Akeena Solar, Inc.
Form 10-K
March 10, 2010

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

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2009

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGEACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-33695

AKEENA SOLAR, INC.
(Exact name of registrant as specified in its charter)

Delaware	90-0181035
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
16005 Los Gatos Boulevard Los Gatos, California	95032
(Address of principal executive offices)	(Zip Code)

(408) 402-9400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.001 per share	The NASDAQ Stock Market LLC
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Exchange Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No x

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 requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference to Part III of this Form 10-K or any amendment to this Form 10-K. o

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 o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x
(Do not check if a smaller reporting company)	

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant, based on the closing sales price of the Common Stock as reported on The NASDAQ Capital Market on June 30, 2009, was approximately $32.7 million. For purposes of this computation, all officers and directors of the registrant are deemed to be affiliates.

As of March 3, 2010, 36,779,212 shares of common stock of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Selected portions of the Registrant's definitive proxy statement for the 2010 annual meeting of stockholders are incorporated by reference into Part III of this Form 10-K.

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PART I

As used in this Annual Report on Form 10-K, unless otherwise indicated, the terms “we,” “us,” “our” and “the Company” refe
to Akeena Solar, Inc. and its subsidiaries.

Our Annual Report on Form 10-K for 2009, and information we provide in our Annual Report to Stockholders, press releases, telephonic reports and other investor communications, including those on our website, may contain forward-looking statements with respect to anticipated future events and our projected financial performance, operations and competitive position that are subject to risks and uncertainties that could cause our actual results to differ materially from those forward-looking statements and our expectations.

Forward-looking statements can be identified by the use of words such as “expects,” “plans,” “will,” “may,” “anticipate
“believes,” “should,” “intends,” “estimates” and other words of similar meaning. These statements constitute forward-looking
statements within the meaning of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that may cause actual results to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements reflect our then current beliefs, projections and estimates with respect to future events and our projected financial performance, operations and competitive position.

Such risks and uncertainties include, without limitation, our ability to raise capital to finance our operations, the effectiveness, profitability and the marketability of our services, our ability to protect our proprietary information, general economic and business conditions, the impact of technological developments and competition, adverse results of any legal proceedings, the impact of current, pending or future legislation and regulation of the solar power industry, our ability to enter into acceptable relationships with one or more manufacturers for solar panel components and the ability of such contract manufacturers to manufacture products or components of an acceptable quality on a cost-effective basis, our ability to attract or retain qualified senior management personnel, including sales and marketing and technical personnel and other risks detailed from time to time in our filings with the SEC, including those described in Item 1A below. We do not undertake any obligation to update any forward-looking statements.

Item 1. Business.

Overview

We are a designer, integrator and installer of solar power systems and a designer of solar panels with integrated microinverters (which we call AC solar panels). We market, sell, design and install systems for residential and commercial customers. We source components (such as solar panels and inverters) from manufacturers such as Suntech Power Holdings Co. Ltd. (Suntech), Enphase Energy (Enphase) and SMA America, LLC (SMA). We have provided installation services in California, New York, New Jersey, Pennsylvania, Colorado and Connecticut. We sell our AC solar panels to solar installers, trade workers and do-it-yourself customers in the United States and Canada through distribution partnerships, our dealer network and retail home improvement outlets. According to data compiled by the California Energy Commission, the Solar Electric Power Association and the New Jersey Clean Energy Program, over the past four years we have been one of the largest national integrators of residential and commercial solar electric power systems in the United States. We are a member of the Solar Energy Industry Association, the California Solar Energy Industries Association, the Solar Energy Business Association of New England and the Environmental Entrepreneurs. To date, we have served over 3,700 customers since the commencement of our operations in 2001.

We were formed as a Nevada corporation on July 29, 2005, under the name Fairview Energy Corporation, Inc. ("Fairview"), and on August 4, 2006, were reincorporated in the State of Delaware. On August 11, 2006, we consummated a reverse merger (the "Merger") with a privately-held company called Akeena Solar, Inc. ("Akeena-Private"), pursuant to which the privately-held company, renamed Akeena Corp., became a wholly-owned subsidiary of ours and we renamed our company Akeena Solar, Inc. We had been in the development stage since our inception and had not commenced business operations prior to the Merger. Akeena-Private was incorporated in the State of California on February 23, 2001 under the name Akeena, Inc., and on June 2, 2006, was reincorporated in the State of Delaware under the name Akeena Solar, Inc. As a result of the Merger, we succeeded to Akeena-Private's line of business as our sole line of business.

As of March 3, 2010, we had six offices. Our offices are located in Los Gatos, Fresno (Clovis), Anaheim, Santa Rosa, Palm Springs, and San Diego, California. Our Corporate headquarters are located at 16005 Los Gatos Boulevard, Los Gatos, California 95032. Our telephone number is (408) 402-9400. Additional information about Akeena Solar is available on our website at http://www.akeena.com. The information on our web site is not incorporated herein by reference.

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Strategy

Our philosophy is simple: “we believe that producing clean electricity directly from the sun is the right thing to do for our environment and economy.” Since our founding, we have concentrated on serving the solar power needs of residential and commercial customers tied to the electric power grid.

The solar power industry is still at an early stage of its growth and is highly fragmented. The prospects for long-term worldwide demand for solar power have attracted many new solar panel manufacturers, as well as a multitude of design/integration companies in our market segment. We expect the manufacturing segment of the industry to consolidate as more solar panel manufacturing capacity comes online. We also expect there to be consolidation in the design/integration segment of the industry based mostly on branding, development of new technology and business process improvements.

Accordingly, our growth strategy primarily includes:

- Developing and commercializing our solar panel technology optimized for the residential and commercial markets.

- Reducing installation costs and improving the aesthetics and performance of solar systems compared to ordinary, commercially available solar equipment.

- Promoting and enhancing our company's brand name and reputation.

- Developing and utilizing a process-driven approach to sell and install our solar power systems in diverse geographic markets.

Based on our experience as a solar power designer and integrator, we believe we understand certain areas in which costs for installations can be significantly reduced. We have introduced a new “plug and play” solar panel technology (“Andalay”) which we believe will significantly reduce the installation time, parts and costs, as well as provide superior reliability and aesthetics for customers, when compared to other solar panel mounting products and technology.

In February 2009, we announced a strategic partnership with Enphase, a leading manufacturer of microinverter products, to develop and market Andalay solar panel systems with ordinary AC house current output instead of high voltage DC output. We introduced Andalay AC panel products and began offering them to our customers in the second quarter of 2009. Andalay AC panels cost less to install and generally provide higher energy output than ordinary DC panels.

Industry

Electric power is used to operate businesses, industries, homes and offices and provides the power for our communications, entertainment, transportation and medical needs. As our energy supply and distribution mix changes, electricity is likely to be used more for local transportation (electric vehicles) and space/water heating needs. According to the Edison Electric Institute, the electric power industry in the U.S. is over $218 billion in size, and will continue to grow with our economy.

According to the U.S. Department of Energy (DOE), electricity is generated from the following: coal - 51%, nuclear -21%, gas - 16%, hydro - 6%, and oil - 3%, with renewable energy contributing 3%. “Renewable Energy” typically refers to non-traditional energy sources, including solar energy. Due to continuously increasing energy demands, we believe the electric power industry faces the following challenges:

- Limited Energy Supplies. The primary fuels that have supplied this industry, fossil fuels in the form of oil, coal and natural gas, are limited. Worldwide demand is increasing at a time that industry experts have concluded that supply is limited. Therefore, the increased demand will probably result in increased prices, making it more likely that long-term average costs for electricity will continue to increase.

- Generation, Transmission and Distribution Infrastructure Costs. Historically, electricity has been generated in centralized power plants transmitted over high voltage lines, and distributed locally through lower voltage transmission lines and transformer equipment. As electricity needs increase, these systems will need to be expanded. Without further investments in this infrastructure, the likelihood of power shortages ("brownouts" and "blackouts") may increase.

- Stability of Suppliers. Since many of the major countries who supply fossil fuel are located in unstable regions of the world, purchasing oil and natural gas from these countries may increase the risk of supply shortages and cost increases.

- Environmental Concerns and Climate Change. Concerns about global warming and greenhouse gas emissions has resulted in the Kyoto Protocol, various states enacting stricter emissions control laws and utilities being required to comply with Renewable Portfolio Standards, which require the purchase of a certain amount of power from renewable sources. Currently, within the U.S., there are 30 states with established RPS standards. Additionally, onset of Cap and Trade legislation, an environmental policy tool intended to deliver carbon reduction with a mandatory cap on emissions while providing sources flexibility in how they comply, is expected to drive solar demand.

Solar energy is the underlying energy source for renewable fuel sources, including biomass fuels and hydroelectric energy. By extracting energy directly from the sun and converting it into an immediately usable form, either as heat or electricity, intermediate steps are eliminated. We believe, in this sense, solar energy is one of the most direct and unlimited energy sources.

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Solar energy can be converted into usable forms of energy either through the photovoltaic effect (generating electricity from photons) or by generating heat (solar thermal energy). Solar thermal systems include traditional domestic hot water collectors (DHW), swimming pool collectors, and high temperature thermal collectors (used to generate electricity in central generating systems). DHW thermal systems are typically distributed on rooftops so that they generate heat for the building on which they are situated. High temperature thermal collectors typically use concentrating mirror systems and are typically located in remote sites.

According to Navigant, a research and consulting firm, approximately 4,550 megawatts of solar capacity were installed in 2008, of which 410 megawatts were installed in the United States. The U.S. market is expected to grow to 530 megawatts in 2010. According to data from the California Solar Initiative, residential solar installations have been approximately 24% of solar installations in California in 2008 and 2009.

Anatomy of a Solar Power System

Solar power systems convert the energy in sunlight directly into electrical energy within solar cells based on the photovoltaic effect. Multiple solar cells, which produce DC power, are electrically interconnected into solar panels. A typical 180 watt solar panel may have 72 individual solar cells. Multiple solar panels are electrically wired together. The number of solar panels installed on a building are generally selected to meet that building's annual electrical usage, or selected to fill available un-shaded roof or ground space. Solar panels are electrically wired to an inverter, which converts the power from DC to AC and interconnects with the utility grid.

Typical solar power systems have solar panels that are electrically wired to an inverter, which converts the power from DC to AC and interconnects with the utility grid. The following diagram schematically shows a typical DC solar power system:

Andalay AC solar power systems have solar panels with integrated microinverters that produce AC power, eliminating the need for a central inverter. The following diagram schematically shows a typical Andalay AC solar power system.

Solar Electric Cells. Solar electric cells convert light energy into electricity at the atomic level. The conversion efficiency of a solar electric cell is defined as the ratio of the sunlight energy that hits the cell divided by the electrical energy that is produced by the cell. By improving this efficiency, we believe solar electric energy becomes competitive with fossil fuel sources. The earliest solar electric devices converted about 1%-2% of sunlight energy into electric energy. Current solar electric devices convert 5%-25% of light energy into electric energy (the overall efficiency for solar panels is lower than solar cells because of the panel frame and gaps between solar cells), and current mass produced panel systems are substantially less expensive than earlier systems. Effort is the industry is currently being directed towards the development of new solar cell technology to reduce per watt costs and increase area efficiencies.

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Solar Panels. Solar electric panels are composed of multiple solar cells, along with the necessary internal wiring, aluminum and glass framework, and external electrical connections. Although panels are usually installed on top of a roof or on an external structure, certain designs include the solar electric cells as part of traditional building materials, such as shingles and rolled out roofing. Solar electric cells integrated with traditional shingles is usually most compatible with masonry roofs and, while it may offset costs for other building materials and be aesthetically appealing, it is generally more expensive than traditional panels. Akeena's Andalay design integrates racking wiring and grounding components directly into the panel resulting in an integrated solution that reduces by 70%, the amount of rooftop solar components resulting in a solar power system that reduces the amount of field assembly, thereby increasing reliability and performance, while providing a better looking design.

Inverters. Inverters convert the DC power from solar panels to the AC power used in buildings. Grid-tie inverters synchronize to utility voltage and frequency and only operate when utility power is stable (in the case of a power failure these grid-tie inverters shut down to safeguard utility personnel from possible harm during repairs). Inverters also operate to maximize the power extracted from the solar panels, regulating the voltage and current output of the solar array based on sun intensity. Akeena's Andalay AC solution incorporates an integrated microinverter on each panel which improves system performance, is safer for installers and homeowners and reduces the amount of installation labor.

Monitoring. There are two basic approaches to access information on the performance of a solar power system. DC systems with central inverters collect the solar power performance data locally from the central inverter with a hard-wired connection and then transmit that data to a digital hardware display. AC systems utilizing microinverters collect the solar power performance data of each panel and transmit panel-level and combined system data via the internet to a centralized database. AC system data on the performance of each panel and total system can then be accessed from any device with a web browser, including personal computers and cell phones.

Net Metering. The owner of a grid-connected solar electric system may not only buy, but may also sell, electricity each month. This is because electricity generated by the solar electric system can be used on-site or fed through a meter into the utility grid. Utilities are required to buy power from owners of solar electric systems (and other independent producers of electricity) under the Public Utilities Regulatory Policy Act of 1978 (PURPA). California's net metering law provides that all utilities must allow customers with solar electric systems rated up to 1.5 megawatts (" mW") to interconnect with the local utility grid and receive retail value for the electricity produced. When a home or business requires more electricity than the solar power array is generating (for example, in the evening), the need is automatically met by power from the utility grid. When a home or business requires less electricity than the solar electric system is generating, the excess is fed (or sold) back to the utility and the electric meter actually spins backwards. Used this way, the utility serves as a backup to the solar electric similar to the way in which batteries serve as a backup in stand-alone systems.

Solar Power Benefits

The direct conversion of light into energy offers the following benefits compared to conventional energy sources:

- Economic — Once a solar power system is installed, the cost of generating electricity is fixed over the lifespan of the system. There are no risks that fuel prices will escalate or fuel shortages will develop. In addition, cash paybacks for systems range from 5 to 25 years, depending on the level of state and federal incentives, electric rates, annualized sun intensity and installation costs. Solar power systems at customer sites generally qualify for net metering to offset a customer's highest electric rate tiers, at the retail, as opposed to the wholesale, electric rate.

- Convenience — Solar power systems can be installed on a wide range of sites, including small residential roofs, the ground, covered parking structures and large industrial buildings. Solar power

systems also have few, if any, moving parts and are generally guaranteed to operate for 20-25 years resulting, we believe, in low maintenance and operating costs and reliability compared to other forms of power generation.

- Environmental — We believe solar power systems are one of the most environmentally friendly way of generating electricity. There are no harmful greenhouse gas emissions, no wasted water, no noise, no waste generation and no particulates. Such benefits continue for the life of the system.

- Security — Producing solar power improves energy security both on an international level (by reducing fossil energy purchases from hostile countries) and a local level (by reducing power strains on local electrical transmission and distribution systems).

- Infrastructure — Solar power systems can be installed at the site where the power is to be used, thereby reducing electrical transmission and distribution costs. Solar power systems installed and operating at customer sites may also save the cost of construction of additional energy infrastructure including power plants, transmission lines, distribution systems and operating costs.

We believe escalating fuel costs, environmental concerns and energy security make it likely that the demand for solar power systems will continue to grow. The federal government, and several states, have put a variety of incentive programs in place that directly spur the installation of grid-tied solar power systems, so that customers will “purchase” their own power generating system rather than “renting” power from a local utility. These programs include:

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- Rebates — to customers (or to installers) to reduce the initial cost of the solar power system, generally based on the size of the system. California and other states have rebates that can substantially reduce initial costs.

- Renewable Energy Grants – the federal government will provide grants equal to 30% of the cost of commercial solar power systems placed in service in 2009 and 2010, and solar power systems that are not placed into service prior to December 31, 2010 qualify for the grants so long as construction begins prior to December 31, 2010 and they are placed into service by December 31, 2017.

- Tax Credits — federal and state income tax offsets directly reducing ordinary income tax. New York and California currently offer state tax credits. There is currently a 30% federal tax credit for residential and commercial solar power systems. Commercial customers can elect either a 30% cash payment from the federal grant program or the traditional tax credit. Effective from the beginning of 2009, the $2,000 cap on the federal tax credit for residential solar power systems has been removed, and that credit is now uncapped.

- Accelerated Depreciation — solar power systems installed for businesses (including applicable home offices) are generally eligible for accelerated depreciation.

- Net Metering — provides a full retail credit for energy generated.

- Feed-in Tariffs — are additional credits to consumers based on how much energy their solar power system generates. Feed-in Tariffs set at appropriate rates have been successfully used in Europe to accelerate growth.

- Renewable Portfolio Standards — require utilities to deliver a certain percentage of power generated from renewable energy sources.

- Renewable Energy Credits (RECs) — are additional credits provided to customers based on the amount of renewable energy they produce.

- Solar Rights Acts — state laws to prevent unreasonable restrictions on solar power systems. California’s Solar Rights Act has been updated several times in past years to make it easier for customers of all types and in all locations to install a solar power system.

- PPA's — Power Purchase Agreements, or agreements between a solar power system purchaser and an electricity user under which electricity is sold/purchased on a long-term basis.

According to PV News, California and New Jersey account for approximately 90% of the U.S. residential market. We believe this is largely attributable to the fact that they currently have the most attractive incentive programs. The California Solar Initiative provides $3.2 billion of incentives toward solar development over 11 years. In addition, recently approved regulations in New Jersey require solar photovoltaic power to provide 2% of New Jersey’s electricity needs by 2020, requiring the installation of 1,500 megawatts of solar electric power. According to DSIRE (the Database of State Incentives for Renewable Energy) at least 19 other states also have incentive programs. We expect that such programs, as well as Federal grants, tax rebates and other incentives, will continue to drive growth in the solar power market for the near future.

Challenges Facing The Solar Power Industry

We believe the solar power industry faces three key challenges:

- Customer Economics — In most cases, the cost to customers for electricity produced by a solar power system at the customer's site is comparable to conventional, utility-generated power. We believe lower equipment (primarily solar panels) and installation costs would reduce the total cost of a system and increase the potential market for solar power.

- System Performance and Reliability — We believe that a design that incorporates factory assembly of an integrated solar power system versus field assembly provides a more reliable solution. A system with these characteristics will deliver improved system performance and allow the customer to achieve the shortest possible payback.

- Aesthetics — We believe that customers prefer solar panels that blend into existing roof surfaces with fewer shiny parts, mounted closely to the roof surface and have more of a "skylight" appearance than the traditional rooftop metal framed solar panels raised off the roof.

Competition

The solar power design and integration industry is in its early stages of development and is highly fragmented, consisting of many small privately-held companies with limited operating histories and information available to us. We believe our primary competitors in the California market include REC, Solarcity and Real Goods. Several companies have expanded their market share in the California market by opening multiple offices within the state.

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We believe the principal competitive factors in the solar power services industry include:

- quality of service;
- price;
- company reputation;
- installation technology; and
- responsiveness to customer needs

We believe that our competitive advantages as a designer and integrator of solar power systems include:

- Reduced System Installation Costs. Our proprietary panel technology enables us to simplify and reduce the cost of installation.

- Brand Recognition. According to data from the California Solar Initiative, we ended the fourth quarter of 2009 with the fourth highest residential market share. We believe that the strength of the Akeena brand reputation along with being a public company are key factors in the decision process as consumers consider solutions to their solar power needs.

- Experienced Management Team. Our Founder and CEO has been involved in solar power development since the 1970s and has been in the solar power industry since its infancy. Among other roles, our president, most recently the CFO at the company, was previously the CFO of a Fortune 500 media company, our CFO was previously the President/Publisher and CFO for two metropolitan newspapers and our EVP of Sales and Marketing previously served as President/Publisher, VP/Advertising and CFO for two major metropolitan newspapers. We believe this experience enables us to anticipate trends and identify superior products and technologies for our customers.

- Superior Product. We have introduced our Andalay technology which significantly reduces the installation time, parts and costs, as well as providing superior reliability and aesthetics for customers when compared to other solar panel mounting products and technology. Andalay offers the following advantages to our customers: (i) low profile panel design looks like a beautiful, energy producing skylight and eliminates unsightly racking and exposed wires;(ii) built-in wiring connections that improve reliability; (iii) 70% fewer roof-assembled parts and 50% less roof-top labor required; (iv) 25% fewer roof attachment points; (v) complete compliance with the National Electric Code and UL wiring and grounding requirements. Andalay AC panels deliver 5-25% more energy compared to ordinary panels, produce safe household AC power and have built-in panel level monitoring, racking, wiring, grounding and microinverters. With 80% fewer parts and 5 – 25% better performance than ordinary DC panels, we believe Andalay AC panels are an ideal solution for solar installers, trade workers and do-it-yourself customers.

Our Services and Products

Many companies play a role in creating solar power systems, including companies specializing in the following:

- Silicon Refiners — companies that produce refined silicon, a material that has historically been used as the primary ingredient for solar panels. Other materials may be used as the primary ingredient in the future.

- Wafer and Cell Manufacturers — companies that manufacture the electricity generating solar cells.

- Panel Manufacturers — companies that assemble solar cells into solar panels, generally laminating the cells between glass and plastic film, and attaching the wires and panel frame.

- Distributors — companies that purchase from manufacturers and resell to designers/ integrators and other equipment resellers.

- Designer/Installer — companies that sell products to end user customers.

We are active in the solar power industry as a designer and installer.

Solar Power System Design and Installation

We provide marketing, sales, design, construction, installation, maintenance, support and related solar power system services to residential and small commercial customers in the United States in locations in which the economics are favorable to solar power. We provide our customers with a single point of contact for their system design, engineering work, building permit, rebate approval, utility hookup and subsequent maintenance. We use our own crews or contractors, and perform engineering and design work with in-house staff and outside engineering firms. We concentrate on solar power systems.

We concentrate on the design and installation of grid-tied solar power systems. These systems are electrically connected to the utility grid so that excess energy produced during the day flows backwards through the utility's electric meter, actually running the electric meter backwards. The meter will run backwards when the power produced by the solar system is greater than the power needs of the building. During the evenings or on cloudy days, energy is drawn from the grid normally and the meter runs forwards. Most utilities serving the areas in which we install systems allow for "net metering." Customers on net metering only pay for the net amount of energy they consume during the year, essentially getting full retail credit for the energy they transmit back onto the utility grid during the day. We typically do not install off-grid systems (systems in which there is no utility service, such as a remote cabin), nor do we typically install battery backup systems or solar thermal systems.

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Andalay Solar Panel Technology

Based on our experience as a solar power designer and integrator over the past seven years, we believe we understand certain areas in which costs for installations can be significantly reduced. In September 2007, we introduced a new "plug and play" solar panel technology ("Andalay") which we believe significantly reduces the installation time and costs, as well as providing superior reliability and aesthetics, when compared to other solar panels. Andalay offers the following advantages to our customers: (i) low profile panel design looks like a beautiful, energy producing skylight and eliminates unsightly racking and exposed wires;(ii) built-in wiring connections that improve reliability; (iii) 70% fewer roof-assembled parts and 50% less roof-top labor required; (iv) 25% fewer roof attachment points; (v) complete compliance with the National Electric Code and UL wiring and grounding requirements. Andalay AC panels deliver 5% to 25% more energy compared to ordinary panels, produce safe household AC power and have built-in panel level monitoring, racking, wiring, grounding and microinverters. With 80% fewer parts and 5% to 25% better performance than ordinary DC panels, we believe Andalay AC panels are an ideal solution for solar installers, trade workers and do-it-yourself customers. We have applied for U.S. and international patents for Andalay.

Customers

Our current residential customers are generally highly educated, high-income professionals who are concerned about the environment and also have the disposable income to install a solar power system. We have installed solar power systems in some of the most affluent counties in California, New Jersey, Connecticut and Colorado. Installation sizes for our residential customers range from 1.5 kW up to 35 kW. Average residential size systems are approximately 5 kW.

Our current commercial customers are owner occupied businesses, including wineries and small commercial offices in California. We have installed commercial systems ranging in size from 10 kW to 400 kW.

Suppliers

The components used in our systems are purchased from a limited number of manufacturers. Suntech, Enphase and SMA accounted for over 90% of our purchases of photovoltaic panels, microinverters and inverters during 2009. Pursuant to our agreement with Suntech, they will provide us with volume manufacturing and delivery of our Andalay product. Pursuant to our agreement with Enphase, they will provide us with microinverters. We are subject to market price fluctuations for the components that we purchase for our installations.

Sales and Marketing

Our sales and marketing program incorporates a mix of print, web and radio advertisements as well as participation in industry trade shows and individual consultations with prospective customers. In addition, we rely heavily on the skill of our sales team. Our residential sales staff are trained to design a system that best meets a customer's needs, taking into account the unique installation and economic requirements for each location. Our commercial sales people take a more consultative, long-term selling approach to meet the varying needs of larger customers. Our sales process typically includes, a determination that a potential customer's site has the required exposure for solar power, a site visit and a survey with our proprietary software that analyzes current utility rate options, current electric rates, system performance, tax rate scenarios, equipment costs, installation costs, incentives and other factors applicable to a specific customer's circumstances.

We currently provide a five-year or ten-year warranty on our system installation. Solar panels, microinverters and inverters are excluded from this warranty since they are covered under the manufacturer's warranty (generally 25, 15 and 10 years, respectively).

We regularly evaluate the effectiveness of our sales team and marketing efforts using sales management software and make tactical marketing and sales changes as indicated to achieve and maintain cost effectiveness. Solar system design work is facilitated by our proprietary software which provides certain controls on price, margins, performance estimates, financial analyses and contract terms so that we can standardize our product offerings while still customizing a system for each application.

Intellectual Property

Andalay Solar Panel

We have been issued U.S. Patent #7,406,800 from the United States Patent and Trademark Office which covers key claims of our Andalay solar panel technology. Several other of our patent applications covering Andalay are currently pending.

Trademarks

We have registered the trademark “Akeena” with the United States Patent and Trademark Office for providing consulting services in the field of energy systems, technical information via a global computer network in the field of renewable energy systems, and renewable energy systems, namely, photovoltaic systems composed of photovoltaic solar panels, batteries, voltage regulators, inverters, racks and electrical controls, as well as the installation of such systems.

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We have also registered the trademarks “Double Your Power” and “Andalay” with the United States Patent and Trademark Office for two goods classes: providing computer software for photovoltaic systems for evaluating electric consumption, determining system sizing, estimating electrical output, estimating customer costs, and estimating financial life cycle savings, for use by consumers and businesses; and, installation of renewable energy systems, namely photovoltaic systems composed of solar panels, batteries, voltage regulators, inverters, racks and electrical controls. Additionally, we have applications currently pending with the United States Patent and Trademark Office to expand the goods classes for “Double Your Power” and “Andalay.”

Proprietary Design Software

We have developed proprietary solar design software to perform the necessary site survey, initial design work, system performance, financial analysis, report generation and contract preparation required for installation of a solar power system in a single visit, for most residential customers. This software analyzes current utility rate options, current electric rates, system performance, tax rate scenarios, equipment costs, installation costs, incentives and other factors applicable to a specific customer’s circumstances. By using this software, we are able to standardize our product offerings, improve consistency in our project pricing, improve accuracy and consistency in cost estimates, and differentiate our customer presentations from that of our competitors.

Employees

As of March 3, 2010, Akeena Solar had 158 employees, of which 77 were operations employees, 44 sales and marketing employees, 28 general and administrative employees and 9 research and development employees. Of our total employees, 128 are full-time employees. Our employees are not party to any collective bargaining agreement and we have never experienced an organized work stoppage. We believe our relations with our employees are good.

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for 2009, and information we provide in our press releases, telephonic reports and other investor communications, may contain forward-looking statements with respect to anticipated future events and our projected financial performance, operations and competitive position that are subject to risks and uncertainties that could cause our actual results to differ materially from those forward-looking statements and our expectations. Future economic and industry trends that could potentially impact revenue, profitability, and growth remain difficult to predict. The factors underlying our forecasts forward-looking statements are dynamic and subject to change. As a result, any forecasts or forward-looking statements speak only as of the date they are given and do not necessarily reflect our outlook at any other point in time.

Risks Related to Our Business

We are exposed to risks associated with the ongoing financial crisis and weakening global economy, which increase the uncertainty of project financing for commercial solar installations and the risk of non-payment from both commercial and residential customers.

The continuing tight credit markets and weak global economy are contributing to an ongoing slowdown in the solar industry, which may worsen if these economic conditions are prolonged or deteriorate further. The market for installation of solar power systems depends largely on commercial and consumer capital spending. Economic uncertainty exacerbates negative trends in these areas of spending, and may cause our customers to push out, cancel, or refrain from placing orders, which may reduce our net sales. Difficulties in obtaining capital and deteriorating market conditions may also lead to the inability of some customers to obtain affordable financing, including traditional project financing and tax-incentive based financing and home equity based financing, resulting in lower

sales to potential customers with liquidity issues, and may lead to an increase of incidents where our customers are unwilling or unable to pay for systems they purchase, and additional bad debt expense for Akeena. Further, these conditions and uncertainty about future economic conditions make it challenging for us to obtain equity and debt financing to meet our working capital requirements to support our business, forecast our operating results, make business decisions, and identify the risks that may affect our business, financial condition and results of operations. If we are unable to timely and appropriately adapt to changes resulting from the difficult macroeconomic environment, our business, financial condition or results of operations may be materially and adversely affected.

We may need additional capital in the future to fund the growth of our business, and financing may not be available.

Our currently available capital resources and cash flows from operations may be insufficient to meet our working capital and capital expenditure requirements. Our cash requirements will depend on numerous factors, including the rate of growth of our sales, the timing and levels of products purchased, payment terms and credit limits from manufacturers, the availability and terms of asset-based credit facilities, the timing and level of our accounts receivable collections, and our ability to manage our business profitability.

We may need to raise additional funds through public or private debt or equity financings or enter into new asset-based or other credit facilities, but such financings may dilute our stockholders. We cannot assure you that any additional financing that we may need will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of unanticipated opportunities, develop new products or otherwise respond to competitive pressures. In any such case, our business, operating results or financial condition could be materially adversely affected.

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A significant portion of our sales and our accounts receivable in recent periods is related to sales of solar power systems that are financed through SunRun and if SunRun fails to provide financing, has financial difficulty or fails to pay us, our operating results could decline.

A large portion of our sales and our accounts receivable is related to sales of our systems to SunRun, a company that offers home solar power as a monthly service for consumers. As one of the available financing alternatives, we sell and install residential solar power systems for certain homeowners through SunRun. SunRun pays us for the systems, owns the residential solar system and sells the electricity that is generated from that system for the homeowner. In the year ended December 31, 2009, $9.3 million, or 33.0%, of our net sales were derived from SunRun. As of December 31, 2009, we had $1.4 million in accounts receivable from SunRun, which represented 30.0% of our gross accounts receivable. We anticipate that the percent of sales financed through SunRun will continue to increase in the future. If sales of our solar power systems that are financed through SunRun decline or cease, or if SunRun fails to pay us, our operating results could decline.

We are dependent upon our suppliers for the components used in the systems we design and install; and our major suppliers are dependent upon the continued availability and pricing of silicon and other raw materials used in solar modules.

The components used in our systems are purchased from a limited number of manufacturers. We source components (such as solar panels and inverters) from manufacturers such as Suntech, Enphase and SMA. We are subject to market prices for the components that we purchase for our installations, which are subject to fluctuation. We cannot ensure that the prices charged by our suppliers will not increase because of changes in market conditions or other factors beyond our control. An increase in the price of components used in our systems could result in an increase in costs to our customers and could have a material adverse effect on our revenues and demand for our services. Our suppliers are dependent upon the availability and pricing of silicon, one of the main materials used in manufacturing solar panels. In the past, the world market for solar panels experienced a shortage of supply due to insufficient availability of silicon. This shortage caused the prices for solar modules to increase. Interruptions in our ability to procure needed components for our systems, whether due to discontinuance by our suppliers, delays or failures in delivery, shortages caused by inadequate production capacity or unavailability, financial failure, or for other reasons, would adversely affect or limit our sales and growth. In addition, increases in the prices of modules could make systems that have been sold but not yet installed unprofitable for us. There is no assurance that we will continue to find qualified manufacturers on acceptable terms and, if we do, there can be no assurance that product quality will continue to be acceptable, which could lead to a loss of sales and revenues.

Geographical business expansion efforts we make could result in difficulties in successfully managing our business and consequently harm our financial condition.

As part of our business strategy, we may seek to expand into other geographic markets. We face challenges in managing expanding product and service offerings and in integrating acquired businesses with our own. During 2007, we commenced operations at our Bakersfield, Manteca and Santa Rosa offices in California. We commenced operations in Fresno (Clovis), California, through the purchase of customer contracts, and additionally, we opened offices in Lake Forest, Palm Springs, San Diego and Thousand Oaks (Westlake Village), California. During 2008, we opened offices in Connecticut and Colorado and consolidated our California Central Valley operations in Fresno (Clovis), closing offices in Bakersfield and Manteca. In March 2009, we closed our Connecticut and Colorado offices as part of our strategic goal to concentrate our installation business in California and expand our geographic reach through our distribution of Andalay AC panels. In December 2009, we closed our Thousand Oaks (Westlake Village) office and consolidated its operations into our other southern California offices and also moved our Lake Forest operation to Anaheim, California. We may seek additional locations for expansion. We cannot accurately predict the timing, size and success of our expansion efforts and the associated capital commitments that might be required. In

addition, expansion efforts involve a number of other risks, including:

- failure of the expansion efforts to achieve expected results;
- diversion of management's attention and resources to expansion efforts; and
- risks associated with unanticipated events, liabilities or contingencies.

Client dissatisfaction or performance problems at a single location could negatively affect our reputation. The inability to integrate and manage a new location could result in dilution, unfavorable accounting charges and difficulties in successfully managing our business.

Our Andalay technology may encounter unexpected problems, which could adversely affect our business and results of operations.

Our Andalay technology is relatively new and has not been tested in installation settings for a sufficient period of time to prove its long-term effectiveness and benefits. Problems may occur with Andalay that are unexpected and could have a material adverse effect on our business or results of operations. We have been issued U.S. Patent #7,406,800 from the United States Patent and Trademark Office which covers key claims of our Andalay solar panel technology. Several other of our patent applications covering Andalay are currently pending. Ultimately, we may not be able to realize the benefits from any patent that is issued.

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Because our industry is highly competitive and has low barriers to entry, we may lose market share to larger companies that are better equipped to weather a deterioration in market conditions due to increased competition.

Our industry is highly competitive and fragmented, is subject to rapid change and has low barriers to entry. We may in the future compete for potential customers with solar and HVAC systems installers and servicers, electricians, utilities and other providers of solar power equipment or electric power. Some of these competitors may have significantly greater financial, technical and marketing resources and greater name recognition than we have.

We believe that our ability to compete depends in part on a number of factors outside of our control, including:

- the ability of our competitors to hire, retain and motivate qualified technical personnel;
- the price at which others offer comparable services and equipment;
- the extent of our competitors' responsiveness to client needs; and
- installation technology.

Competition in the solar power services industry may increase in the future, partly due to low barriers to entry, as well as from other alternative energy sources now in existence or developed in the future. Increased competition could result in price reductions, reduced margins or loss of market share and greater competition for qualified technical personnel. There can be no assurance that we will be able to compete successfully against current and future competitors. If we are unable to compete effectively, or if competition results in a deterioration of market conditions, our business and results of operations would be adversely affected.

Our profitability depends, in part, on our success and brand recognition and we could lose our competitive advantage if we are not able to protect our trademarks and patents against infringement, and any related litigation could be time-consuming and costly.

We believe our brand has gained substantial recognition by customers in certain geographic areas. We have registered the "Akeena" and "Andalay" trademarks with the United States Patent and Trademark Office. Use of our trademarks or similar trademarks by competitors in geographic areas in which we have not yet operated could adversely affect our ability to use or gain protection for our brand in those markets, which could weaken our brand and harm our business and competitive position. In addition, any litigation relating to protecting our trademarks and patents against infringement could be time consuming and costly.

The success of our business depends on the continuing contributions of Barry Cinnamon and other key personnel who may terminate their employment with us at any time, and we will need to hire additional qualified personnel.

We rely heavily on the services of Barry Cinnamon, our Chief Executive Officer, as well as several other management personnel. Loss of the services of any such individuals would adversely impact our operations. In addition, we believe our technical personnel represent a significant asset and provide us with a competitive advantage over many of our competitors and that our future success will depend upon our ability to retain these key employees and our ability to attract and retain other skilled financial, engineering, technical and managerial personnel. None of our key personnel are party to any employment agreements with us and management and other employees may voluntarily terminate their employment at any time. We do not currently maintain any "key man" life insurance with respect to any of such individuals.

If we are unable to attract, train and retain highly qualified personnel, the quality of our services may decline and we may not successfully execute our internal growth strategies.

Our success depends in large part upon our ability to continue to attract, train, motivate and retain highly skilled and experienced employees, including technical personnel. Qualified technical employees periodically are in great demand and may be unavailable in the time frame required to satisfy our customers' requirements. While we currently have available technical expertise sufficient for the requirements of our business, expansion of our business could require us to employ additional highly skilled technical personnel. We expect competition for such personnel to increase as the market for solar power systems expands.

There can be no assurance that we will be able to attract and retain sufficient numbers of highly skilled technical employees in the future. The loss of personnel or our inability to hire or retain sufficient personnel at competitive rates of compensation could impair our ability to secure and complete customer engagements and could harm our business.

Unexpected warranty expenses or service claims could reduce our profits.

We maintain a warranty reserve on our balance sheet for potential warranty or service claims that could occur in the future. This reserve is adjusted based on our ongoing operating experience with equipment and installations. It is possible, perhaps due to bad supplier material or defective installations, that we would have actual expenses substantially in excess of the reserves we maintain. Our failure to accurately predict future warranty claims could result in unexpected profit volatility.

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Risks Relating to Our Industry

We have experienced technological changes in our industry. Newtechnologies may prove inappropriate and result in liability to us or may not gain market acceptance by our customers.

The solar power industry (and the alternative energy industry, in general) is subject to technological change. Our future success will depend on our ability to appropriately respond to changing technologies and changes in function of products and quality. If we adopt products and technologies that are not attractive to consumers, we may not be successful in capturing or retaining a significant share of our market. In addition, some new technologies are relatively untested and unperfected and may not perform as expected or as desired, in which event our adoption of such products or technologies may cause us to lose money.

A drop in the retail price of conventional energy or non-solar alternativeenergy sources may negatively impact our profitability.

We believe that a customer's decision to purchase or install solar power capabilities is primarily driven by the cost and return on investment resulting from solar power systems. Fluctuations in economic and market conditions that impact the prices of conventional and non-solar alternative energy sources, such as decreases in the prices of oil and other fossil fuels, could cause the demand for solar power systems to decline, which would have a negative impact on our profitability. Changes in utility electric rates or net metering policies could also have a negative effect on our business.

Existing regulations, and changes to such regulations, may presenttechnical, regulatory and economic barriers to the purchase and use of solar power products, which may significantly reduce demand for our products.

Installation of solar power systems are subject to oversight and regulation in accordance with federal and local ordinances, building codes, zoning, environmental protection regulation, utility interconnection requirements for metering and other rules and regulations. We attempt to keep up-to-date about these requirements on a federal, state, and local level, and must design systems to comply with varying standards. Certain cities may have ordinances that prevent or increase the cost of installation of our solar power systems. In addition, new government regulations or utility policies pertaining to solar power systems are unpredictable and may result in significant additional expenses or delays and, as a result, could cause a significant reduction in demand for solar energy systems and our services. For example, there currently exist metering caps in certain jurisdictions which effectively limit the aggregate amount of power that may be sold by solar power generators into the power grid.

Our business depends on the availability of rebates, tax credits and otherfinancial incentives; reduction, elimination or uncertainty of which would reduce the demand for our services.

Many states, including California and New Jersey, offer substantial incentives to offset the cost of solar power systems. These systems can take many forms, including direct rebates, state tax credits, system performance payments and Renewable Energy Credits (RECs). Moreover, the federal government currently offers a 30% tax credit for the installation of solar power systems. Effective 2009, the federal tax credit is 30% (uncapped) for residences. The federal government also currently offers commercial customers the option to elect a 30% grant in lieu of the 30% tax credit if they begin construction on the system before December 31, 2010, and the system is put into service by December 31, 2017. Businesses may also elect to accelerate the depreciation on their system over five years. Uncertainty about the introduction of, reduction in or elimination of such incentives or delays or interruptions in the implementation of favorable federal or state laws could substantially increase the cost of our systems to our customers, resulting in significant reductions in demand for our services, which would negatively impact our sales.

If solar power technology is not suitable for widespread adoption orsufficient demand for solar power products does not develop or takes longer to develop than we anticipate, our sales would decline and we would be unable to achieve or sustain profitability.

The market for solar power products is emerging and rapidly evolving, and its future success is uncertain. Many factors will influence the widespread adoption of solar power technology and demand for solar power products, including:

- cost effectiveness of solar power technologies as compared with conventional and non-solar alternative energy technologies;
- performance and reliability of solar power products as compared with conventional and non-solar alternative energy products;
- capital expenditures by customers that tend to decrease if the U.S. economy slows; and
- availability of government subsidies and incentives.

If solar power technology proves unsuitable for widespread commercial deployment or if demand for solar power products fails to develop sufficiently, we would be unable to generate enough revenue to achieve and sustain profitability. In addition, demand for solar power products in the markets and geographic regions we target may not develop or may develop more slowly than we anticipate.

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Risks Relating to our Common Stock

If the trading price of our common stock falls, our common stock could be delisted from the NASDAQ Capital Market.

We must meet NASDAQ's continuing listing requirements in order for our common stock to remain listed on the NASDAQ Capital Market. The listing criteria we must meet include, but are not limited to, a minimum bid price for our common stock of $1.00 per share. Failure to meet NASDAQ's continued listing criteria may result in the delisting of our common stock from the NASDAQ Capital Market. A delisting from the NASDAQ Capital Market will make the trading market for our common stock less liquid, and will also make us ineligible to use Form S-3 to register the sale of shares of our common stock or to register the resale of our securities held by certain of our security holders with the SEC, thereby making it more difficult and expensive for us to register our common stock or other securities and raise additional capital.

Our stockholders may be diluted by the exercise of outstanding warrants to purchase common stock.

Warrants originally issued in March 2007 and June 2007 for the purchase of 588,010 shares of our common stock at a weighted-average exercise price of $3.83 per share, were subject to an adjustment triggered by our equity offering in March 2009, such that they became exercisable for an aggregate of 2,618,943 shares of our common stock at an exercise price of $0.86 per share. The number of shares of our common stock issuable upon exercise of those warrants, and therefore the dilution of existing common stockholders, is subject to increase as a result of certain sales of our securities that trigger the antidilution provisions of those warrants at a price below the applicable exercise price of those warrants. Future exercises of those warrants may dilute the ownership interests of our current stockholders.

Future sales of common stock by our existing stockholders may cause our stock price to fall.

The market price of our common stock could decline as a result of sales by our existing stockholders of shares of common stock in the market, or the perception that these sales could occur. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate. As of March 3, 2010, we had 36,779,212 shares of common stock outstanding (which includes 694,407 unvested shares of restricted stock granted to our employees), and we had warrants to purchase 5,417,667 shares of common stock and options to purchase 2,518,529 shares of common stock outstanding. All of the shares of common stock issuable upon exercise of our outstanding warrants and any vested options will be freely tradable without restriction under the federal securities laws unless purchased by our affiliates.

Our stock price may be volatile, which could result in substantial losses forinvestors.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in response to various factors, many of which are beyond our control, including the following:

- technological innovations or new products and services by us or our competitors;
- announcements or press releases relating to the energy sector or to our business or prospects;
- additions or departures of key personnel;
- regulatory, legislative or other developments affecting us or the solar power industry generally;
- our ability to execute our business plan;

- operating results that fall below expectations;
- volume and timing of customer orders;
- industry developments;
- economic and other external factors; and
- period-to-period fluctuations in our financial results.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also significantly affect the market price of our common stock.

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Risks Relating to Our Company

Our Chief Executive Officer, Barry Cinnamon, beneficially owns a significant number of shares of our common stock, which gives him significant influence over decisions on which our stockholders may vote and which may discourage an acquisition of the Company.

Barry Cinnamon, our Chief Executive Officer, beneficially owns, in the aggregate, approximately 20.8% of our outstanding common stock as of March 3, 2010. The interests of our Chief Executive Officer may differ from the interests of other stockholders. As a result, Mr. Cinnamon's voting power may have a significant influence on the outcome of virtually all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including the following actions:

- election of our directors;
- the amendment of our Certificate of Incorporation or By-laws;
- the merger of our company or the sale of our assets or other corporate transaction; and
- controlling the outcome of any other matter submitted to the stockholders for vote.

Mr. Cinnamon's stock ownership may discourage a potential acquirer from seeking to acquire shares of our common stock or otherwise attempting to obtain control of our company, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

We are subject to the reporting requirements of the federal securitieslaws, which impose additional burdens on us.

We are a public reporting company and, accordingly, subject to the information and reporting requirements of the Exchange Act and other federal securities laws, including compliance with the Sarbanes-Oxley Act of 2002. As a public company, these rules and regulations resulted in increased compliance costs since 2008 and make certain activities more time consuming and costly.

Our Certificate of Incorporation authorizes our board to create new seriesof preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock.

Our Board of Directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our Board of Directors also has the authority to issue preferred stock without further stockholder approval. As a result, our Board of Directors could authorize the issuance of new series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our Board of Directors could authorize the issuance of new series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing stockholders.

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Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

As of March 3, 2010, we had six offices. Our offices are located in Los Gatos, Fresno (Clovis), Anaheim, Santa Rosa, Palm Springs, and San Diego, California. Our corporate headquarters are located at 16005 Los Gatos Boulevard, Los Gatos, California 95032. We maintain installation offices at all of our facilities.

The following table indicates the approximate square footage for each of our leased office locations.

Property Location	Approximate Square Footage
Los Gatos, California	27,000
Fresno (Clovis), California	10,300
Anaheim, California	3,450
Santa Rosa, California	2,900
Palm Springs, California	3,200
San Diego, California	3,000

Item 3. Legal Proceedings.

On May 18, 2009, we and certain of our officers were named in a putative class action complaint in the United States District Court Northern District of California San Jose Division alleging violations of the federal securities laws. The suit alleges various omissions and misrepresentations during the period of December 26, 2007 to March 13, 2008 regarding our backlog reporting and bank line of credit. We moved to dismiss the complaint on February 12, 2010, for failure to state a claim for relief. A hearing on the motion to dismiss is currently scheduled for May 24, 2010. We believe that the claims in this case are entirely without merit and we are defending the case vigorously. However, this matter is in the early stages and we cannot reasonably estimate an amount of potential loss, if any, at this time.

On October 22, 2009, we filed a complaint against several defendants in the United States District Court Northern District of California (USPTO) for the direct and contributory infringement of our Andalay patent. Our suit alleges these defendants are engaged in various sales, marketing and other activities involving a product that embodies inventions contained in the Andalay patent. The defendants moved to stay the case on January 27, 2010 after filing a petition with the USPTO to have the Andalay patent re-examined. On February 16, 2010, we filed an opposition to defendants' motion and are presently waiting for the hearing and the decision on the motion. The USPTO has not issued a decision as to whether it will accept defendants' re-examination petition. Our alleged damages include loss of customer base and market share, and thus, the impairment of the value of the Andalay patent. We are aggressively pursuing this case.

We are also involved in litigation from time to time in the ordinary course of business. In the opinion of management, the outcome of such proceedings will not materially affect our financial position, results of operations or cash flows.

Item 4. (Removed and Reserved)

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities
Price Range of Common Stock

Our common stock has been quoted on the NASDAQ Capital Market since September 2007 under the symbol AKNS and was previously quoted on the OTC Bulletin Board since August 31, 2006 under the symbol AKNS.OB. Prior to that date, there was no active market for our common stock. The following table sets forth the high and low bid prices for our common stock for the periods indicated, as reported by the NASDAQ and the OTC Bulletin Board. The OTC Bulletin Board quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

	High	Low
Fiscal Year 2008		
First Quarter	$16.80	$4.52
Second Quarter	$8.90	$5.05
Third Quarter	$5.50	$3.01
Fourth Quarter	$4.75	$1.50
Fiscal Year 2009		
First Quarter	$2.61	$0.58
Second Quarter	$1.98	$1.03
Third Quarter	$1.47	$1.03
Fourth Quarter	$1.76	$0.89

The last reported sale price of our common stock on the NASDAQ on March 3, 2010, was $1.10 per share. As of March 3, 2010, there were approximately 136 holders of record of our common stock.

We have not declared or paid any cash dividends on our common stock and do not anticipate declaring or paying any cash dividends in the foreseeable future. We currently expect to retain future earnings, if any, for the development of our business. Dividends may be paid on our common stock only if and when declared by our board of directors.

Equity Compensation Plan Information

We maintain a 2006 Incentive Stock Plan (the "Stock Plan"). As of December 31, 2009, we had granted 2,568,320 shares of restricted stock under the Stock Plan, of which restrictions have lapsed as to 1,076,328 shares and 712,063 were forfeited or cancelled. As of December 31, 2009, 4,083,803 non-qualified stock options have been granted under the Stock Plan, of which 662,199 have vested and 1,565,274 were forfeited or cancelled. (See the information to be included under Item 11 of this Annual Report on Form 10-K for a detailed description of our equity compensation plan).

The information to be included under Item 11 of this Annual Report on Form 10-K under the caption "Equity Compensation Plan Information as of December 31, 2009" is incorporated herein by reference.

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Company Performance

Notwithstanding any statement to the contrary in any of our previous or future filings with the SEC, the following information relating to the price performance of our common stock shall not be deemed "filed" with the SEC or "soliciting material" under the Exchange Act and shall not be incorporated by reference into any such filings.

The following graph shows a comparison from August 31, 2006 (when our common stock was first registered under Section 12 of the Exchange Act) through December 31, 2009 of cumulative total return for our common stock, the NASDAQ Composite Index and the NASDAQ Clean Edge Green Energy Index. Such returns are based on historical results and are not intended to suggest future performance. Data for the NASDAQ Composite Index and the NASDAQ Clean Edge Green Energy Index assume reinvestment of dividends. We have never paid dividends on our common stock and have no present plans to do so.

	8/06	12/06	12/07	12/08	12/09
Akeena Solar, Inc.	100.00	92.86	284.29	61.43	44.64
NASDAQ Composite	100.00	111.70	121.21	71.63	103.47
NASDAQ Clean Edge Green Energy*	100.00	96.33	179.32	70.33	93.78

* The NASDAQ Clean Edge U.S. Liquid Series name was changed to NASDAQ Clean Edge Green Energy.

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Item 6. Selected Financial Data.

The following table sets forth our selected consolidated financial information for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, and have been derived from the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data for the year ended December 31, 2006 and 2005 have been derived from audited consolidated financial statements not included in this Annual Report on Form 10-K. The information presented below should be read in conjunction with "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes.

	2009	2008	2007	2006	2005
Net sales	$28,205,830	$40,761,302	$32,211,761	$13,390,139	$7,191,391
Cost of sales	21,625,163	34,796,546	25,372,691	10,444,539	5,595,475
Gross profit before revaluation of inventory	6,580,667	5,964,756	6,839,070	2,945,600	1,595,916
Revaluation of inventory	—	2,646,292	—	—	—
Gross profit	6,580,667	3,318,464	6,839,070	2,945,600	1,595,916
Operating expenses					
Sales and marketing	6,183,933	8,618,139	5,978,799	1,562,732	547,810
General and administrative	13,719,041	19,052,489	11,941,700	3,124,454	1,034,448
Total operating expenses	19,902,974	27,670,628	17,920,499	4,687,186	1,582,258
Gain (loss) from operations	(13,322,307)	(24,352,164)	(11,081,429)	(1,741,586)	13,658
Other income (expense)					
Interest income (expense), net	(34,351)	4,786	34,650	(67,655)	(11,806)
Adjustment to the fair value of common stock warrants	(2,488,204)	—	—	—	—
Total other income (expense)	(2,522,555)	4,786	34,650	(67,655)	(11,806)
Gain (loss) income before provision for income taxes	(15,844,862)	(24,347,378)	(11,046,779)	(1,809,241)	1,852
Provision for income taxes	—	—	—	—	—
Net loss	$(15,844,862)	$(24,347,378)	$(11,046,779)	$(1,809,241)	$1,852
Loss per common and common equivalent share: (1)					
Basic	$(0.48)	$(0.84)	$(0.51)	$(0.15)	$0.00
Diluted	$(0.48)	$(0.84)	$(0.51)	$(0.15)	$0.00
Weighted average shares used in computing loss per common and common equivalent share:					
Basic	32,154,674	28,121,278	21,095,082	11,431,642	8,000,000
Diluted	32,154,674	28,121,278	21,095,082	11,431,642	8,000,000

	2009	2008	2007	2006	2005
Working capital	$6,788,493	$14,194,220	$33,140,695	$1,009,766	$(64,389)
Total assets	18,584,321	42,138,388	46,324,307	7,531,864	3,007,536
Total debt	596,244	19,545,526	907,239	776,430	542,558
Total stockholders' equity	8,112,310	15,874,333	34,812,075	1,389,450	(797)

(1) Calculated in accordance with ASC 260-10-45 to 65. Prior year amounts have been adjusted accordingly.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion highlights what we believe are the principal factors that have affected our financial condition and results of operations as well as our liquidity and capital resources for the periods described. This discussion should be read in conjunction with our financial statements and related notes appearing elsewhere in this Annual Report. This discussion contains "forward-looking statements," which can be identified by the use of words such as "expects," "plans," "will," "may," "anticipates," "believes," "should," "intends," "estimates" and other words of simila These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those expressed or implied by these forward-looking statements. Such risks and uncertainties include, without limitation, the risks described on page 1 of this Annual Report, and the risks described in Item 1A above.

Company Overview

We are a designer, integrator and installer of solar power systems and a designer of solar panels with integrated microinverters (which we call AC solar panels). We market, sell, design and install systems for residential and commercial customers, sourcing components (such as solar panels and inverters) from manufacturers such as Suntech, Enphase and SMA. We have provided installation services in California, New York, New Jersey, Pennsylvania, Colorado and Connecticut. We sell our AC solar panels to solar installers, trade workers and do-it-yourself customers in the United States and Canada through distribution partnerships, our dealer network and retail home improvement outlets. According to data compiled by the California Energy Commission, the Solar Electric Power Association and the New Jersey Clean Energy Program, over the past four years we have been one of the largest national integrators of residential and commercial solar electric power systems in the United States. We are a member of the Solar Energy Industry Association, the California Solar Energy Industries Association, the Northern California Solar Energy Association, the Independent Power Providers, the Solar Energy Business Association of New England, and the New York Solar Energy Industries Association.

Akeena Solar was formed in February 2001 as a California corporation under the name "Akeena, Inc." and reincorporated as a Delaware corporation in June 2006, at which time its name was changed to "Akeena Solar, Inc." As of December 31, 2009, we had six offices. Our offices are located in Los Gatos, Fresno (Clovis), Anaheim, Santa Rosa, Palm Springs and San Diego, California. Our corporate headquarters are located at 16005 Los Gatos Boulevard, Los Gatos, California 95032. Our telephone number is (408) 402-9400. Additional information about Akeena Solar is available on our website at http://www.akeena.com. The information on our web site is not incorporated herein by reference.

On August 11, 2006, we entered into a reverse merger transaction (the "Merger") with Fairview Energy Corporation, Inc. ("Fairview"). Since the stockholders of Akeena Solar owned a majority of the outstanding shares of Fairview common stock immediately following the Merger, and the management and board of Akeena Solar became the management and board of Fairview immediately following the Merger, the Merger was accounted for as a reverse merger transaction and Akeena Solar was deemed to be the acquirer.

In September 2007, we introduced our new solar panel technology ("Andalay"), which has significantly reduced the installation time and costs, and provides superior reliability and aesthetics, when compared to other solar panel mounting products and technology. Our Andalay panel technology offers the following features: (i) mounts closer to the roof with less space in between panels; (ii) all black appearance with no unsightly racks underneath or beside panels; (iii) built-in wiring connections; (iv) approximately 70% fewer roof-assembled parts and approximately 50% less roof-top labor required; (v) approximately 25% fewer roof attachment points; (vi) complete compliance with the National Electric Code and UL wiring and grounding requirements. We have an agreement with Suntech Power Holdings Co. Ltd. ("Suntech") to provide volume manufacturing and delivery of our Andalay product used in our solar system installations. On August 5, 2008, we received from the United States Patent and Trademark Office U.S. Patent

#7,406,800 which covers key claims of our Andalay solar panel technology, as well as U.S. Trademark #3481373 for registration of the mark “Andalay.”

In February 2009, we announced a strategic partnership with Enphase, a leading manufacturer of microinverter products, to develop and market Andalay solar panel systems with ordinary AC house current output instead of high voltage DC output. We introduced Andalay AC panel products and began offering them to our customers in the second quarter of 2009. Andalay AC panels deliver 5-25% more energy compared to ordinary panels, produce safe household AC power, and have built-in panel level monitoring, racking, wiring, grounding and microinverters. With 80% fewer parts and 5 – 25% better performance than ordinary DC panels, we believe Andalay AC panels are an ideal solution for solar installers, trade workers and do-it-yourself customers.

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Results of Operations

The following table sets forth, for the periods indicated, certain information related to our operations as a percentage of our net sales:

	Years Ended December 31,					
	2009	%	2008	%	2007	%
Net sales	$28,205,830	100.0	$40,761,302	100.0	$32,211,761	100.0
Cost of sales	21,625,163	76.7	34,796,546	85.4	25,372,691	78.8
Gross profit before revaluation of inventory	6,580,667	23.3	5,964,756	14.6	6,839,070	21.2
Revaluation of inventory	—	0.0	2,646,292	6.5	—	0.0
Gross profit	6,580,667	23.3	3,318,464	8.1	6,839,070	21.2
Operating Expenses						
Sales and marketing	6,183,933	21.9	8,618,139	21.1	5,978,799	18.5
General and administrative	13,719,041	48.6	19,052,489	46.7	11,941,700	37.1
Total operating expenses	19,902,974	70.6	27,670,628	67.9	17,920,499	55.6
Loss from operations	(13,322,307)	(47.2)	(24,352,164)	(59.7)	(11,081,429)	(34.4)
Other income (expense)						
Interest income (expense), net	(34,351)	(0.1)	4,786	0.0	34,650	0.1
Adjustment to the fair value of common stock warrants	(2,488,204)	(8.8)	—	—	—	—
Total other income (expense)	(2,522,555)	(8.9)	4,786	0.0	34,650	0.1
Loss before provision for income taxes	(15,844,862)	(56.2)	(24,347,378)	(59.7)	(11,046,779)	(34.3)
Provision for income taxes	—	0.0	—	0.0	—	0.0
Net loss	$(15,844,862)	(56.2)	$(24,347,378)	(59.7)	$(11,046,779)	(34.3)

Year Ended December 31, 2009 as compared to Year Ended December 31, 2008

Net sales

Net sales totaled $28.2 million for the year ended December 31, 2009 as compared to $40.8 million for the same period in 2008, or a decrease of 30.8% from 2008. We installed 3,543 kilowatts (kW) of solar power systems for the year ended December 31, 2009 as compared to 5,163 kW for the same period in 2008, a decline of 31.4%, primarily due to a decrease in commercial installations and lower residential revenue related to the closure of our Colorado and Connecticut offices in March 2009. During the year ended December 31, 2009, we were operating seven offices in California and one office each in Colorado, Connecticut and New Jersey as compared to nine offices in California and one office each in Colorado, Connecticut and New Jersey for the year ended December 31, 2008. During March 2009, our offices in Colorado and Connecticut were closed due to a change in strategy from installation to distribution for those markets and as part of our cost reduction initiatives.

Cost of sales

Cost of sales as a percent of sales, including all installation expenses, during the year ended December 31, 2009 was 76.7% of net sales as compared to 85.4% during the year ended December 31, 2008. The decrease in cost of sales as a percent of sales was primarily due to lower panel costs, lower direct labor costs due to efficiencies gained with our Andalay panels and lower Andalay component costs. Gross profit margin for the year ended December 31, 2009 was 23.3% of net sales compared to 8.1% for the year ended December 31, 2008. In December 31, 2008, we recorded a

$2.6 million revaluation of inventory to reflect both the decline in the year end market price of solar panels compared to our original cost as well as the lower year end cost for Andalay's integrated wiring, grounding and mounting technology. Excluding this $2.6 million revaluation, gross profit margin was 14.6% of net sales for the year ended December 31, 2008. Our average sales price of solar power systems was $7,300 per kilowatt (kW) installed for 2009 as compared to $7,900 per kW installed in 2008.

Sales and marketing expenses

Sales and marketing expenses for the year ended December 31, 2009 were $6.2 million, or 21.9% of net sales as compared to $8.6 million, or 21.1% of net sales during the same period of the prior year. The decrease in sales and marketing expenses for the year ended December 31, 2009 was primarily due to lower sales and marketing payroll and sales commissions of $1.4 million related to a headcount decrease by twenty-three sales and marketing employees as of December 31, 2009 compared to December 31, 2008. Expenditures for advertising, public relations, trade shows and conferences decreased $713,000 as compared to the prior year. Sales and marketing stock-based compensation decreased approximately $210,000 as compared to the prior year.

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General and administrative expenses

General and administrative expenses for the year ended December 31, 2009 were $13.7 million, or 48.6% of net sales as compared to $19.1 million, or 46.7% of net sales during the prior year. The decrease in general and administrative expenses for the year ended December 31, 2009 was primarily due to lower general and administrative payroll and bonus expenses of $1.9 million compared to December 31, 2008. The decrease in general and administrative expenses was also due to the absence of two non-cash charges recorded in 2008, a $1.0 million provision for bad debts and a $200,000 reserve for future lease payments related to two vacated offices in California. Other general and administrative expense declines compared to the prior year included research and development costs of $328,000, professional fees of $194,000, travel and entertainment costs of $318,000, office supplies, postage and telephone costs of $259,000, insurance of $160,000 and SOX implementation costs of $128,000. General and administrative stock-based compensation decreased approximately $800,000 as compared to the prior year.

Interest, net

During the year ended December 31, 2009, interest expense was approximately $143,000, mostly offset by interest income of $109,000. Interest expense was $428,000 during year ended December 31, 2008, which was more than offset by interest income of $433,000 during the period.

Adjustment to the fair value of common stock warrants

During the year ended December 31, 2009, we recorded adjustments to the fair value of common stock warrants accounted for as a liability resulting in a $2.5 million non-cash charge in our consolidated statements of operations. The adjustments included mark-to-market adjustments and adjustments to reflect extensions in warrant terms and the issuance of additional warrants in accordance with provisions of the warrant agreements.

Income taxes

During the year ended December 31, 2009 and December 31, 2008, there was no income tax expense or benefit for federal and state income taxes reflected in our consolidated statements of operations due to our net loss and a valuation allowance on the resulting deferred tax asset.

Year Ended December 31, 2008 as compared to Year Ended December 31, 2007

Net sales

Net sales totaled $40.8 million for the year ended December 31, 2008, as compared to $32.2 million in 2007, or an increase of 26.5%. The increase was due to a higher volume of residential installations for the year ended December 31, 2008 as compared to 2007. The increased volume reflected widening acceptance of photovoltaic technology on the consumer level. At December 31, 2008, we were operating seven offices in California and one office each in Colorado and Connecticut, as compared to eight offices in California and one office in New Jersey at December 31, 2007.

Cost of sales

Cost of sales, including all installation expenses, during the year ended December 31, 2008 was 85.4% of sales, as compared to 78.8% in 2007. Gross profit for the year ended December 31, 2008 (before revaluation of inventory) was 14.6% of net sales, as compared to 21.2% in 2007. The decline in gross profit over the same period of the prior year reflects increased panel cost related to the introductory costs and higher mix of Andalay installations in residential projects, along with higher subcontractor costs associated with commercial projects. Our average sales price for solar

power systems remained relatively constant at $7,900 per kilowatt installed for 2008 and 2007.

Revaluation of inventory

During the fourth quarter of 2008, we recorded a $2.6 million inventory write-down, which represented 6.5% of net sales. This non-cash charge was an adjustment to the carrying value of our solar panel inventory to reflect the sharp decline in world-wide panel prices since the end of the third quarter of 2008. Inventory at year end was $10.5 million, 86% of which were solar panels. Andalay solar panels accounted for approximately 73% of our total inventory. The valuation adjustment reflects both the decline in the year end market price of solar panels compared to our original cost as well as the lower year end cost for Andalay's integrated wiring, grounding and mounting technology.

Sales and marketing expenses

Sales and marketing expenses for the year ended December 31, 2008 were 21.1% of net sales as compared to 18.5% of net sales during the prior year. Sales and marketing expenses were approximately $8.6 million for the year ended December 31, 2008 as compared to approximately $6.0 million in 2007. This increase for the year ended December 31, 2008 as compared to the prior year, was due to an increase in sales commissions, as a result of higher sales, advertising expense, public relations expense, internet marketing expense, trade shows and conferences expense and stock-based compensation expense.

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General and administrative expenses

General and administrative expenses for the year ended December 31, 2008 were 46.7% of net sales as compared to 37.1% of net sales during the prior year. General and administrative expenses increased to approximately $19.1 million in 2008 compared to approximately $11.9 million for the year ended December 31, 2007. During the fourth quarter of 2008, we recorded a $1.0 million provision for bad debts, primarily related to a single customer who lost project funding. We will continue to assess collectability and take appropriate actions to collect all amounts that are owed. Rent expense increased $533,000 due to new locations in Colorado and Connecticut opened in 2008 and due to a non-cash charge in the fourth quarter of 2008 of approximately $200,000 for future lease payments for office space in Bakersfield and Manteca that we no longer occupy. We consolidated our California Central Valley operations in the Clovis/Fresno area. During the year ended December 31, 2008, payroll expense increased by approximately $3.5 million and stock-based compensation expense increased approximately $802,000 compared to the prior year. Depreciation and Amortization increased by $225,000 and research and development costs increased by $144,000 for the year ended December 31, 2008 as compared to the prior year.

Interest expense, net

Interest expense was approximately $428,000 for the year ended December 31, 2008, related primarily to our 2007 Credit Facility with Comerica Bank, including credit facility loan fees of approximately $78,000, resulting in net interest income of $5,000. During the year ended December 31, 2008, interest expense was more than offset by interest income of approximately $433,000. Interest expense was approximately $112,000 during the same period in 2007, which was more than offset by interest income of $147,000.

Income taxes

During the years ended December 31, 2008 and 2007, there was no income tax expense or benefit for federal and state income taxes in our consolidated statements of operations due to our net loss and a valuation allowance on the resulting deferred tax asset.

Liquidity and Capital Resources

The current economic downturn presents us with challenges in meeting the working capital needs of our business. Our primary requirements for working capital are to fund purchases for solar panels, microinverters and inverters, and to cover our payroll and lease expenses. In recent years, we have incurred losses from operations and have undertaken several equity financing transactions to provide us with capital as we worked to grow our business. Revenue grew significantly through 2008 and our operating expenses and need for working capital to support that growth grew faster. In 2009, revenue declined as a result of general economic conditions, and we took actions to reduce our operating expenses and address our working capital needs through a combination of expense reductions, careful management of our operations and raising capital through equity offerings. We have plans to reach breakeven cash flow from operations in the coming year, but we have not reached that goal yet. Our revenue levels remain difficult to predict, and we anticipate that we will continue to sustain losses in the near term, and we cannot assure investors that we will be successful in reaching break-even. As of December 31, 2009 we had approximately $5.8 million in cash on hand. We intend to address ongoing working capital needs through continued careful management of our operations along with ongoing efforts to raise additional equity and to obtain a replacement asset-backed credit facility.

We took cost reduction measures in early 2009, including reductions in force and the closure of our Connecticut and Colorado offices. In February 2009, we eliminated approximately 45 positions, or approximately 25% of our workforce, and reduced the regular hours and salaries of our remaining workforce by 10%. The office closures occurred in March 2009 and were part of our change in strategy to focus our installation efforts in California and

expand our geographic reach through distribution. We believe these measures adjusted our capacity to a level that reflected our customer demand and our improved efficiency in sales, design and installation. These changes have resulted in a significant reduction in our monthly operating expenses.

We completed stock and warrant offerings in March, April and June 2009, and entered into a securities purchase agreement in October 2009 (described below). In addition to the proceeds from those offerings, we are currently benefiting from a lower cost structure as a result of our November 2008 reduction in force, our February 2009 cost reduction actions and the March 2009 office closures. We believe the combination of our improved gross margins (as a result of lower world-wide panel prices), a more streamlined cost structure, and tight expense control will allow us to achieve cash flow breakeven in the coming year. In the event that our revenue is lower than anticipated, further staffing reductions and expense cuts could occur.

We have the ability to raise capital through our October 2009 securities purchase agreement. As an additional potential source of capital, the terms of our March, April and June 2009 equity offerings provide the possibility for us to receive additional proceeds over the next several months upon the exercise of warrants, depending on market conditions. We have an effective shelf registration statement, permitting us to raise funds in the public markets from time to time. We are also pursuing discussions with banks for an asset-backed credit line. We believe funds generated by our operations and the amounts that should be available to us through debt and equity financing are adequate to fund our anticipated cash needs, at least through the next twelve months. The current economic downturn adds uncertainty to our anticipated revenue levels and to the timing of cash receipts, which are needed to support our operations. It also worsens the market conditions for seeking equity and debt financing. We currently anticipate that we will retain all of our earnings, if any, for development of our business and do not anticipate paying any cash dividends in the foreseeable future.

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Our Line of Credit

On March 3, 2009, we entered into a Loan and Security Agreement (Cash Collateral Account) with Comerica Bank, dated as of February 10, 2009 (the "2009 Bank Facility"), which has a limit of $1.0 million, subject to our obligation to maintain cash as collateral for any borrowings incurred or any letters of credit issued on our behalf. The 2009 Bank Facility has a termination date of January 1, 2011. The 2009 Bank Facility replaced and amended our 2007 Credit Facility with Comerica Bank. As of March 3, 2009, we fully repaid the $17.2 million outstanding principal balance on the 2007 Credit Facility by using our restricted cash balance that was on deposit with Comerica. The 2009 Bank Facility no longer includes an asset-based line of credit, and Comerica Bank has released its security interest in our inventory, accounts receivable, and other assets (other than the cash collateral account as provided in the 2009 Bank Facility). The 2009 Bank Facility does not include any ongoing minimum net worth or other financial covenants, other than maintaining a $1.0 million cash collateral balance, and we are in compliance with the terms of the 2009 Bank Facility as of December 31, 2009.

Equity Financing Activity

On March 3, 2009, we closed a registered offering of securities pursuant to a securities purchase agreement with certain investors, dated February 26, 2009 (the "March 2009 Offering"). Net proceeds to us from the offering were approximately $1.4 million, after deducting the placement agents' fees and estimated expenses. In the March 2009 Offering, we sold units consisting of an aggregate of (i) 1,785,714 shares of Common Stock at a price of $1.12 per share; (ii) 2,000 shares of Series A Preferred Stock which were convertible into a maximum aggregate of 539,867 shares of Common Stock; (iii) Series E Warrants to purchase up to 1,339,286 shares of Common Stock at a strike price of $1.34 per share, which warrants are not exercisable until nine months after the closing and have a term of seven years from the date of first exercisability; (iv) Series F Warrants to purchase up to an aggregate of 540,000 shares of Common Stock (subject to reduction share for share to the extent shares of Common Stock were issued upon conversion of the Series A Preferred Stock) at a strike price of $1.12 per share, which warrants were immediately exercisable and had a term of 150 trading days the Closing; and (v) Series G Warrants to purchase up to an aggregate of 2,196,400 shares of Common Stock at a strike price of $1.12 per share, which warrants were immediately exercisable and had a term of 67 trading days from the Closing (the "Original Series G Warrants"). During March, the 2,000 shares of Series A Preferred Stock issued in the financing converted into 539,867 shares of Common Stock. As a result of issuance of the conversion shares, the shares of Common Stock subject to purchase under the Series F Warrants were reduced by 539,867 shares.

On April 20, 2009, we entered into an amendment agreement (the "Amendment Agreement") with investors who had previously acquired the Original Series G Warrants. In the Amendment Agreement, the investors agreed to exercise 425,000 of their Original Series G Warrants, with gross proceeds to us of $476,000. In conjunction with that exercise, we agreed to amend the terms of the remaining Original Series G Warrants, such that the unexercised balance of the Original Series G Warrants had a term that was extended until August 10, 2009, and to issue to the investors additional, newly issued Series G Warrants to purchase up to an aggregate of 1,275,000 shares of our common stock on the same terms as the amended Original Series G Warrants at a strike price of $1.12 per share (the "Additional Series G Warrants").

On June 1, 2009, we entered into another amendment agreement (the "Second Amendment Agreement") with investors who had previously acquired Series G Warrants. Pursuant to the Second Amendment Agreement, the investors agreed to the immediate exercise of a portion of their Series G Warrants, for a total of 625,000 shares of Common Stock with gross proceeds to us of $700,000. In conjunction with that exercise, we and the investors agreed to further amend the remaining Series G Warrants, to extend the term of the unexercised balance of the Series G Warrants until November 6, 2009 and to delete certain of the potential adjustment provisions. In addition, we issued new Series H Warrants to purchase up to an aggregate of 625,000 shares of Common Stock at a strike price of $1.34 per share. The Series H

Warrants became exercisable on December 1, 2009 and have a term of nine months from the day they first become exercisable.

On October 21, 2009, we entered into a securities purchase agreement with an institutional investor. The agreement permits us to exercise a “put” right to sell shares of common stock to the purchaser, and permits the purchaser to exercise a “call” right to purchase shares of common stock from us, in multiple “draw downs” from time to time over the life of the agreement. The agreement extends until October 21, 2010, unless terminated before that date.

The shares in each draw down will be sold at the closing price from the latest trading day, but in no event less than $1.14 per share. Unless waived by both parties, the maximum dollar value of any single draw down is limited to 25% of the total dollar trading volume on the trading day prior to the day of the draw down notice, or $250,000, whichever is less. Sales of shares and warrants under the agreement are subject to the limitation on the aggregate value of securities issuable in a rolling 12 month period under our Form S-3 registration statement. Over the life of the agreement, the aggregate maximum amount of draw downs is $15 million. At the end of the agreement, the purchaser will receive warrants to purchase a number of shares of common stock equal to 15% of the number of draw down shares issued over the course of the agreement, with a warrant term of three years and exercise prices equal to the purchase prices for each related draw down, or the latest closing market price when the warrant is issued, whichever is higher.

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Our primary capital requirement is to fund purchases of solar panels and inverters. Significant sources of liquidity are cash on hand, cash flows from operating activities, working capital and proceeds from equity financings. As of December 31, 2009, we had approximately $5.8 million in cash and cash equivalents. As of December 31, 2009, we had approximately $1.0 million in additional borrowing capacity available under our 2009 Bank Facility.

Cash provided from operating activities was approximately $1.4 million for the year ended December 31, 2009, primarily from a $5.2 million decrease in inventory, a $3.2 million decrease in accounts receivable, a $1.9 million decrease in prepaid expenses other current assets and a $2.4 million increase in accounts payable, which were partially offset by an $1.1 decrease in accrued liabilities and accrued warranty and a $439,000 decrease in deferred revenue. During the year ended December 31, 2009, we primarily used existing solar panel inventory for our installations, offset by purchases of approximately $4.7 million of solar panels during the year ended December 31, 2009. Accounts receivable and deferred revenue decreased as a result of lower revenue, while the decreases in prepaid expenses and other current assets and accrued liabilities and accrued warranty and increases in accounts payable were primarily due to the timing of payments. Cash used in operating activities was approximately $24.8 million for the year ended December 31, 2008, primarily due to a $4.3 million increase in inventory, a $703,000 increase in prepaid expenses and other current assets and a $ 4.8 million decrease in accounts payable, partially offset by $3.3 million in non-cash stock-based compensation expense, the $2.6 million write-down of inventory and the $1.1 million increase in bad debt expense. The increase in inventory was primarily the purchase of solar panels, while the increase in prepaid expenses and other current assets and the decrease in accounts payable were due to the timing of payments.

Cash used in investing activities was $118,000 for the year ended December 31, 2009, primarily due to the purchase of additional vehicles and computer equipment. Cash used in investing activities was approximately $611,000 for the year ended December 31, 2008, primarily due to the purchase of property and equipment, primarily the purchase of vehicles and office furniture and equipment.

Cash provided by financing activities was approximately $4.4 million for the year ended December 31, 2009. During the year ended December 31, 2009, we repaid the outstanding balance on our 2007 Credit Facility of $18.7 million utilizing $17.5 million of restricted cash. Also for the year ended December 31, 2009, we received proceeds of $1.4 million for the issuance of common shares pursuant to our stock offering, net of $617,000 in fees, $1.0 million in proceeds from a securities purchase agreement, net of $123,000 in fees and proceeds of approximately $3.4 million from the exercise of warrants to purchase our common stock, net of $580,000 in fees. Cash provided by financing activities was approximately $3.2 million for the year ended December 31, 2008, primarily the result of borrowings of $18.7 million under our revolving line of credit, offset by restricted cash of $17.5 million, and from $2.3 million in proceeds from the exercise of common stock warrants.

Contractual Obligations

		Payments Due			
Obligation	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Operating leases	$1,037,199	$632,751	$404,448	$—	$—
Vehicle loans	575,430	222,583	352,847	—	—
Capital leases	20,814	18,086	2,728	—	—
	$1,633,443	$873,420	$760,023	$—	$—

During the year ending December 31, 2010, we expect to receive $49,000 related to a sublease.

Application of Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires estimates and assumptions that affect the reporting of assets, liabilities, sales and expenses, and the disclosure of contingent assets and liabilities. Note 2 to our consolidated financial statements for the years ending December 31, 2009 and 2008 as filed in our Annual Report on Form 10-K provides a summary of our significant accounting policies, which are all in accordance with generally accepted accounting policies in the United States. Certain of our accounting policies are critical to understanding our consolidated financial statements, because their application requires management to make assumptions about future results and depends to a large extent on management's judgment, because past results have fluctuated and are expected to continue to do so in the future.

We believe that the application of the accounting policies described in the following paragraphs is highly dependent on critical estimates and assumptions that are inherently uncertain and highly susceptible to change. For all these policies, we caution that future events rarely develop exactly as estimated, and the best estimates routinely require adjustment. On an ongoing basis, we evaluate our estimates and assumptions, including those discussed below.

Revenue recognition. Revenue from sales of products is recognized when: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the sale price is fixed or determinable, and (4) collection of the related receivable is reasonably assured. We recognize revenue upon completion of a system installation for residential installations and we recognize revenue under the percentage-of-completion (cost to cost) method for commercial installations.

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Inventory. Inventory is stated at the lower of cost (on an average basis) or market value. We determine cost based on our weighted-average purchase price and include both the costs of acquisition and the shipping costs in our inventory. We regularly review the cost of inventory against its estimated market value and record a lower of cost or market write-down to cost of goods sold, if any inventory has a cost in excess of estimated market value. Our inventory generally has a long life cycle and obsolescence has not historically been a significant factor in its valuation.

Long-lived assets. We periodically review our property and equipment and identifiable intangible assets for possible impairment whenever facts and circumstances indicate that the carrying amount may not be fully recoverable. Assumptions and estimates used in the evaluation of impairment may affect the carrying value of long-lived assets, which could result in impairment charges in future periods. Significant assumptions and estimates include the projected cash flows based upon estimated revenue and expense growth rates and the discount rate applied to expected cash flows. In addition, our depreciation and amortization policies reflect judgments on the estimated useful lives of assets.

Goodwill and other intangible assets. We do not amortize goodwill, but rather test goodwill for impairment at least annually. A customer list was being amortized over the estimated useful life of the list, which was determined to be eighteen months, and was fully amortized as of December 31, 2008. Patents and are being amortized over the estimated useful life, which was determined to be seventeen years.

Stock-based compensation. We measure the cost of services received in exchange for equity-based awards based on the grant date fair value. Pre-vesting forfeitures are estimated at the time of grant and we periodically revise those estimates in subsequent period if actual forfeitures differ from those estimates. Equity-based compensation is recognized for equity-based awards expected to vest.

Warranty provision. We warrant our products for various periods against defects in material or installation workmanship. The manufacturer warranty on solar panels and the inverters have a warranty period range of 10-25 years. We assist the customer in the event that the manufacturer warranty needs to be used to replace a defective panel or inverter. We provide for 5-year and 10-year warranties on the installation of a system and all equipment and incidental supplies other than solar panels and inverters that are covered under the manufacturer warranty. We record a provision for the installation warranty, within cost of sales, based on historical experience and future expectations of the probable cost to be incurred in honoring its warranty commitment.

Recent Accounting Pronouncements

FASB Accounting Standards Codification (ASC) Topic 105 - Generally Accepted Accounting Principles (Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162) (ASC 105) was originally issued in June 2009 and is now included in ASC 105. The guidance identifies the FASB Accounting Standards Codification (Codification) as the single source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. The Codification reorganizes all previous GAAP pronouncements into roughly 90 accounting topics and displays all topics using a consistent structure. All existing standards that were used to create the Codification have been superseded, replacing the previous references to specific Statements of Financial Accounting Standards (SFAS) with numbers used in the Codification’s structural organization. The guidance is effective for interim and annual periods ending after September 15, 2009. After September 15, only one level of authoritative GAAP exists, other than guidance issued by the Securities and Exchange Commission (SEC). All other accounting literature excluded from the Codification is considered non-authoritative. The adoption of the Codification does not have a material impact on our financial position, results of operations or cash flows.

Effective January 1, 2009, we adopted the provisions of Emerging Issues Task Force (EITF) EITF 07-05, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock, (EITF 07-05), which was primarily codified into Topic 815 - Derivatives and Hedging. ASC 815 applies to any freestanding financial instruments or embedded features that have the characteristics of a derivative and to any freestanding financial instruments that are potentially settled in an entity's own common stock. As a result of adopting ASC 815, warrants to purchase 588,010 shares of our common stock previously treated as equity pursuant to the derivative treatment exemption were no longer afforded equity treatment. The warrants had exercise prices ranging from $2.75-$3.95 and expire in March and June 2010. As such, effective January 1, 2009, we reclassified the fair value of these warrants to purchase common stock, which had exercise price reset features, from equity to liability status as if these warrants were treated as a derivative liability since their date of issue in March and June 2007. On January 1, 2009, we reclassified from additional paid-in capital, as a cumulative effect adjustment, $998,000 to beginning retained deficit and $289,000 to common stock warrant liability to recognize the fair value of such warrants on such date. As of December 31, 2009, the fair value of the warrants was estimated using the Black-Scholes pricing model with the following weighted average assumptions: risk-free interest rate of 0.06%, expected life ranging from 0.2-0.4 years, an expected volatility factor of 111.7% and a dividend yield of 0.0%. The fair value of these warrants to purchase common stock increased to $1.3 million as of December 31, 2009. As such, we recognized a $1.0 million non-cash charge from the change in fair value of these warrants for the year ended December 31, 2009.

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In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133, which was primarily codified into Topic 815 - Derivatives and Hedging in the ASC. ASC 815 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. ASC 815 was effective for fiscal years beginning after November 15, 2008. As of December 31, 2009, we have derivatives of $2,536,402 related to the common stock warrant liabilities. The derivatives instruments were not entered into as hedging activities and the change in value of the liability is recorded as a component of other income (expense) as “Adjustment to the fair value of common stock warrants.”

ASC Topic 320 - Investments - Debt and Equity Securities (FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments) (ASC 320) was originally issued in April 2009 and is now included in ASC 320. The guidance amends the previous other-than-temporary impairment guidance for debt securities and included additional presentation and disclosure requirements for both debt and equity securities. The guidance is effective for interim reporting periods ending after June 15, 2009. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

ASC Topic 820 - Fair Value Measurements and Disclosures (Staff Position (FSP) FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly) (ASC 820) was originally issued in April 2009 and is now included in ASC 820. The guidance reaffirms the exit price fair value measurement concept and also provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. The guidance was effective for interim reporting periods ending after June 15, 2009. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

ASC Topic 825 — Financial Instruments (FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments) (ASC 825) was originally issued in April 2009 and is now included in ASC 825. The guidance requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This guidance was adopted for interim reporting periods ending after June 15, 2009 and the adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

ASC Topic 855 - Subsequent Events (Statement No. 165, Subsequent Events) (ASC 855) was originally issued in May 2009 and is now included in ASC 855. The guidance establishes general standards of accounting for and disclosure of subsequent events. Subsequent events are events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance was adopted for interim reporting periods ending after June 15, 2009 and the adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

ASC Topic 810 - Consolidation (Statement No. 167, Amendments to FASB Interpretation No. 46R) (ASC 810) was originally issued in June 2009 and is now included in ASC 810. The guidance amends the consolidation guidance applicable for variable interest entities (VIE). The guidance is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009, and early adoption is prohibited. We do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or cash flows.

ASC Topic 860 - Transfers and Servicing (Statement No. 166, Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140) (ASC 860) was originally issued in June 2009 and is now included in ASC 860. The guidance removes the concept of a qualifying special purpose entity and changes the requirements for derecognizing financial assets. Many types of transferred financial assets that would have been derecognized

previously are no longer eligible for derecognition. The guidance is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009, and early adoption is prohibited. The guidance applies prospectively to transfers of financial assets occurring on or after the effective date. We do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or cash flows.

Accounting Standards Update (ASU) 2010-06 - Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. The ASU amends Subtopic 820-10 with new disclosure requirements and clarification of existing disclosure requirements. New disclosures required include the amount of significant transfers in and out of levels 1 and 2 fair value measurements and the reasons for the transfers. In addition, the reconciliation for level 3 activity will be required on a gross rather than net basis. The ASU provides additional guidance related to the level of disaggregation in determining classes of assets and liabilities and disclosures about inputs and valuation techniques. The amendments are effective for annual or interim reporting periods beginning after December 15, 2009, except for the requirement to provide the reconciliation for level 3 activity on a gross basis which will be effective for fiscal years beginning after December 15, 2010. We are currently assessing the impact of ASU 2010-6.

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Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements (as defined in the applicable regulations) that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Inflation

We believe that inflation has not had a material impact on our historical results of operations; however, there can be no assurance that our business will not be affected by inflation in the future.

Seasonality

Our quarterly installation and operating results may vary significantly from quarter to quarter as a result of seasonal changes in weather as well as state or Federal subsidies. Historically, sales are highest during the third and fourth quarters as a result of good weather and robust bookings in the second quarter.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk represents the risk of changes in the value of market risk sensitive instruments caused by fluctuations in interest rates, foreign exchange rates and commodity prices. Changes in these factors could cause fluctuations in our results of operations and cash flows. In the ordinary course of business, we are exposed to interest rate risk. Fluctuations in interest rates could adversely affect our financial results.

Interest Rate Risk

Our exposure to interest rate risk at December 31, 2009 is related to the investment of our cash into highly liquid financial investments. As of December 31, 2009, we held $4.6 million in a money market account. Based upon our balance of cash, a decrease in interest rates of 100 basis points would cause a corresponding decrease in our annual interest income of approximately $46,000. A change in interest rates would not materially change the fair market value of our money market investments. As of December 31, 2009, there was no balance outstanding under the 2009 Bank Facility. If we were to borrow the maximum $1 million under the 2009 Bank Facility, interest would accrue at the rate of the reserve adjusted LIBOR Rate plus a margin of 2.15%.

Foreign Currency Exchange Risk

We do not have any foreign currency exchange risk as the purchase of our solar panels from manufacturers outside the United States is denominated in U.S. currency.

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Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Akeena Solar, Inc.

We have audited the accompanying consolidated balance sheets of Akeena Solar, Inc. and its subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Akeena Solar, Inc. and its subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ Burr Pilger Mayer, Inc

San Francisco, California
March 8, 2010

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AKEENA SOLAR, INC.
Consolidated Balance Sheets
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	$5,804,458	$148,230
Restricted cash	—	17,500,000
Accounts receivable, net	4,118,358	7,660,039
Other receivables	274,169	331,057
Inventory, net	4,869,934	10,495,572
Prepaid expenses and other current assets, net	1,818,570	3,704,375
Total current assets	16,885,489	39,839,273
Property and equipment, net	1,248,994	1,806,269
Goodwill	298,500	298,500
Other assets, net	151,338	194,346
Total assets	$18,584,321	$42,138,388
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$4,277,599	$1,922,480
Customer rebate payable	60,106	271,121
Accrued liabilities	1,174,979	2,347,249
Accrued warranty	1,187,999	1,056,655
Common stock warrant liability	2,536,402	—
Deferred revenue	619,242	1,057,941
Credit facility	—	18,746,439
Current portion of capital lease obligations	18,086	23,292
Current portion of long-term debt	222,583	219,876
Total current liabilities	10,096,996	25,645,053
Capital lease obligations, less current portion	2,728	20,617
Long-term debt, less current portion	352,847	535,302
Other long-term liabilities	19,440	63,083
Total liabilities	10,472,011	26,264,055
Commitments, contingencies and subsequent events (Notes 18 and 22)		
Stockholders' equity:		
Common stock, $0.001 par value; 50,000,000 shares authorized; 36,406,944 and 29,340,418 issued and outstanding at December 31, 2009 and December 31, 2008, respectively	36,407	29,340
Additional paid-in capital	59,897,553	52,820,224
Accumulated deficit	(51,821,650)	(36,975,231)
Total stockholders' equity	8,112,310	15,874,333
Total liabilities and stockholders' equity	$18,584,321	$42,138,388

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

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AKEENA SOLAR, INC.
Consolidated Statements of Operations
Years Ended December 31, 2009, 2008 and 2007

	2009	2008	2007
Net sales	$28,205,830	$40,761,302	$32,211,761
Cost of sales	21,625,163	34,796,546	25,372,691
Gross profit before revaluation of inventory	6,580,667	5,964,756	6,839,070
Revaluation of inventory	—	2,646,292	—
Gross profit	6,580,667	3,318,464	6,839,070
Operating expenses			
Sales and marketing	6,183,933	8,618,139	5,978,799
General and administrative	13,719,041	19,052,489	11,941,700
Total operating expenses	19,902,974	27,670,628	17,920,499
Loss from operations	(13,322,307)	(24,352,164)	(11,081,429)
Other income (expense)			
Interest income (expense), net	(34,351)	4,786	34,650
Adjustment to the fair value of common stock warrants	(2,488,204)	—	—
Total other income (expense)	(2,522,555)	4,786	34,650
Loss income before provision for income taxes	(15,844,862)	(24,347,378)	(11,046,779)
Provision for income taxes	—	—	—
Net loss	$(15,844,862)	$(24,347,378)	$(11,046,779)
Loss per common and common equivalent share: (1)			
Basic	$(0.48)	$(0.84)	$(0.51)
Diluted	$(0.48)	$(0.84)	$(0.51)
Weighted average shares used in computing loss per common and common equivalent share:			
Basic	32,154,674		