delivered to Participants, including, but not limited to, the delivery of Restricted Stock subject to Section 6(d). In the case of an exercise whereby the Exercise Price is paid with Stock, such Stock shall be valued as of the date of exercise. The Award agreement governing each Option shall set forth the last date that the Option may be exercised (the "Option Expiration Date") and may provide (A) for the automatic exercise of such Option on the Option Expiration Date if the exercise price per share of the Stock under the Option is less than the Fair Market Value per share of the Stock on the Option Expiration Date and the Participant has not previously exercised such Option, or (B) except with respect to an ISO, that in the event trading in the Stock is prohibited by applicable law, the term of the Option shall automatically be extended until the date that is 30 days after such prohibition is lifted, to the extent that such extension does not cause the Participant to become subject to taxation under the Nonqualified Deferred Compensation Plan Rules.

(iii) ISOs. The terms of any ISO granted under this Plan shall comply in all respects with the provisions of section 422 of the Code. Except as otherwise provided in Section 9, no term of this Plan relating to ISOs (including any SAR in tandem therewith) shall be interpreted, amended or altered, nor shall any discretion or authority granted under this Plan be exercised, so as to disqualify either this Plan or any ISO under section 422 of the Code, unless the Participant has first requested the change that will result in such disqualification. ISOs shall not be granted more than ten years after the earlier of the adoption of this Plan or the approval of this Plan by the Company's stockholders. Notwithstanding the foregoing, the Fair Market Value of shares of Stock subject to an ISO and the aggregate Fair Market Value of shares of stock of any parent or subsidiary corporation (within the meaning of sections 424(e) and (f) of the Code) subject to any other ISO (within the meaning of section 422 of the Code)) of the Company or a parent or subsidiary corporation (within the meaning of sections 424(e) and (f) of the Code) that first becomes purchasable by a Participant in any calendar year may not (with respect to that Participant) exceed $100,000, or such other amount as may be prescribed under section 422 of the Code or applicable regulations or rulings from time to time. As used in the previous sentence, Fair Market Value shall be determined as of the date the ISOs are granted. Failure to comply with this provision shall not impair the enforceability or exercisability of any Option, but shall cause the excess amount of shares to be reclassified in accordance with the Code.

(iv) Service Providers to Parents. To the extent an Option is granted to an Eligible Person who is an employee or service provider to any Parent of the Company, such Option is intended to be designed in a manner that is intended to comply with the Nonqualified Deferred Compensation Rules.

(c) Stock Appreciation Rights. The Committee is authorized to grant SARs to Eligible Persons on the following terms and conditions:

(i) Right to Payment. An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR as determined by the Committee; *provided, however*, that the grant price per share of the Stock under each SAR shall not be less than 100% of the Fair Market Value of a share of the Stock on the date the SAR is granted.

(ii) Rights Related to Options. An SAR granted pursuant to an Option shall entitle a Participant, upon exercise, to surrender that Option or any portion thereof, to the extent unexercised, and to receive payment of an amount computed pursuant to Section 6(c)(ii)(B). That Option shall then cease to be exercisable to the extent surrendered. SARs granted in connection with an Option shall be subject to the terms of the Award agreement governing the Option, which shall comply with the following provisions in addition to those applicable to Options:

(A) An SAR granted in connection with an Option shall be exercisable only at such time or times and only to the extent that the related Option is exercisable and shall not be transferable except to the extent that the related Option is transferable.

(B) Upon the exercise of an SAR related to an Option, a Participant shall be entitled to receive payment from the Company of an amount determined by multiplying:

(1) the difference obtained by subtracting the Exercise Price with respect to a share of Stock specified in the related Option from the Fair Market Value of a share of Stock on the date of exercise of the SAR, by

(2) the number of shares as to which that SAR has been exercised.

(iii) Right Without Option. An SAR granted independent of an Option shall be exercisable as determined by the Committee and set forth in the Award agreement governing the SAR, which Award agreement shall comply with the following provisions:

(A) Each Award agreement shall state the total number of shares of Stock to which the SAR relates.

(B) Each Award agreement shall state the time or periods in which the right to exercise the SAR or a portion thereof shall vest and the number of shares of Stock for which the right to exercise the SAR shall vest at each such time or period.

(C) Each Award agreement shall state the date at which the SARs shall expire if not previously exercised.

(D) Each SAR shall entitle a Participant, upon exercise thereof, to receive payment of an amount determined by multiplying:

(1) the difference obtained by subtracting the Fair Market Value of a share of Stock on the date of grant of the SAR from the Fair Market Value of a share of Stock on the date of exercise of that SAR, by

(2) the number of shares as to which the SAR has been exercised.

(iv) Terms. Except as otherwise provided herein, the Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which an SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, whether or not an SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR. SARs may be either freestanding or in tandem with other Awards. The Award Agreement governing each SAR shall set forth the last date that the SAR may be exercised (the "SAR Expiration Date"), and may provide (A) for the automatic exercise of such SAR on the SAR Expiration Date if the exercise price per share of the Stock under the SAR is less than the Fair Market Value per share of the Stock on the SAR Expiration Date and the Participant has not previously exercised such SAR, or (B) that in the event trading in the Stock is prohibited by applicable law, the term of the SAR shall automatically be extended until the date that is 30 days after such prohibition is lifted, to the extent that such extension does not cause the Participant to become subject to taxation under the Nonqualified Deferred Compensation Plan Rules.

(v) Service Providers to Parents. To the extent an SAR is granted to an Eligible Person who is an employee or service provider to any Parent of the Company, such SAR is intended to be designed in a manner that is intended to comply with the Nonqualified Deferred Compensation Rules.

(d) Restricted Stock. The Committee is authorized to grant Restricted Stock to Eligible Persons on the following terms and conditions:

(i) Grant and Restrictions. Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise, as the Committee may determine at the date of grant or thereafter. During the restricted period applicable to the Restricted Stock, the Restricted Stock may not be sold, transferred, pledged, hypothecated, margined or otherwise encumbered by the Participant.

(ii) Certificates for Stock. Restricted Stock granted under this Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iii) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may require or permit a Participant to elect that any cash dividends paid on a share of Restricted Stock be automatically reinvested in additional shares of Restricted Stock, applied to the purchase of additional Awards under this Plan or deferred without interest to the date of vesting of the associated Award of Restricted Stock; provided, that, to the extent applicable, any such election will be made in a manner intended to comply with the Nonqualified Deferred Compensation Rules. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property (other than cash) distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

(e) Restricted Stock Units. The Committee is authorized to grant Restricted Stock Units, which are rights to receive Stock or cash (or a combination thereof) at the end of a specified deferral period (which may or may not be coterminous with the vesting schedule of the Award), to Eligible Persons, subject to the following terms and conditions:

(i) Award and Restrictions. Settlement of an Award of Restricted Stock Units shall occur upon expiration of the deferral period specified for such Restricted Stock Unit by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Restricted Stock Units shall be subject to such restrictions (which may include a risk of forfeiture) as the Committee may impose, if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, as the Committee may determine. Restricted Stock Units shall be satisfied by the delivery of cash or Stock in the amount equal to the Fair Market Value of the specified number of shares of Stock covered by the Restricted Stock Units, or a combination thereof, as determined by the Committee at the date of grant or thereafter.

(ii) Dividend Equivalents. Dividend Equivalents may be granted in connection with Restricted Stock Units. Unless otherwise determined by the Committee at date of grant, Dividend Equivalents on the specified number of shares of Stock covered by an Award of Restricted Stock Units shall be either (A) paid with respect to such Restricted Stock Units on the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Restricted Stock Units and the amount or value thereof automatically deemed reinvested in additional Restricted Stock Units other Awards or other investment vehicles, as the Committee shall determine or permit the Participant to elect (in a manner, to the extent applicable, that complies with the Nonqualified Deferred Compensation Rules).

(f) Bonus Stock and Awards in Lieu of Obligations. The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations to pay cash or deliver other property under this Plan or under other plans or compensatory arrangements, provided that, in the case of Participants subject to section 16 of the Exchange Act, the amount of such grants remains within the discretion of the Committee to the extent necessary to ensure that acquisitions of Stock or other Awards are exempt from liability under section 16(b) of the Exchange Act. Stock or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee. In the case of any grant of Stock to an officer of the Company or any of its Subsidiaries or Parents in lieu of salary or other cash compensation, the number of shares granted in place of such compensation shall be reasonable, as determined by the Committee.

(g) Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify.

(h) Other Awards. The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock, as deemed by the Committee to be consistent with the purposes of this Plan, including without limitation convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified Subsidiaries of the Company. The Committee shall determine the terms and conditions of such other Stock-Based Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under this Plan, may also be granted pursuant to this Section 6(h).

7. **Certain Provisions Applicable to Awards**.

(a) Termination of Employment. Except as provided herein, the treatment of an Award upon a termination of employment or any other service relationship by and between a Participant and the Company or any Subsidiary or Parent shall be specified in the agreement controlling such Award.

(b) Stand-Alone, Additional, Tandem, and Substitute Awards. Awards granted under this Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, or any of its Subsidiaries or Parents, or of any business entity to be acquired by the Company or any of its Subsidiaries, or any other right of an Eligible Person to receive payment from the Company or any of its Subsidiaries or Parents. Such additional, tandem and substitute or exchange Awards may be granted at any time. If an

Award is granted in substitution or exchange for another Award, the Committee shall require the surrender of such other Award in consideration for the grant of the new Award. Awards under this Plan may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any of its Subsidiaries or Parents, in which the value of Stock subject to the Award is equivalent in value to the cash compensation. Awards granted pursuant to the preceding sentence are intended to be designed, awarded and settled in a manner that does not result in additional taxes under the Nonqualified Deferred Compensation Rules.

(c) Term of Awards. Except as specified herein, the term of each Award shall be for such period as may be determined by the Committee; provided, that in no event shall the term of any Option or SAR exceed a period of ten years (or such shorter term as may be required in respect of an ISO under section 422 of the Code).

(d) Form and Timing of Payment under Awards; Deferrals. Subject to the terms of this Plan and any applicable Award agreement, payments to be made by the Company or any of its Subsidiaries or Parents upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including without limitation cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis; provided, however, that any such deferred payment will be set forth in the agreement evidencing such Award and/or otherwise made in a manner that is intended not to result in additional taxes under the Nonqualified Deferred Compensation Rules. Except as otherwise provided herein, the settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (in addition to a Change in Control). Installment or deferred payments may be required by the Committee (subject to Section 10(c) of this Plan, including the consent provisions thereof in the case of any deferral of an outstanding Award not provided for in the original Award agreement) or permitted at the election of the Participant on terms and conditions established by the Committee and intended to be in compliance with the Nonqualified Deferred Compensation Rules. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock. Any deferral shall only be allowed as is provided in a separate deferred compensation plan adopted by the Company and shall be made with the intent to comply with the Nonqualified Deferred Compensation Rules. This Plan shall not constitute an "employee benefit plan" for purposes of section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

(e) Exemptions from Section 16(b) Liability. It is the intent of the Company that the grant of any Awards to or other transaction by a Participant who is subject to section 16 of the Exchange Act shall be exempt from such section pursuant to an applicable exemption (except for transactions acknowledged in writing to be non-exempt by such Participant). Accordingly, if any provision of this Plan or any Award agreement does not comply with the requirements of Rule 16b-3 as then applicable to any such transaction, such provision shall be construed or deemed amended to the extent necessary to conform to the applicable requirements of Rule 16b-3 so that such Participant shall avoid liability under section 16(b) of the Exchange Act.

(f) Restrictive Covenants. Each Participant to whom an Award is granted under the Plan may be required to agree in writing, as a condition to the granting of such Award, to comply with certain non-competition, non-solicitation, confidentiality, or other restrictive covenants that are contained in the Award Agreement applicable to such Award or otherwise applicable to the Participant (a "Restrictive Covenant Agreement"); *provided, however*, to the extent a legally binding right to an Award within the meaning of the Nonqualified Deferred Compensation Rules is created with respect to a Participant, such Restrictive Covenant Agreement must be entered into by such Participant within 30 days following the creation of such legally binding right.

8. **Performance and Annual Incentive Awards**.

(a) Performance Conditions. The right of an Eligible Person to receive a grant, and the right of a Participant to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 8(b) and 8(c) hereof in the case of a Performance Award or Annual Incentive Award intended to qualify under section 162(m) of the Code.

(b) Performance Awards Granted to Designated Covered Employees. If the Committee determines that a Performance Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee should qualify as "performance-based compensation" for purposes of section 162(m) of the Code, the grant, exercise and/or settlement of such Performance Award may be contingent upon achievement of preestablished performance goals and other terms set forth in this Section 8(b).

(i) Performance Goals Generally. The performance goals for such Performance Awards shall consist of one or more business criteria or individual performance criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 8(b), which level may also be expressed in terms of a specified increase or decrease in the particular criteria compared to a past period. Performance goals shall be objective and shall otherwise meet the requirements of section 162(m) of the Code and regulations thereunder (including Treasury Regulation §1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being "substantially uncertain" at the time the Committee actually establishes the performance goal or goals. The Committee may determine that such Performance Awards shall be granted, exercised, and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

(ii) Business and Individual Performance Criteria

(A) Business Criteria . One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified Subsidiaries or business or geographical units of the Company (except with respect to the total stockholder return and earnings per share criteria), shall be used by the Committee in establishing performance goals for such Performance Awards: (1) earnings per share; (2) increase in revenues; (3) increase in cash flow; (4) increase in cash flow from operations; (5) increase in cash flow return; (6) return on net assets; (7) return on assets; (8) return on investment; (9) return on capital; (10) return on equity; (11) economic value added; (12) operating margin; (13) contribution margin; (14) net income; (15) net income per share; (16) pretax earnings; (17) pretax earnings before interest, depreciation and amortization ("EBITDA"); (18) pretax operating earnings after interest expense and before incentives, service fees, and extraordinary or special items; (19) total stockholder return; (20) debt reduction; (21) market share; (22) change in the Fair Market Value of the Stock; (23) operating income; (24) lease operating expenses; (25) retail gross margin; (26) adjusted EBITDA; (27) margin under contract; and (28) any of the above goals determined on an absolute or relative basis or as compared to the performance of a published or special index deemed applicable by the Committee including, but not limited to, the Standard & Poor's 500 Stock Index or a group of comparable companies. One or more of the foregoing business criteria shall also be exclusively used in establishing performance goals for Annual Incentive Awards granted to a Covered Employee under Section 8(c) hereof that are intended to qualify as "performance-based compensation" under section 162(m) of the Code. The Committee may exclude the impact of any of the following events or occurrences which the Committee determines should appropriately be excluded: (a) asset write-downs; (b) litigation, claims, judgments or settlements; (c) the effect of changes in tax law or other such laws or regulations affecting reported results; (d) accruals for reorganization and restructuring programs; (e) any extraordinary, unusual or nonrecurring items as described in the Accounting Standards Codification Topic 225, as the same may be amended or superseded from time to time; (f) any change in accounting principles as defined in the Accounting Standards Codification Topic 250, as the same may be amended or superseded from time to time; (g) any loss from a discontinued operation as described in the Accounting Standards Codification Topic 360, as the same may be amended or superseded from time to time; (h) goodwill impairment charges; (i) operating results for any business acquired during the calendar year; (j) third party expenses associated with any acquisition by the Company or any of its Subsidiaries; and (k) to the extent set forth with reasonable particularity in connection with the establishment of performance goals, any other extraordinary events or occurrences identified by the Committee.

(B) Individual Performance Criteria . The grant, exercise and/or settlement of Performance Awards may also be contingent upon individual performance goals established by the Committee. If required for compliance with section 162(m) of the Code, such criteria shall be approved by the stockholders of the Company.

(iii) Performance Period; Timing for Establishing Performance Goals . Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to ten years, as specified by the Committee. Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Performance Awards, or at such other date as may be required or permitted for "performance-based compensation" under section 162(m) of the Code.

(iv) Performance Award Pool . The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the criteria set forth in Section 8(b)(ii) hereof during the given performance period, as specified by the Committee in accordance with Section 8(b)(iii) hereof. The Committee may specify the amount of the Performance Award pool as a percentage of any of such criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such criteria.

(v) Settlement of Performance Awards; Other Terms . After the end of each performance period, the Committee shall determine the amount, if any, of (A) the Performance Award pool, and the maximum amount of the potential

Performance Award payable to each Participant in the Performance Award pool, or (B) the amount of the potential Performance Award otherwise payable to each Participant. Settlement of such Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 8(b). The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant prior to the end of a performance period or settlement of Performance Awards.

(c) Annual Incentive Awards Granted to Designated Covered Employees. If the Committee determines that an Annual Incentive Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee should qualify as "performance-based compensation" for purposes of section 162(m) of the Code, the grant, exercise and/or settlement of such Annual Incentive Award shall be contingent upon achievement of preestablished performance goals and other terms set forth in this Section 8(c).

(i) Potential Annual Incentive Awards. Not later than the end of the 90 th day of each applicable year, or at such other date as may be required or permitted in the case of Awards intended to be "performance-based compensation" under section 162(m) of the Code, the Committee shall determine the Eligible Persons who will potentially receive Annual Incentive Awards, and the amounts potentially payable thereunder, for that fiscal year, either out of an Annual Incentive Award pool established by such date under Section 8(c)(i) hereof or as individual Annual Incentive Awards. The amount potentially payable, with respect to Annual Incentive Awards, shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8(b)(ii) hereof in the given performance year, as specified by the Committee.

(ii) Annual Incentive Award Pool. The Committee may establish an Annual Incentive Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Annual Incentive Awards. The amount of such Annual Incentive Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8(b)(ii) hereof during the given performance period, as specified by the Committee in accordance with Section 8(b)(iii) hereof. The Committee may specify the amount of the Annual Incentive Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.

(iii) Payout of Annual Incentive Awards. After the end of each applicable year, the Committee shall determine the amount, if any, of (A) the Annual Incentive Award pool, and the maximum amount of the potential Annual Incentive Award payable to each Participant in the Annual Incentive Award pool, or (A) the amount of the potential Annual Incentive Award otherwise payable to each Participant. The Committee may, in its discretion, determine that the amount payable to any Participant as a final Annual Incentive Award shall be reduced from the amount of his or her potential Annual Incentive Award, including a determination to make no final Award whatsoever, but may not exercise discretion to increase any such amount in the case of an Annual Incentive Award intended to qualify under section 162(m) of the Code. The Committee shall specify the circumstances in which an Annual Incentive Award shall be paid or forfeited in the event of termination of employment by the Participant prior to the end of the applicable year or settlement of such Annual Incentive Award.

(d) Written Determinations. All determinations by the Committee as to the establishment of performance goals, the amount of any Performance Award pool or potential individual Performance Awards, the achievement of performance goals relating to and final settlement of Performance Awards under Section 8(b), the amount of any Annual Incentive Award pool or potential individual Annual Incentive Awards, the achievement of performance goals relating to and final settlement of Annual Incentive Awards under Section 8(c) shall be made in writing in the case of any Award intended to qualify under section 162(m) of the Code. The Committee may not delegate any responsibility relating to such Performance Awards or Annual Incentive Awards.

(e) Status of Section 8(b) and Section 8(c) Awards under Section 162(m) of the Code. It is the intent of the Company that Performance Awards and Annual Incentive Awards under Sections 8(b) and 8(c) hereof granted to Persons who are designated by the Committee as likely to be Covered Employees within the meaning of section 162(m) of the Code and the regulations thereunder (including Treasury Regulation §1.162-27 and successor regulations thereto) shall, if so designated by the Committee, constitute "performance-based compensation" within the meaning of section 162(m) of the Code and regulations thereunder. Accordingly, the terms of Sections 8(b), (c), (d) and (e), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with section 162(m) of the Code and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Eligible Person will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a Person designated by the Committee, at the time of grant of a Performance Award or an Annual Incentive Award, who is likely to be a Covered Employee with respect to that fiscal year. If any provision of this Plan as in effect on the date of adoption of any agreements relating to Performance Awards or Annual Incentive Awards that are designated as intended to comply with section

162(m) of the Code does not comply or is inconsistent with the requirements of section 162(m) of the Code or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements. Notwithstanding anything to the contrary in this Section 8(e) or elsewhere in this Plan, the Company intends to rely on the transition relief set forth in Treasury Regulation § 1.162-27(f), and hence the deduction limitation imposed by section 162(m) of the Code will not be applicable to the Company until the earliest to occur of (i) the material modification of the Plan within the meaning of Treasury Regulation § 1.162-27(h)(1)(iii); (ii) the issuance of the number of shares of Stock set forth in Section 4(a); or (iii) the first meeting of shareholders of the Company at which directors are to be elected that occurs after December 31, 20__ (the "Transition Period"), and during the Transition Period, Awards to Covered Employees shall only be required to comply with the transition relief described in this Section 8(e).

9. **Subdivision or Consolidation; Recapitalization; Change in Control; Reorganization** .

(a) Existence of Plans and Awards . The existence of this Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities ahead of or affecting Stock or the rights thereof, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding. In no event will any action taken by the Committee pursuant to this Section 9 result in the creation of deferred compensation within the meaning of the Nonqualified Deferred Compensation Plan Rules.

(b) Subdivision or Consolidation of Shares . The terms of an Award and the number of shares of Stock authorized pursuant to Section 4 for issuance under the Plan shall be subject to adjustment from time to time, in accordance with the following provisions:

(i) If at any time, or from time to time, the Company shall subdivide as a whole (by reclassification, by a Stock split, by the issuance of a distribution on Stock payable in Stock, or otherwise) the number of shares of Stock then outstanding into a greater number of shares of Stock, then, (A)%8. the maximum number of shares of Stock available for the Plan or in connection with Awards as provided in Section 4 shall be increased proportionately, and the kind of shares or other securities available for the Plan shall be appropriately adjusted, (B)%8. the number of shares of Stock (or other kind of shares or securities) that may be acquired under any then outstanding Award shall be increased proportionately, and %8.(C) the price (including the exercise price) for each share of Stock (or other kind of shares or securities) subject to then outstanding Awards shall be reduced proportionately, without changing the aggregate purchase price or value as to which outstanding Awards remain exercisable or subject to restrictions.

(ii) If at any time, or from time to time, the Company shall consolidate as a whole (by reclassification, by reverse Stock split, or otherwise) the number of shares of Stock then outstanding into a lesser number of shares of Stock, (A)%8. the maximum number of shares of Stock for the Plan or available in connection with Awards as provided in Section 4 shall be decreased proportionately, and the kind of shares or other securities available for the Plan shall be appropriately adjusted, (B)%8. the number of shares of Stock (or other kind of shares or securities) that may be acquired under any then outstanding Award shall be decreased proportionately, and (C)%8. the price (including the exercise price) for each share of Stock (or other kind of shares or securities) subject to then outstanding Awards shall be increased proportionately, without changing the aggregate purchase price or value as to which outstanding Awards remain exercisable or subject to restrictions.

(iii) Whenever the number of shares of Stock subject to outstanding Awards and the price for each share of Stock subject to outstanding Awards are required to be adjusted as provided in this Section 9(b), the Committee shall promptly prepare a notice setting forth, in reasonable detail, the event requiring adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the change in price and the number of shares of Stock, other securities, cash, or property purchasable subject to each Award after giving effect to the adjustments. The Committee shall promptly provide each affected Participant with such notice.

(iv) Adjustments under Sections 9(b)(i) and (ii) shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding, and conclusive. No fractional interest shall be issued under the Plan on account of any such adjustments.

(c) Corporate Recapitalization . If the Company recapitalizes, reclassifies its capital stock, or otherwise changes its capital structure (a "recapitalization") without the occurrence of a Change in Control, the number and class of shares of Stock covered by an Option or an SAR theretofore granted shall be adjusted so that such Option or SAR shall thereafter cover the number and class of shares of stock and securities to which the holder would have been entitled pursuant to the terms of the recapitalization if, immediately prior to the recapitalization, the holder had been the holder of record of the number of shares of Stock then covered by such Option or SAR and the share limitations provided in Sections 4 and 5 shall be adjusted in a manner consistent with the recapitalization and the exercise prices and grant prices of such Awards shall, to the extent applicable, be adjusted accordingly.

(d) Additional Issuances. Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to Awards theretofore granted or the purchase price per share, if applicable.

(e) Change in Control. Upon a Change in Control the Committee, acting in its sole discretion without the consent or approval of any holder, shall affect one or more of the following alternatives, which may vary among individual holders and which may vary among Options or SARs (collectively "Grants") held by any individual holder: (i) accelerate the time at which Grants then outstanding may be exercised so that such Grants may be exercised in full for a limited period of time on or before a specified date (before or after such Change in Control) fixed by the Committee, after which specified date all unexercised Grants and all rights of holders thereunder shall terminate, (ii) require the mandatory surrender to the Company by selected holders of some or all of the outstanding Grants held by such holders (irrespective of whether such Grants are then exercisable under the provisions of this Plan) as of a date, before or after such Change in Control, specified by the Committee, in which event the Committee shall thereupon cancel such Grants and pay to each holder an amount of cash (or other consideration including securities or other property) per share equal to the excess, if any, of the amount calculated in Section 9(f) (the "Change in Control Price") of the shares subject to such Grants over the exercise price(s) under such Grants for such shares (except that to the extent the exercise price under any such Grant is equal to or exceeds the Change in Control Price, in which case no amount shall be payable with respect to such Grant), or (iii) make such adjustments to Grants then outstanding as the Committee deems appropriate to reflect such Change in Control; provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to Grants then outstanding; provided, further, however, that the right to make such adjustments shall include, but not require or be limited to, the modification of Grants such that the holder of the Grant shall be entitled to purchase or receive (in lieu of the total number of shares of Stock as to which an Option or SAR is exercisable (the "Total Shares") or other consideration that the holder would otherwise be entitled to purchase or receive under the Grant (the "Total Consideration")), the number of shares of stock, other securities, cash or property to which the Total Consideration would have been entitled to in connection with the Change in Control (A) (in the case of Options), at an aggregate exercise price equal to the exercise price that would have been payable if the Total Shares had been purchased upon the exercise of the Grant immediately before the consummation of the Change in Control and (B) in the case of SARs, if the SARs had been exercised immediately before the occurrence of the Change in Control. Notwithstanding the foregoing, with respect to a Change in Control that constitutes an "equity restructuring" that would be subject to a compensation expense pursuant to Accounting Standards Codification Topic 718, *Compensation — Stock Compensation*, or any successor accounting standard, the provisions in Section 9(b) above shall control to the extent they are in conflict with the discretionary provisions of this Section 9(e); provided, however, that nothing in this Section 9(e) or in Section 9(b) above shall be construed as providing any Participant or any beneficiary of an Award any rights with respect to the "time value," "economic opportunity" or "intrinsic value" of an Award or limiting in any manner the Committee's actions that may be taken with respect to an Award as set forth in this Section 9(e) or in Section 9(b) above.

(f) Change in Control Price. The "Change in Control Price" shall equal the amount determined in the following clause (i), (ii), (iii), (iv) or (v), whichever is applicable, as follows: (i) the price per share offered to holders of Stock in any merger or consolidation, (ii) the per share Fair Market Value of the Stock immediately before the Change in Control without regard to assets sold in the Change in Control and assuming the Company has received the consideration paid for the assets in the case of a sale of the assets, (iii) the amount distributed per share of Stock in a dissolution transaction, (iv) the price per share offered to holders of Stock in any tender offer or exchange offer whereby a Change in Control takes place, or (v) if such Change in Control occurs other than pursuant to a transaction described in clauses (i), (ii), (iii), or (iv) of this Section 9(f), the Fair Market Value per share of the Stock that may otherwise be obtained with respect to such Grants or to which such Grants track, as determined by the Committee as of the date determined by the Committee to be the date of cancellation and surrender of such Grants. In the event that the consideration offered to stockholders of the Company in any transaction described in this Section 9(f) or in Section 9(e) consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered which is other than cash and such determination shall be binding on all affected Participants to the extent applicable to Awards held by such Participants.

(g) Impact of Corporate Events on Awards Generally. In the event of a Change in Control or changes in the outstanding Stock by reason of a recapitalization, reorganization, merger, consolidation, combination, exchange or other relevant change in capitalization occurring after the date of the grant of any Award and not otherwise provided for by this Section 9, any outstanding Awards and any Award agreements evidencing such Awards shall be subject to adjustment by the Committee at its discretion, which adjustment may, in the Committee's discretion, be described in the Award agreement and may include, but not be limited to, adjustments as to the number and price of shares of Stock or other consideration subject to such Awards, accelerated vesting (in full or in part) of such Awards, conversion of such Awards into awards denominated in the securities or other interests of any successor Person, or the cash settlement of such Awards in exchange for the cancellation thereof. In the event of any such change in the outstanding Stock, the aggregate number of shares of Stock available under this Plan may be appropriately adjusted by the Committee, whose determination shall be conclusive.

10. **General Provisions** .

(a) Transferability .

(i) Permitted Transferees . The Committee may, in its discretion, permit a Participant to transfer all or any portion of any Award, or authorize all or a portion of an Option or SAR to be granted to an Eligible Person to be on terms which permit transfer by such Participant; provided that, in either case the transferee or transferees must be any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, in each case with respect to the Participant, an individual sharing the Participant's household (other than a tenant or employee of the Company), a trust in which any of the foregoing individuals have more than fifty percent of the beneficial interest, a foundation in which any of the foregoing individuals (or the Participant) control the management of assets, and any other entity in which any of the foregoing individuals (or the Participant) own more than fifty percent of the voting interests (collectively, "Permitted Transferees"); provided further that, (X) there may be no consideration for any such transfer and (Y) subsequent transfers of Awards transferred as provided above shall be prohibited except subsequent transfers back to the original holder of the Awards and transfers to other Permitted Transferees of the original holder. Agreements evidencing Awards with respect to which such transferability is authorized at the time of grant must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section 10(a)(i).

(ii) Domestic Relations Orders . An Award may be transferred, to a Permitted Transferee, pursuant to a domestic relations order entered or approved by a court of competent jurisdiction upon delivery to the Company of written notice of such transfer and a certified copy of such order.

(iii) Other Transfers . Except as expressly permitted by Sections 10(a)(i) and 10(a)(ii), Awards shall not be transferable other than by will or the laws of descent and distribution. Notwithstanding anything to the contrary in this Section 10, an Incentive Stock Option shall not be transferable other than by will or the laws of descent and distribution.

(iv) Effect of Transfer . Following the transfer of any Award as contemplated by Sections 10(a)(i), 10(a)(ii) and 10(a)(iii), (A) such Award shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that the term "Participant" shall be deemed to refer to the Permitted Transferee, the recipient under a qualified domestic relations order, or the estate or heirs of a deceased Participant or other transferee, as applicable, to the extent appropriate to enable the Participant to exercise the transferred Award in accordance with the terms of this Plan and applicable law and (B) the provisions of the Award relating to exercisability shall continue to be applied with respect to the original Participant and, following the occurrence of any applicable events described therein the Awards shall be exercisable by the Permitted Transferee, the recipient under a qualified domestic relations order, or the estate or heirs of a deceased Participant, as applicable, only to the extent and for the periods that would have been applicable in the absence of the transfer.

(v) Procedures and Restrictions . Any Participant desiring to transfer an Award as permitted under Sections 10(a)(i), 10(a)(ii) or 10(a)(iii) shall make application therefor in the manner and time specified by the Committee and shall comply with such other requirements as the Committee may require to assure compliance with all applicable securities laws. The Committee shall not give permission for such a transfer if (A) it would give rise to short swing liability under section 16(b) of the Exchange Act or (B) it may not be made in compliance with all applicable federal, state and foreign securities laws.

(vi) Registration . To the extent the issuance to any Permitted Transferee of any shares of Stock issuable pursuant to Awards transferred as permitted in this Section 10(b) is not registered pursuant to the effective registration statement of the Company generally covering the shares to be issued pursuant to this Plan to initial holders of Awards, the Company shall not have any obligation to register the issuance of any such shares of Stock to any such transferee.

(b) Taxes . The Company and any of its Subsidiaries or Parents are authorized to withhold from any Award granted, or any payment relating to an Award under this Plan, including from a distribution of Stock, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations, either on a mandatory or elective basis in the discretion of the Committee. Notwithstanding the foregoing, the Company and its Affiliates may, in its sole discretion and in satisfaction of the foregoing requirement, withhold or permit the Participant to elect to have the Company withhold a sufficient number of shares of Stock that are otherwise issuable to the Participant pursuant to an Award (or allow the surrender of shares of Stock by the Participant to the Company). The number of shares of Stock that may be so withheld or surrendered shall be limited to the number of shares of Stock that have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the applicable minimum statutory withholding rates for U.S. federal, state, local or non-U.S. income and social insurance taxes and payroll taxes, as determined by the Committee.

(c) Changes to this Plan and Awards. The Board may amend, alter, suspend, discontinue or terminate this Plan or the Committee's authority to grant Awards under this Plan without the consent of stockholders or Participants, except that any amendment or alteration to this Plan, including any increase in any share limitation, shall be subject to the approval of the Company's stockholders not later than the annual meeting next following such Board action if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted, and the Board may otherwise, in its discretion, determine to submit other such changes to this Plan to stockholders for approval; provided, that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any previously granted and outstanding Award. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate any Award theretofore granted and any Award agreement relating thereto, except as otherwise provided in this Plan; provided, however, that, without the consent of an affected Participant, no such Committee action may materially and adversely affect the rights of such Participant under such Award. For purposes of clarity, any adjustments made to Awards pursuant to Section 9 will be deemed *not* to materially and adversely affect the rights of any Participant under any previously granted and outstanding Award and therefore may be made without the consent of affected Participants.

(d) Limitation on Rights Conferred under Plan. Neither this Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or any of its Subsidiaries or Parents, (ii) interfering in any way with the right of the Company or any of its Subsidiaries or Parents to terminate any Eligible Person's or Participant's employment or service relationship at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under this Plan or to be treated uniformly with other Participants and/or employees and/or other service providers, or (iv) conferring on a Participant any of the rights of a stockholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award.

(e) Unfunded Status of Awards. This Plan is intended to constitute an "unfunded" plan for certain incentive awards.

(f) Nonexclusivity of this Plan. Neither the adoption of this Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements as it may deem desirable, including incentive arrangements and awards which do not qualify under section 162(m) of the Code. Nothing contained in this Plan shall be construed to prevent the Company or any of its Subsidiaries or Parents from taking any corporate action which is deemed by the Company or such Subsidiary or Parent to be appropriate or in its best interest, whether or not such action would have an adverse effect on this Plan or any Award made under this Plan. No employee, beneficiary or other person shall have any claim against the Company or any of its Subsidiaries or Parents as a result of any such action.

(g) Fractional Shares. No fractional shares of Stock shall be issued or delivered pursuant to this Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(h) Severability. If any provision of this Plan is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and the Plan shall be construed and enforced as if the illegal or invalid provision had never been included herein. If any of the terms or provisions of this Plan or any Award agreement conflict with the requirements of Rule 16b-3 (as those terms or provisions are applied to Eligible Persons who are subject to section 16(b) of the Exchange Act) or section 422 of the Code (with respect to Incentive Stock Options), then those conflicting terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of Rule 16b-3 (unless the Board or the Committee, as appropriate, has expressly determined that the Plan or such Award should not comply with Rule 16b-3) or section 422 of the Code. With respect to Incentive Stock Options, if this Plan does not contain any provision required to be included herein under section 422 of the Code, that provision shall be deemed to be incorporated herein with the same force and effect as if that provision had been set out at length herein; provided, further, that, to the extent any Option that is intended to qualify as an Incentive Stock Option cannot so qualify, that Option (to that extent) shall be deemed an Option not subject to section 422 of the Code for all purposes of the Plan.

(i) Governing Law. All questions arising with respect to the provisions of the Plan and Awards shall be determined by application of the laws of the State of Delaware, without giving effect to any conflict of law provisions thereof, except to the extent Delaware law is preempted by federal law. The obligation of the Company to sell and deliver Stock hereunder is subject to applicable federal and state laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Stock.

(j) Conditions to Delivery of Stock. Nothing herein or in any Award granted hereunder or any Award agreement shall require the Company to issue any shares with respect to any Award if that issuance would, in the opinion of counsel for the Company, constitute a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable statute or regulation, or the rules of any applicable securities exchange or securities association, as then in effect. At the time of any exercise of an Option or Stock Appreciation Right, or at the time of any grant of a Restricted Stock, Restricted Stock Unit, or other Award the Company may, as a condition precedent to the exercise of such Option or Stock Appreciation Right or settlement of any Restricted Stock, Restricted Stock Unit or other Award, require from the Participant (or in the event of his or her death, his or her legal representatives, heirs, legatees, or distributees) such written representations, if any, concerning the holder's intentions with regard to the retention or disposition of the shares of Stock being acquired pursuant to the Award and such written covenants and agreements, if any, as to the manner of disposal of such shares as, in the opinion of counsel to the Company, may be necessary to ensure that any disposition by that holder (or in the event of the holder's death, his or her legal representatives, heirs, legatees, or distributees) will not involve a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable state or federal statute or regulation, or any rule of any applicable securities exchange or securities association, as then in effect. No Option or Stock Appreciation Right shall be exercisable and no settlement of any Restricted Stock or Restricted Stock Unit shall occur with respect to a Participant unless and until the holder thereof shall have paid cash or property to, or performed services for, the Company or any of its Subsidiaries or Parents that the Committee believes is equal to or greater in value than the par value of the Stock subject to such Award.

(k) Clawback. The Committee shall have the right to provide, in an Award Agreement or otherwise, or to require a Participant to agree by separate written or electronic instrument, that all Awards (including any proceeds, gains or other economic benefit actually or constructively received by the Participant upon any receipt or exercise of any Award or upon the receipt or resale of any shares of Stock underlying the Award) shall be subject to the provisions of any clawback policy implemented by the Company, including, without limitation, any clawback policy adopted to comply with the requirements of applicable law, including without limitation the Dodd Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, to the extent set forth in such clawback policy and/or in the applicable Award Agreement.

(l) Section 409A of the Code. In the event that any Award granted pursuant to this Plan provides for a deferral of compensation within the meaning of the Nonqualified Deferred Compensation Rules, it is the general intention, but not the obligation, of the Company to design such Award to comply with the Nonqualified Deferred Compensation Rules and such Award should be interpreted accordingly. Notwithstanding any provision in the Plan or an Award agreement to the contrary, if any payment or benefit provided for under an Award would be subject to additional taxes and interest under section 409A of the Code if the Participant's receipt of such payment or benefit is not delayed in accordance with the requirements of section 409A(a)(2)(B)(i) of the Code, then such payment or benefit shall not be provided to the Participant (or the Participant's estate, if applicable) until the earlier of (i) the date of the Participant's death or (ii) the date that is six months after the date of the Participant's "separation from service" with the Company within the meaning of the Nonqualified Deferred Compensation Rules.

(m) Plan Effective Date and Term. This Plan was adopted by the Board and approved by the sole stockholder of the Company on July 21, 2014, to be effective on the Effective Date. No Awards may be granted under this Plan on and after July 21, 2024.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Nathan Kroeker, certify that:

1. I have reviewed this Quarterly Report (the “report”) on Form 10-Q of Spark Energy, Inc. (the “registrant”);

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: November 10, 2016

/s/ Nathan Kroeker
Nathan Kroeker
Chief Executive Officer and President

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Robert Lane, certify that:

1. I have reviewed this Quarterly Report (the “report”) on Form 10-Q of Spark Energy, Inc. (the “registrant”);

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: November 10, 2016

/s/ Robert Lane
Robert Lane
Chief Financial Officer

EXHIBIT 32

Certification by the Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (the "Report") of Spark Energy, Inc., a Delaware corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof, Nathan Kroeker, Chief Executive Officer of the Company and Robert Lane, Chief Financial Officer of the Company, each certify, pursuant 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. This Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: November 10, 2016

/s/ Nathan Kroeker
Nathan Kroeker
Chief Executive Officer

/s/ Robert Lane
Robert Lane
Chief Financial Officer