Akeena Solar, Inc.
Form 10-Q
May 04, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2009

or

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number 001-33695

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

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

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

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

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

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

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

As of April 29, 2009, 32,083,459 shares of the issuer's common stock, par value $0.001 per share, were outstanding (including non-vested restricted shares).

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

AKEENA SOLAR, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 2,864,708	$ 148,230
Restricted cash	—	17,500,000
Accounts receivable, net	5,390,104	7,660,039
Other receivables	302,117	331,057
Inventory, net	7,093,191	10,495,572
Prepaid expenses and other current assets, net	2,216,624	3,704,375
Total current assets	17,866,744	39,839,273
Property and equipment, net	1,630,046	1,806,269
Goodwill	298,500	298,500
Other assets, net	192,627	194,346
Total assets	$ 19,987,917	$ 42,138,388
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 1,004,759	$ 1,922,480
Customer rebate payable	282,825	271,121
Accrued liabilities	1,742,545	2,410,332
Accrued warranty	1,116,548	1,056,655
Common stock warrant liability	3,043,112	—
Deferred revenue	779,069	1,057,941
Credit facility	—	18,746,439
Current portion of capital lease obligations	22,094	23,292
Current portion of vehicle loans	215,457	219,876
Total current liabilities	8,206,409	25,708,136
Capital lease obligations, less current portion	18,393	20,617
Vehicle loans, less current portion	483,098	535,302
Other long-term liabilities	63,164	—
Total liabilities	8,771,064	26,264,055
Commitments, contingencies and subsequent events (Notes 14 and 15)		
Stockholders' equity:		
Common stock, $0.001 par value; 50,000,000 shares authorized; 30,820,744 and 28,460,837 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	30,820	28,460
Additional paid-in capital	52,242,045	52,821,104
Accumulated deficit	(41,056,012)	(36,975,231)
Total stockholders' equity	11,216,853	15,874,333
Total liabilities and stockholders' equity	$ 19,987,917	$ 42,138,388

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

AKEENA SOLAR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2009	2008
Net sales	$ 7,594,590	$ 12,248,372
Cost of sales	5,339,982	9,832,817
Gross profit	2,254,608	2,415,555
Operating expenses		
Sales and marketing	1,654,121	2,116,294
General and administrative	4,061,406	5,012,357
Total operating expenses	5,715,527	7,128,651
Loss from operations	(3,460,919)	(4,713,096)
Other income (expense)		
Interest income (expense), net	(76,541)	134,939
Adjustment to the fair value of common stock warrants	(1,541,764)	—
Total other income (expense)	(1,618,305)	134,939
Loss before provision for income taxes	(5,079,224)	(4,578,157)
Provision for income taxes	—	—
Net loss	$ (5,079,224)	$ (4,578,157)
Loss per common and common equivalent share:		
Basic	$ (0.17)	$ (0.16)
Diluted	$ (0.17)	$ (0.16)
Weighted average shares used in computing loss per common and common equivalent share:		
Basic	29,183,603	27,760,194
Diluted	29,183,603	27,760,194

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

AKEENA SOLAR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity
Balance at January 1, 2009	28,460,837	$ 28,460	$ 52,821,104	$ (36,975,231)	$ 15,874,333
Cumulative effect of reclassification of warrants (EITF 07-05)	—	—	(1,287,795)	998,443	(289,352)
Balance at January 1, 2009, as adjusted	28,460,837	28,460	51,533,309	(35,976,788)	15,584,981
Issuance of common shares pursuant to stock offering	1,785,714	1,786	1,381,086	—	1,382,872
Fair value of warrants issued in connection with stock offering	—	—	(1,676,282)	—	(1,676,282)
Conversion of preferred stock issued in connection with stock offering	539,867	540	463,746	—	464,286
Release of restricted common shares and stock-based compensation expense	34,326	34	540,186	—	540,220
Net loss	—	—	—	(5,079,224)	(5,079,224)
Balance at March 31, 2009	30,820,744	$ 30,820	$ 52,242,045	$ (41,056,012)	$ 11,216,853

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

AKEENA SOLAR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2009	2008
Cash flows from operating activities		
Net loss	$ (5,079,224)	$ (4,578,157)
Adjustments to reconcile net loss to net cash used in operations		
Depreciation	176,223	126,743
Amortization of customer list, customer contracts and patents	1,236	113,163
Bad debt expense	104,575	33,646
Fair value adjustment of common stock warrants	1,541,764	—
Non-cash stock-based compensation expense	540,220	1,016,359
Changes in assets and liabilities:		
Accounts receivable	2,165,360	(2,387,348)
Other receivables	28,940	13,747
Inventory	3,402,381	767,244
Prepaid expenses and other current assets	1,487,751	(829,673)
Other assets	483	(52,835)
Accounts payable	(917,721)	(3,210,507)
Customer rebate payable	11,704	(6,203)
Accrued liabilities and accrued warranty	(607,894)	1,982,979
Other long-term liabilities	63,164	—
Deferred revenue	(278,872)	(151,430)
Net cash provided by (used in) operating activities	2,640,090	(7,162,272)
Cash flows from investing activities		
Acquisition of property and equipment	—	(218,599)
Net cash used in investing activities	—	(218,599)
Cash flows from financing activities		
Repayment of vehicle loans	(56,623)	(46,540)
Borrowings (repayments) on line of credit, net	(18,746,439)	1,500,000
Payment of capital lease obligations	(3,422)	(5,754)
Restricted cash	17,500,000	(1,500,000)
Proceeds from stock offering	2,000,000	—
Proceeds from exercise of warrants, net of fees	—	1,244,748
Payment of placement agent and registration fees and other direct costs	(617,128)	(14,857)
Net cash provided by financing activities	76,388	1,177,597
Net increase (decrease) in cash and cash equivalents	2,716,478	(6,203,274)
Cash and cash equivalents		
Beginning of period	148,230	22,313,717
End of period	$ 2,864,708	$ 16,110,443
Supplemental cash flows disclosures:		
Cash paid during the period for interest	$ 112,561	$ 12,564
Supplemental disclosure of non-cash financing activity		
Fair value of warrants issued in stock offering	$ 1,676,282	—
Initial fair value of preferred stock issued in offering	$ 380,600	—
Conversion of preferred stock to common stock	$ 464,286	—

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

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AKEENA SOLAR, INC.
Notes to Condensed Consolidated Financial Statements
March 31, 2009
(Unaudited)

1. Basis of Presentation and Description of Business

Basis of Presentation — Interim Financial Information
The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial information. They should be read in conjunction with the financial statements and related notes to the financial statements of Akeena Solar, Inc. (the "Company") for the years ended December 31, 2008 and 2007 appearing in the Company's Form 10-K and Form 10-KSB. The March 31, 2009 unaudited interim consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in the annual financial statements filed with the Annual Report on Form 10-K have been condensed or omitted pursuant to those rules and regulations. In the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair statement of the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year.

Description of Business
Akeena Solar, Inc. was incorporated in February 2001 in the State of California and elected at that time to be taxed as an S Corporation. During June 2006, the Company reincorporated in the State of Delaware and became a C Corporation. On August 11, 2006, the Company entered into a reverse merger transaction (the "Merger") with Fairview Energy Corporation, Inc. ("Fairview"). Pursuant to the merger agreement, the stockholders of Akeena Solar received one share of Fairview common stock for each issued and outstanding share of Akeena Solar common stock. Akeena Solar's common shares were also adjusted from $0.01 par value to $0.001 par value at the time of the Merger. Subsequent to the closing of the Merger, the former stockholders of Akeena Solar held a majority of Fairview's outstanding common stock. 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. The assets, liabilities and the historical operations prior to the Merger are those of Akeena Solar. Subsequent to the Merger, the consolidated financial statements include the assets, liabilities and the historical operations of Akeena Solar and Fairview from the closing date of the Merger.

The Company is engaged in a single business segment, the design and installation of solar power systems for residential and commercial customers.

2. Significant Accounting Policies

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition
Revenue from installation of a system is recognized when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the sales price is fixed or determinable, and (4) collection of

the related receivable is reasonably assured. In general, the Company recognizes revenue upon completion of a system installation for residential installations and the Company recognizes revenue under the percentage-of-completion method for commercial installations. Revenue recognition methods for revenue streams that fall under other categories are determined based on facts and circumstances.

Defective solar panels or inverters are covered under the manufacturer warranty. In the event that a panel or inverter needs to be replaced, the Company will replace the defective item within the manufacturer's warranty period (between 5-25 years). See the "Manufacturer and installation warranties" discussion below.

Deferred revenue consists of installations initiated but not completed within the reporting period.

Cash and Cash Equivalents
The Company considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents. The Company maintains cash and cash equivalents which consist principally of demand deposits with high credit quality financial institutions. At certain times, such amounts exceed FDIC insurance limits. The Company has not experienced any losses on these investments.

Manufacturer and Installation Warranties
The Company warrants its products for various periods against defects in material or installation workmanship. The Company provides for a 5-year or a 10-year warranty 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. The manufacturer warranty on the solar panels and the inverters range from 5 to 25 years. The Company assists its customers in the event that the manufacturer warranty needs to be used to replace a defected panel or inverter. The Company records a provision for the installation warranty, within cost of sales, based on its historical experience and management's expectations of the probable future cost to be incurred in honoring its warranty commitment. The liability for the installation warranty of approximately $1.1 million at March 31, 2009 and December 31, 2008, is included within "Accrued warranty" in the accompanying condensed consolidated balance sheets.

The liability for the installation warranty consists of the following:

	March 31, 2009 (Unaudited)	December 31, 2008
Beginning accrued warranty balance	$ 1,056,655	$ 647,706
Reduction for labor payments and claims made under the warranty	(28,760)	(397,382)
Accruals related to warranties issued during the period	88,653	975,601
Adjustments relating to changes in warranty estimates	—	(169,270)
Ending accrued warranty balance	$ 1,116,548	$ 1,056,655

Recent Accounting Pronouncements

Effective January 1, 2009, the Company 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"). EITF 07-05 applies to any freestanding financial instruments or embedded features that have the characteristics of a derivative, as defined by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and to any freestanding financial instruments that are potentially settled in an entity's own common stock. As a result of adopting EITF 07-05, 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, the Company 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, the Company reclassified from additional paid-in capital, as a cumulative effect adjustment, $998,000 to beginning retained earnings and $289,000 to common stock warrant liability to recognize the fair value of such warrants on such date. The fair value of these warrants to purchase common stock increased to $1.6 million as of March 31, 2009. As such, we recognized a $1.3 million non-cash charge from the change in fair value of these warrants for the three months ended March 31, 2009.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements (SFAS No. 157), and in February 2008, the FASB amended SFAS No. 157 by issuing FSP FAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13, and FSP FAS 157-2, Effective Date of FASB Statement No. 157 (collectively SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS No. 157 is applicable to other accounting pronouncements that require or permit fair value measurements, except those relating to lease accounting, and accordingly does not require any new fair value measurements. SFAS No. 157 was effective for financial assets and liabilities in fiscal years beginning after November 15, 2007, and for non-financial assets and liabilities in fiscal years beginning after November 15, 2008 except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Our adoption of the provisions of SFAS No. 157 on January 1, 2008, with respect to financial assets and liabilities measured at fair value, did not have an effect on our financial statements for the year ended December 31, 2008. In October 2008, the FASB issued FSP FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP FAS 157-3). FSP FAS 157-3 clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 became effective immediately upon issuance, and its adoption did not have an effect on our financial statements. We currently determine the fair value of our property and equipment when assessing long-lived asset impairments and SFAS No. 157 was effective for these fair value assessments as of January 1, 2009. In April 2009, the FASB issued SFAS No. 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 (SFAS 157-4). SFAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS Statement No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability have significantly decreased. SFAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. SFAS 157-4 emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. SFAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is applied prospectively. We do not believe the adoption of this standard will have a material impact on our consolidated financial position, results of operations and cash flows.

The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

- Level one — Quoted market prices in active markets for identical assets or liabilities;
- Level two — Inputs other than level one inputs that are either directly or indirectly observable; and
- Level three — Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. We evaluate our hierarchy disclosures each quarter. Assets and liabilities measured at fair value on a recurring basis are summarized as follows (unaudited):

Assets	Level 1	Level 2	Level 3	March 31, 2009
Fair value of cash equivalents	1,001,731	—	—	1,001,731
Total	$ 1,001,731	$ —	$ —	$ 1,001,731

Liabilities	Level 1	Level 2	Level 3	March 31, 2009
Fair value of common stock warrants	$ —	$ 3,043,112	$ —	$ 3,043,112
Accrued rent related to office closures	—	—	242,143	242,143
Total	$ —	$ 3,043,112	$ 242,143	$ 3,285,255

Cash equivalents represent the fair value of the Company's investment in a money market account as of March 31, 2009. A discussion of the valuation techniques used to measure fair value for the common stock warrants is in Note 11. The accrued rent relates to non-cash charges for the closures of our Bakersfield and Manteca, California, Milford, Connecticut, and Denver, Colorado locations, calculated by discounting the future lease payments to their present value using a risk-free discount rate of 1.2%.

The following table shows the changes in Level 3 liabilities measured at fair value on a recurring basis for the quarter ended March 31, 2009:

	Other Liabilities*
Beginning balance	$ 200,784
Total realized and unrealized gains or losses	517
Purchases, sales, repayments, settlements and issuances, net	40,842
Net transfers in and/or (out) of level 3	—
Ending balance	$ 242,143

* Represents the estimated fair value of the office closures included in accrued and other long-term liabilities.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin ARB No. 51, Consolidated Financial Statements (SFAS No. 160). SFAS No. 160 requires (i) that non-controlling (minority) interests be reported as a component of stockholders' equity, (ii) that net income attributable to the parent and to the non-controlling interest be separately identified in the consolidated statement of operations, (iii) that changes in a parent's ownership interest while the parent retains its controlling interest be accounted for as equity transactions, (iv) that any retained non-controlling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value and, (v) that sufficient disclosures are provided that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS No. 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We adopted SFAS No. 160 for our fiscal year beginning January 1, 2009, and the adoption did not have any impact on our consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations (SFAS No. 141(R)). SFAS No. 141(R) will significantly change the accounting for business combinations. Under SFAS 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) will change the accounting treatment for certain specific acquisition related items including: (i) expensing acquisition related costs as incurred; (ii) valuing noncontrolling interests at fair value at the acquisition date of a controlling interest; and (iii) expensing restructuring costs associated with an acquired business. SFAS No. 141(R) also includes a substantial number of new disclosure requirements. SFAS No. 141(R) is applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. SFAS No. 141(R) will have an impact on our accounting for any future business combinations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133 (SFAS No. 161). SFAS No. 161 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. SFAS No. 161 was effective for fiscal years beginning after November 15, 2008. As of March 31, 2009, we have derivatives of $3,043,112 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."

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Asset (SFAS 142). More specifically, FSP FAS 142-3 removes the requirement under paragraph 11 of SFAS 142 to consider whether an intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions and instead, requires an entity to consider its own historical experience in renewing similar arrangements. FSP FAS 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. The adoption of this FSP on January 1, 2009 may impact any intangible assets we acquire in future transactions.

In November 2008, the Emerging Issues Task Force (EITF) reached consensus on EITF Issue No. 08-7, Accounting for Defensive Intangible Assets (EITF 08-7). A defensive asset is an acquired intangible asset where the acquirer has no intention of using, or intends to discontinue use of, the intangible asset but holds it to prevent competitors from obtaining any benefit from it. The acquired defensive asset will be treated as a separate unit of accounting and the useful life assigned will be based on the period during which the asset would diminish in value. The adoption of this EITF on January 1, 2009 may impact any intangible assets we acquire in future transactions.

In April 2009, the FASB issued Staff Position No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 extends the disclosure requirements of SFAS 107 to interim period financial statements, in addition to the existing requirements for annual periods and reiterates SFAS 107's requirement to disclose the methods and significant assumptions used to estimate fair value. FSP FAS 107-1 and APB 28-1 is effective for our interim and annual periods commencing with our June 30, 2009 consolidated financial statements and will be applied on a prospective basis. We believe the adoption of FSP FAS 107-1 and APB 28-1 will not have a material impact on consolidated financial position, results of operations and cash flows.

In April 2009, the FASB issued SFAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (SFAS 107-1). SFAS 107-1 amends FASB No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. SFAS also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. SFAS 107-1 is effective for interim and annual reporting periods ending after June 15, 2009. We do not believe the adoption of this standard will have a material impact on our consolidated financial position, results of operations and cash flows.

3. Accounts Receivable and Notes Receivable

Accounts receivable consists of the following:

	March 31, 2009 (Unaudited)	December 31, 2008
State rebates receivable	$ 3,931,521	$ 4,894,943
Trade accounts	1,774,630	3,909,690
Rebate receivable assigned to vendor	—	2,144
Less: Allowance for doubtful accounts	(316,047)	(1,146,738)
	$ 5,390,104	$ 7,660,039

4. Inventory

Inventory consists of the following:

	March 31, 2009 (Unaudited)	December 31, 2008
Work in process	$ 1,422,335	$ 1,554,604
Finished goods	5,722,669	8,992,781
Less: provision for obsolete inventory	(51,813)	(51,813)
	$ 7,093,191	$ 10,495,572

5. Note Receivable

During March 2009, the Company reached a resolution with a customer who had lost project funding for which the Company had recorded bad debt expense of $963,000 in the fourth quarter of 2008. The settlement resulted in the Company receiving a combination of cash, other consideration and a promissory note of $675,000. The $675,000 note receivable is reflected in prepaid expenses and other current assets, net, as of March 31, 2009, with a corresponding reserve of $675,000. The March 2009 settlement, net of the reserve on the note receivable, resulted in no material impact to the financial statements during the three months ended March 31, 2009. The note is due upon the earlier date of the receipt of the proceeds from the sale of the customer's interest in its solar facilities or March 31, 2010. Interest will accrue on the outstanding principal amount of the note at a rate of ten percent per annum, payable monthly in arrears. The Company had no notes receivable as of December 31, 2008.

6. Property and Equipment, Net

Property and equipment, net consist of the following:

	March 31, 2009 (Unaudited)	December 31, 2008
Vehicles	$ 1,407,916	$ 1,407,916
Office equipment	977,752	977,752
Leasehold improvements	224,247	224,247
Furniture and fixtures	96,186	96,186
	2,706,101	2,706,101
Less: Accumulated depreciation and amortization	(1,076,055)	(899,832)
	$ 1,630,046	$ 1,806,269

Depreciation expense for the three months ended March 31, 2009 and 2008 was approximately $176,000 and $127,000, respectively. Accumulated depreciation related to approximately $94,000 of assets under capital leases was approximately $40,000 at March 31, 2009. Accumulated depreciation related to approximately $94,000 of assets under capital leases was approximately $35,000 at December 31, 2008.

7. Accrued Liabilities

Accrued liabilities consist of the following:

	March 31, 2009 (Unaudited)	December 31, 2008
Accrued accounting and legal fees	$ 487,933	$ 143,090
Accrued salaries, wages, benefits and bonus	408,033	634,044
Accrued percentage completion costs	250,087	690,810
Customer deposits	198,622	385,846
Use tax payable	90,549	201,239
Other accrued liabilities	307,321	355,303
	$ 1,742,545	$ 2,410,322

8. Credit Facility

On March 3, 2009, the Company amended its 2007 Credit Facility with Comerica Bank and entered into a Loan and Security Agreement (Cash Collateral Account) with Comerica Bank (the "2009 Bank Facility") effective February 10, 2009. The 2009 Bank Facility has a termination date of January 1, 2011, and replaces and entirely amends and restates the Loan and Security Agreement (Accounts and Inventory) between the Company and Comerica Bank dated January 29, 2007, as modified by the First Modification to Loan and Security Agreement dated as of June 26, 2007, the Second Modification to Loan and Security Agreement dated as of December 31, 2007 and the Third Modification to Loan and Security Agreement dated as of August 4, 2008 (together, the "2007 Credit Facility"). The Company repaid the $17.2 million outstanding principal balance as of March 3, 2009 on the 2007 Credit Facility by using its restricted cash balance that was on deposit with Comerica. The 2009 Bank Facility with Comerica has a limit of $1 million, subject to the Company's obligation to maintain at all times cash collateral in an amount of $1 million as security for any borrowings incurred or any letters of credit issued on the Company's behalf. Outstanding loans under the 2009 Bank Facility will accrue interest at the rate of the reserve adjusted LIBOR Rate plus a margin of 2.15%. Unused amounts of the commitments are subject to an unused commitment fee of 0.25% based on the unused amount. The 2009 Bank Facility no longer includes an asset-based line of credit, and Comerica Bank has released its security interest in the Company's 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 with regard to the Company, and the Company is in compliance with the terms of the 2009 Bank Facility as of March 31, 2009. As of March 31, 2009, there was no balance outstanding under the 2009 Bank Facility.

As of December 31, 2008, approximately $18.7 million was outstanding under the 2007 Credit Facility, letters of credit of approximately $515,000 million were outstanding under the 2007 Credit Facility and approximately $5.4 million in additional borrowing capacity was available. All of the existing property and assets of the Company are pledged as collateral for the 2007 Credit Facility. Interest was calculated based on Prime minus 0.5% (2.75%) at December 31, 2008. As of December 31, 2008, 80% of the Company's Eligible Accounts Receivable was approximately $3.7 million, and $55% of Inventory Availability was approximately $5.8 million. The Company was required to achieve or maintain certain financial ratios and covenants under the 2007 Credit Facility. The Company was not in compliance with the Tangible Net Worth covenant (as such term is defined in the Second Modification) as of December 31, 2008.

9. Stockholders' Equity

The Company was incorporated in 2001 and elected at that time to be taxed as an S corporation. During June 2006, the Company reincorporated in the State of Delaware and became a C corporation. On August 11, 2006, the Company entered into a reverse merger transaction with Fairview as discussed in Note 1. Pursuant to the Merger, the stockholders of Akeena Solar received one share of Fairview common stock for each issued and outstanding share of Akeena Solar common stock. Akeena Solar's common shares were also adjusted from $0.01 par value to $0.001 par value at the time of the Merger. 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 is being accounted for as a reverse merger transaction and Akeena Solar was deemed to be the acquirer. The assets, liabilities and the historical operations prior to the Merger are those of Akeena Solar. Subsequent to the Merger, the consolidated financial statements include the assets, and the historical operations of Akeena Solar and Fairview from the closing date of the Merger.

On March 3, 2009, the Company closed an offering of securities (the “March 2009 Offering”) pursuant to a securities purchase agreement with certain investors, dated February 26, 2009. Net proceeds from the offering were approximately $1.4 million, after deducting the placement agents’ fees and other direct expenses. In accordance with the securities purchase agreement, the Company 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 are convertible into a maximum aggregate of 539,867 shares of common stock, depending upon the volume weighted average trading price of Akeena common stock for a specified period following the Closing; (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 six months after the Closing and have a term of seven years from the date of first exercisability (the “Seven Year Warrants”); (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 are issued upon conversion of the Series A Preferred Stock) at a strike price of $1.12 per share, which warrants are immediately exercisable and have a term of 150 trading days from the Closing; and (the “150 Day Warrants”) (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 are immediately exercisable and have a term of 67 trading days from the Closing (the “67 Day Warrants). During March 2009, the 2,000 shares of Series A preferred stock issued in the financing subsequently converted into 539,867 shares of common stock. As a result of the issuance of the conversion shares, the shares of common stock subject to purchase under the Series F Warrants were reduced by 539,867 shares.

10. Stock Option Plan and Stock Incentive Plan

The Company’s 2001 Stock Option Plan (the “2001 Plan”) provides for the issuance of incentive stock options and non-statutory stock options. The Company’s Board of Directors determines to whom grants are made and the vesting, timing, amounts and other terms of such grants, subject to the terms of the 2001 Plan. Incentive stock options may be granted only to employees of the Company, while non-statutory stock options may be granted to the Company’s employees, officers, directors, consultants and advisors. Options under the Plan vest as determined by the Board of Directors, but in no event at a rate less than 20% per year. The term of the options granted under the 2001 Plan may not exceed 10 years and the maximum aggregate shares that may be issued upon exercise of such options is 4,000,000 shares of common stock. No options were granted under the 2001 Plan as of March 31, 2009 and December 31, 2008.

On August 8, 2006, Akeena Solar adopted the Akeena Solar, Inc. 2006 Stock Incentive Plan (the “Stock Plan”) pursuant to which 450,000 shares of common stock were available for issuance to employees, directors and consultants under the Stock Plan as restricted stock and/or options to purchase common stock. On December 20, 2006, the Stock Plan was amended to increase the number of shares available for issuance under the Stock Plan from 450,000 shares to 1,000,000 shares. On August 24, 2007, the Stock Plan was amended to increase the number of shares available for issuance under the Stock Plan from 1,000,000 shares to 4,000,000 shares. On October 21, 2008, the Stock Plan was amended to increase the number of shares available for issuance to 5,000,000 shares.

Restricted stock and options to purchase common stock may be issued under the Stock Plan. The restriction period on the restricted shares granted generally expire at a rate of 25% a year over four years, unless decided otherwise by the Company’s Compensation Committee. Upon the lapse of the restriction period, the restricted stock grantee becomes entitled to receive a stock certificate evidencing the common shares, and the restrictions cease. The options to purchase common stock shall generally vest and become exercisable as to one-third of the total amount of shares subject to the option on each of the first, second and third anniversaries from the date of grant. The options to purchase common stock have 5-year contractual terms.

The Company recognized stock-based compensation expense of approximately $540,000 and approximately $1.0 million during the three months ended March 31, 2009 and 2008, respectively, relating to compensation expense calculated in accordance with SFAS 123R for restricted stock and stock options granted under the Stock Plan.

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The following table sets forth a summary of restricted stock activity for the three months ended March 31, 2009:

	Number of Restricted Shares at March 31, 2009		Weighted-Average Grant Date Fair Value
Outstanding and not vested beginning balance	879,581	$	4.39
Granted during the year	72,726	$	1.85
Forfeited/cancelled during the year	(126,501)	$	4.50
Released/vested during the year	(34,326)	$	5.73
Outstanding and not vested at March 31, 2009	791,480	$	4.08

The restricted stock is valued at the grant date fair value of the common stock and expensed over the requisite service period or vesting period. SFAS 123R requires the estimation of forfeitures when recognizing compensation expense and that this estimate of forfeitures be adjusted over the requisite service period should actual forfeitures differ from such estimates. At March 31, 2009 and December 31, 2008, there was approximately $2.9 million and $3.5 million of unrecognized stock-based compensation expense associated with the non-vested restricted shares granted, respectively. Stock-based compensation expense relating to these restricted shares is being recognized over a weighted-average period of 3.1 years. The total fair value of shares vested during the three months ended March 31, 2009 was approximately $197,000. SFAS 123R requires the cash flows as a result of the tax benefits resulting from tax deductions in excess of the compensation cost recognized (excess tax benefits) to be classified as financing cash flows. There are no excess tax benefits relating to restricted stock for the three months ended March 31, 2009 and 2008, respectively, and therefore, there is no impact on the accompanying consolidated statements of cash flows.

The following table sets forth a summary of stock option activity for the three months ended March 31, 2009:

	Number of Shares Subject To Option		Weighted-Average Exercise Price
Outstanding at January 1, 2009	1,366,931	$	5.14
Granted during 2009	819,000	$	1.85
Forfeited/cancelled/expired during 2009	(135,334)	$	4.94
Exercised during the year	—	$	—
Outstanding at March 31, 2009	2,050,597	$	3.84
Exercisable at March 31, 2009	360,931	$	6.02

The stock options are valued at the grant date fair value of the common stock and expensed over the requisite service period or vesting period. Expected volatility is based upon the historical volatility of the Company's various industry competitors. The fair value of stock option grants during the three months ended March 31, 2009 was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	March 31, 2009
Expected volatility	63.1% - 103.3%
Weighted-average volatility	95.8%
Expected dividends	0.0%
Expected life	3.4 years
Risk-free interest rate	0.6% - 3.6%

The weighted-average fair value per share of the stock options as determined on the date of grant was $1.19 for the 819,000 stock options granted during the three months ended March 31, 2009. The weighted-average remaining contractual term for the stock options outstanding (vested and expected to vest) and the options exercisable as of March 31, 2009 was 4.1 years and 3.5 years, respectively. The total fair value of stock options vested during the three months ended March 31, 2009 was approximately $293,000.

SFAS 123R requires the estimation of forfeitures when recognizing compensation expense and that this estimate of forfeitures be adjusted over the requisite service period should actual forfeitures differ from such estimates. At March 31, 2009 and December 31, 2008, there was approximately $3.2 million and $2.5 million of unrecognized stock-based compensation expense associated with stock options granted, respectively. Stock-based compensation expense relating to these stock options is being recognized over a weighted-average period of 2.0 years. SFAS 123R requires the cash flows as a result of the tax benefits resulting from tax deductions in excess of the compensation cost recognized (excess tax benefits) to be classified as financing cash flows. There are no excess tax benefits for the three months ended March 31, 2009 and 2008, respectively, and therefore, there is no impact on the accompanying consolidated statements of cash flows.

11. Stock Warrants

During March 2009, in connection with the March 2009 Offering as described above in Note 9, the Company issued three series of warrants to purchase shares of the Company's commons stock warrants. The Company issued 1,339,286 Seven Year Warrants at an exercise price of $1.34 per share. 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 2.69%, an expected life of five years; an expected volatility factor of 112% and a dividend yield of 0.0%. The value assigned to these warrants was approximately $1.0 million and in accordance with EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," the Company reflected $1.0 million as common stock warrant liability with an offset to additional paid-in capital as of the offering close date. The fair value of the warrants increased to $1.2 million as of March 31, 2009 and the Company recognized a $200,000 non-cash charge from the change in fair value of these warrants for the three months ended March 31, 2009. The Company issued 2,196,400 67-Day Warrants at an exercise price of $1.12 per share. 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 0.16%, an expected life of 51 days; an expected volatility factor of 112% and a dividend yield of 0.0%. The original value assigned to these warrants was approximately $264,000 and in accordance with EITF 00-19, the Company recorded the $264,000 fair value of the warrants to common stock warrant liability with an offset to additional paid-in-capital at the offering close date. The fair value of these warrants to purchase common stock increased to $268,000 as of March 31, 2009 and the Company recognized a $4,000 non-cash charge from the change in fair value of these warrants for the three months ended March 31, 2009. Lastly, the Company issued 540,000 150-Day Warrants at an exercise price of $1.12 per share. During March 2009, warrants to purchase 539,867 shares of common stock were canceled upon the conversion of the 2,000 shares of Series A preferred stock into 539,867 shares of common stock pursuant to the terms of the March 2009 Offering. Because of the built-in price protection in the combined 150-Day Warrants and preferred stock instrument, the Company classified the estimated fair value of the combined instrument of $380,000 as a liability. The fair value of these warrants increased to $464,000 at the time of the cancellation resulting in the Company recognizing an $84,000 non-cash charge. The $464,000 common stock warrant liability was reclassified to additional paid-in capital.

Warrants originally issued in March 2007 and June 2007 for the purchase of 588,010 shares of the Company's common stock at a weighted average exercise price of $3.83, were subject to an adjustment triggered by the March 2009 Offering, such that an aggregate of 2,618,942 of warrants to purchase shares of the Company's common stock were issued at an exercise price of $0.86, replacing the original 588,010 warrants.

The following table summarizes the Warrant activity for the three months ending March 31, 2009:

	Number of Warrants	Weighted-Average Exercise Price
Outstanding at January 1, 2009	1,614,655	$ 7.80
Granted during 2009:		
Seven-Year Warrants	1,339,286	$ 1.34

150-Day Warrants	540,000	$	1.12
67-Day Warrants	2,196,400	$	1.12
Adjustment of March 2007 and June 2007 Warrants:			
Warrants with price reset feature	(588,010)	$	3.83
Adjusted warrants after reset	2,618,942	$	0.86
Exercised	—		
Cancelled	(539,867)	$	1.12
Outstanding at March 31, 2009	7,181,406	$	2.35

12. Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period presented. Diluted earnings per share is computed using the weighted average number of common shares outstanding during the periods plus the effect of dilutive securities outstanding during the periods. For the three months ended March 31, 2009 and 2009, respectively, basic earnings per share is the same as diluted earnings per share as a result of the Company's common stock equivalents being anti-dilutive due to the Company's net loss.

At March 31, 2009, warrants to purchase 7,181,406 shares of the Company's common stock, 791,480 non-vested restricted shares, net of forfeitures, and 2,050,597 options outstanding are dilutive securities that may dilute future earnings per share. The weighted-average number of common shares outstanding were 29,183,603 and 27,760,194 for the three months ended March 31, 2009 and 2008, respectively.

13. Income Taxes

Deferred income taxes arise from timing differences resulting from income and expense items reported for financial account and tax purposes in different periods. A deferred tax asset valuation allowance is recorded when it is more likely than not that deferred tax assets will not be realized. During the three months ended March 31, 2009 and 2008, respectively, there was no income tax expense or benefit for federal and state income taxes in the accompanying condensed consolidated statements of operations due to the Company's net loss and a valuation allowance on the resulting deferred tax asset.

14. Commitments and Contingencies

Litigation
The Company is 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 the Company's financial position, results of operations or cash flows.

15. Subsequent Events

On April 20, 2009, the Company, entered into an amendment agreement (the "Amendment Agreement") with investors who had previously acquired 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 issued on March 3, 2009 pursuant to a securities purchase agreement by and among Akeena and the investors dated February 26, 2009 (the "Original Series G Warrants"). The Original Series G Warrants were immediately exercisable and had a term of 67 trading days from the date of original issuance. In the Amendment Agreement, the investors agreed to exercise 425,000 of their Original Series G Warrants, with gross proceeds to Akeena of $476,000. In conjunction with that exercise, Akeena agreed to amend the terms of the remaining Original Series G Warrants, such that the unexercised balance of the Original Series G Warrants have a term that is extended until August 10, 2009 (the "Extended Term"), and to issue to the investors additional, newly issued Series G Warrants on the same terms as the amended Original Series G Warrants (with the Extended Term) to purchase up to an aggregate of 1,275,000 shares of Common Stock at a strike price of $1.12 per share (the "New Series G Warrants"). The closing of the transactions contemplated by the Amendment Agreement and the issuance of the New Series G Warrants took place on April 20, 2009. The Series G Warrants include a "put" feature which allows Akeena to require the holder to exercise those warrants at the election of Akeena, commencing 31 days from the date of issuance, provided that specified trading price and volume conditions are satisfied (including that (i) the volume weighted average price of Akeena's stock has been not less than $1.30 per share and (ii) the daily trading volume more than $175,000 for at least four out of five consecutive trading days prior to each exercise of a put right during the term of such warrants).

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

All references to the "Company," "we," "our," and "us" refer to Akeena Solar, Inc. and its subsidiaries ("Akeena Solar").

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 Quarterly Report and in our Annual Report on Form 10-K. This discussion contains "forward-looking statements," including but not limited to expectations regarding revenue growth, net sales, gross profit, operating expenses and performance objectives, and statements using the terms "believes," "expects," "will," "could," "plans," "anticipates," "esti "predicts," "intends," "potential," "continue," "should," "may," or the negative of these terms or similar expressions. T forward-looking statements are subject to risks and uncertainties that may cause our 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 below in Item 1A. of Part II of this Quarterly Report. Further information on potential risk factors that could affect our future business and financial results can be found in our periodic filings with the Securities and Exchange Commission (the "SEC"). We undertake no obligation to update any of these forward-looking statements.

Company Overview

We are a designer, integrator and installer of solar power systems. We market, sell, design and install systems for residential and commercial customers, sourcing components (such as solar panels and inverters) from manufacturers such as Fronius, Kyocera, SMA and Suntech. We currently serve customers in California, New York, New Jersey, Pennsylvania, Connecticut and Colorado. 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 installers 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 November 12, 2008, we had twelve offices. Our offices are located in Los Gatos, Fresno (Clovis), Lake Forest, Bakersfield, Manteca, Santa Rosa, Palm Springs, San Diego and Thousand Oaks (Westlake Village), California, as well as Fairfield, New Jersey, Milford, Connecticut and Littleton, Colorado. 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.

During September 2007, we introduced our new solar panel technology ("Andalay"), which we believe will significantly reduce the installation time and costs, as well as provide 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. Suntech Power Holdings Co. Ltd. ("Suntech") and Kyocera Solar, Inc. ("Kyocera") have agreements with us to provide volume manufacturing and delivery of our Andalay product used in our solar system installations. During January 2008, we also entered into a Licensing Agreement with Suntech. The terms of the Licensing Agreement authorize Suntech to distribute our Andalay product in Europe, Japan, and Australia commencing in January 2008. 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."

Results of Operations

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

	Three Months Ended March 31, 2009			
	2009		2008	
Net sales	$ 7,594,590	100.0%	$ 12,248,372	100.0%
Cost of sales	5,339,982	70.3%	9,832,817	80.3%
Gross profit	2,254,608	29.7%	2,415,555	19.7%
Operating expenses:				
Sales and marketing	1,654,121	21.8%	2,116,294	17.3%
General and administrative	4,061,406	53.5%	5,012,357	40.9%
Total operating expenses	5,715,527	75.3%	7,128,651	58.2%
Loss from operations	(3,460,919)	(45.6)%	(4,713,096)	(38.5)%
Other income (expense):				
Interest income (expense), net	(76,541)	(1.0)%	134,939	1.1%
Adjustment to the fair value of common stock warrants	(1,541,764)	(20.3)%	—	0.0%
Total other income (expense)	(1,618,305)	(21.3)%	134,939	1.1%
Loss before provision for income taxes	(5,079,224)	(66.9)%	(4,578,157)	(37.4)%
Provision for income taxes	—	0.0%	—	0.0%
Net loss	$ (5,079,224)	(66.9)%	$ (4,578,157)	(37.4)%

Three Months Ended March 31, 2009 as compared to Three Months Ended March 31, 2008

Net sales

Net sales totaled $7.6 million for the three months ended March 31, 2009 as compared to $12.2 million for the same period in 2008, or a decrease of 38.0% from 2008. During the three months ended March 31, 2009, our kilowatts installed decreased from the same period of 2008 as a result of a decrease in commercial installations. During the three months ended March 31, 2009, 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 for the three months ended March 31, 2008. During March 2009, the 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 three months ended March 31, 2009 was 70.3% of net sales as compared to 80.3% during the three months ended March 31, 2008. The decrease in cost of sales as a percent of sales was primarily due to lower panel costs and a decrease in installation labor due to efficiencies gained with of our Andalay panels. Gross profit margin for the three months ended March 31, 2009 was 29.7% of net sales compared to 19.7% for the three months ended March 31, 2008.

Sales and marketing expenses

Sales and marketing expenses for the three months ended March 31, 2009 were $1.7 million, or 21.8% of net sales as compared to $2.1 million, or 17.3% of net sales during the same period of the prior year. The decrease in sales and marketing expenses for the three months ended March 31, 2009 was primarily due to lower sales and marketing payroll and sales commissions related to a decrease by thirty-six in sales and marketing employees as of March 31, 2009 compared to March 31, 2008 and due to a decrease in stock-based compensation expense. Expenditures for advertising, public relations, trade shows and conferences were relatively consistent with the same period of 2008.

General and administrative expenses

General and administrative expenses for the three months ended March 31, 2009 were $4.1 million, or 53.5% of net sales as compared to $5.0 million, or 40.9% of net sales during the same period of the prior year. Items included in the three months ended March 31, 2009 included a non-cash charge of approximately $76,000 for future lease payments for office space in Connecticut and Colorado that we no longer occupy; and severance expense of approximately $72,000 related to a reduction in force in February 2009. Offsetting these expense increases were lower general and administrative payroll expenses of $465,000 as compared to the prior year due to a decrease in headcount. General and administrative stock-based compensation decreased approximately $448,000 as compared to the prior year.

Interest, net

Interest expense was approximately $113,000 for the three months ended March 31, 2009, related to our 2007 Credit Facility with Comerica Bank. During the first three months of March 31, 2009, interest expense was offset by interest income of approximately $36,000. Interest expense was approximately $14,000 during the same period in 2008, which was more than offset by interest income of $149,000.

Adjustment to the fair value of common stock warrants

During the three months ended March 31, 2009, a $1.5 million non-cash charge was incurred to adjust the fair value of common stock warrants as required by a new accounting rule. The new rule is EITF 07-05, "Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock." In accordance with the new rule, stock warrants that were previously accounted for as equity must now be accounted for as a liability with adjustments of fair value recorded on the income statement.

Income taxes

During the three months ended March 31, 2009 and March 31, 2008, there was no income tax expense or benefit for federal and state income taxes reflected in the Company's condensed consolidated statements of operations due to the Company's 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. 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. While our revenue has grown significantly over the last three years, our operating expenses and our need for working capital to support that growth has grown faster and occurred sooner than the resulting revenue growth. We have plans to reach breakeven cash flow from operations in the second half of 2009, but we have not reached that goal yet. We intend to address our working capital needs through a combination of expense reductions and careful management of our operations, along with ongoing efforts to raise additional equity and to obtain a replacement asset-backed credit facility.

We have taken recent cost reduction measures, including reductions in force and the announced 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%. We believe these measures will adjust our capacity to a level that reflects our current customer demand and our improved efficiency in sales, design and installation. We expect these changes to result in a significant reduction in our monthly operating expenses, as well as a corresponding reduction in the level of revenue we need to become break-even on the basis of our continuing operations. However even after these changes, 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.

We recently completed a stock and warrant offering in March 2009 (described below). In addition to the proceeds from that offering, we are currently benefiting from a lower cost structure as a result our November 2008 reduction in force, our February 2009 cost reduction actions, and the utilization of our panel inventory on hand. We believe we can generate positive cash flow during 2009 due to the continued utilization of our panel inventory, the collection of receivables and our February 2009 cost reduction actions. We believe the combination of our improved gross margins (as a result of lower world-wide panel prices and our related fourth quarter 2008 inventory write-down to the lower of cost or market), a more streamlined cost structure, and tight expense control will allow us to achieve cash flow breakeven in the second half of 2009. In the event that our revenue is lower than anticipated, further staffing reductions and expense cuts could occur.

As an additional potential source of capital, the terms of our March 2009 equity offering 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.

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 replaced and amended our 2007 Credit Facility with Comerica Bank. The 2009 Bank Facility has a termination date of January 1, 2011. We fully repaid the $17.2 million outstanding principal balance as of March 3, 2009 on the 2007 Credit Facility by using our restricted cash balance that was on deposit with Comerica. Under the 2009 Bank Facility, our credit facility with Comerica 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 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, and we are in compliance with the terms of the 2009 Bank Facility as of March 12, 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 are estimated to be $1.557 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 are 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 six 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 are issued upon conversion of the Series A Preferred Stock) at a strike price of $1.12 per share, which warrants are immediately exercisable and have a term of 150 trading days from 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 are immediately exercisable and have a term of 67 trading days from the Closing. During March, the 2,000 shares of Series A Preferred Stock issued in the financing subsequently 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 Series G Warrants to purchase up to an aggregate of 2,196,400 shares of Common in the March 2009 Offering(the “Original Series G Warrants”). The Original Series G Warrants were immediately exercisable and had a term of 67 trading days from the date of original issuance. 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 have a term that is extended until August 10, 2009 (the "Extended Term"), and to issue to the investors additional, newly issued Series G Warrants on the same terms as the amended Original Series G Warrants (with the Extended Term) to purchase up to an aggregate of 1,275,000 shares of Common Stock at a strike price of $1.12 per share (the "New Series G Warrants"). The closing of the transactions contemplated by the Amendment Agreement and the issuance of the New Series G Warrants took place on April 20, 2009. The Series G Warrants include a "put" feature which allows us to require the holder to exercise those warrants atour election, commencing 31 days from the date of issuance, provided that specified trading price and volume conditions are satisfied (including that (i) the volume weighted average price of our stock has been not less than $1.30 per share and (ii) the daily trading volume more than $175,000 for at least four out of five consecutive trading days prior to each exercise of a put right during the term of such warrants).

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, borrowings from our revolving line of credit and proceeds from equity financings. As of March 31, 2009, we had approximately $2.9 million in cash and cash equivalents. As of March 31, 2009, we had approximately $1.0 million in additional borrowing capacity available under our 2009 Bank Facility.

Cash flows from operating activities were approximately $2.6 million for the three months ended March 31, 2009, compared with cash used in operating activities of approximately $7.2 million for the three months ended March 31, 2008. A $3.4 million decrease in inventory, a $2.2 million decrease in accounts receivable and a $1.5 million decrease in prepaid expenses and other current assets were partially offset by a $918,000 decrease in accounts payable and a $608,000 decrease in accrued liabilities and accrued warranty. During the quarter ended March 31, 2009, we used existing solar panel inventory and did not purchase any solar panels. Accounts receivable decreased as a result of lower revenue while the decrease in prepaid expenses and other current assets and the decrease in accounts payable and accrued liabilities and accrued warranty were primarily due to the timing of payments. During the quarter ended March 31, 2008, our overall state rebates receivable balances and trade receivable balances increased by approximately $2.4 million while accounts payable decreased by approximately $3.2 million.

During the quarter ended March 31, 2009, no cash was used for investing activities. Cash flows used in investing activities for the quarter ended March 31, 2008 were approximately $219,000, primarily for the purchase of property and equipment.

Cash flows provided by financing activities were approximately $76,000 for the three months ended March 31, 2009 compared with approximately $1.2 million for the three months ended March 31, 2008. During the first three months of 2009, we repaid the outstanding balance on our 2007 Credit Facility of $18.7 million utilizing $17.5 million of restricted cash and we received proceeds for the issuance of common shares pursuant to our stock offering of $1.4 million, net of fees. For the first three months of 2008, we borrowed approximately $1.5 million and we received proceeds of approximately $1.2 million from the exercise of warrants of our common stock.

Contractual Obligations

		Payments Due			
Obligation	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Operating leases	$ 1,100,245	$ 653,484	$ 446,761	$ —	$ —
Vehicle loans	755,178	653,484	523,009	12,293	—
Capital leases	38,541	22,887	15,655	—	—
	$ 1,893,965	$ 896,247	$ 985,425	$ 12,293	$ —

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, 2008 and 2007 as filed in this 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 method for commercial installations.

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 is being amortized over the estimated useful life of the list, which was determined to be eighteen months.

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 5-25 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

Effective January 1, 2009, the Company 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"). EITF 07-05 applies to any freestanding financial instruments or embedded features that have the characteristics of a derivative, as defined by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and to any freestanding financial instruments that are potentially settled in an entity's own common stock. As a result of adopting EITF 07-05, 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, the Company 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, the Company reclassified from additional paid-in capital, as a cumulative effect adjustment, $998,000 to beginning retained earnings and $289,000 to common stock warrant liability to recognize the fair value of such warrants on such date. The fair value of these warrants to purchase common stock increased to $1.6 million as of March 31, 2009. As such, we recognized a $1.3 million non-cash charge from the change in fair value of these warrants for the three months ended March 31, 2009.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements (SFAS No. 157), and in February 2008, the FASB amended SFAS No. 157 by issuing FSP FAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13, and FSP FAS 157-2, Effective Date of FASB Statement No. 157 (collectively SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS No. 157 is applicable to other accounting pronouncements that require or permit fair value measurements, except those relating to lease accounting, and accordingly does not require any new fair value measurements. SFAS No. 157 was effective for financial assets and liabilities in fiscal years beginning after November 15, 2007, and for non-financial assets and liabilities in fiscal years beginning after November 15, 2008 except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Our adoption of the provisions of SFAS No. 157 on January 1, 2008, with respect to financial assets and liabilities measured at fair value, did not have an effect on our financial statements for the year ended December 31, 2008. In October 2008, the FASB issued FSP FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP FAS 157-3). FSP FAS 157-3 clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 became effective immediately upon issuance, and its adoption did not have an effect on our financial statements. We currently determine the fair value of our property and equipment when assessing long-lived asset impairments and SFAS No. 157 was effective for these fair value assessments as of January 1, 2009. In April 2009, the FASB issued SFAS No. 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 (SFAS 157-4). SFAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS Statement No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability have significantly decreased. SFAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. SFAS 157-4 emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. SFAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is applied prospectively. We do not believe the adoption of this standard will have a material impact on our consolidated financial position, results of operations and cash flows.

The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

- Level one — Quoted market prices in active markets for identical assets or liabilities;
- Level two — Inputs other than level one inputs that are either directly or indirectly observable; and
- Level three — Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. We evaluate our hierarchy disclosures each quarter. Assets and liabilities measured at fair value on a recurring basis are summarized as follows (unaudited):

Assets	Level 1	Level 2	Level 3	March 31, 2009
Fair value of cash equivalents	1,001,731	—	—	1,001,731
Total	$ 1,001,731	$ —	$ —	$ 1,001,731

Liabilities	Level 1	Level 2	Level 3	March 31, 2009
Fair value of common stock warrants	$ —	$ 3,043,112	$ —	$ 3,043,112
Accrued rent related to office closures	—	—	242,143	242,143
Total	$ —	$ 3,043,112	$ 242,143	$ 3,285,255

Cash equivalents represent the fair value of the Company's investment in a money market account as of March 31, 2009. A discussion of the valuation techniques used to measure fair value for the common stock warrants is in Note 11. The accrued rent relates to non-cash charges for the closures of our Bakersfield and Manteca, California, Milford, Connecticut, and Denver, Colorado locations, calculated by discounting the future lease payments to their present value using a risk-free discount rate of 1.2%.

The following table shows the changes in Level 3 liabilities measured at fair value on a recurring basis for the quarter ended March 31, 2009:

	Other Liabilities*
Beginning balance	$ 200,784
Total realized and unrealized gains or losses	517
Purchases, sales, repayments, settlements and issuances, net	40,842
Net transfers in and/or (out) of level 3	—
Ending balance	$ 242,143

* Represents the estimated fair value of the office closures included in accrued and other long-term liabilities.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin ARB No. 51, Consolidated Financial Statements (SFAS No. 160). SFAS No. 160 requires (i) that non-controlling (minority) interests be reported as a component of stockholders' equity, (ii) that net income attributable to the parent and to the non-controlling interest be separately identified in the consolidated statement of operations, (iii) that changes in a parent's ownership interest while the parent retains its controlling interest be accounted for as equity transactions, (iv) that any retained non-controlling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value and, (v) that sufficient disclosures are provided that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS No. 160 is effective for financial statements issued for fiscal years beginning after

December 15, 2008, and interim periods within those fiscal years. We adopted SFAS No. 160 for our fiscal year beginning January 1, 2009, and the adoption did not have any impact on our consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations (SFAS No. 141(R)). SFAS No. 141(R) will significantly change the accounting for business combinations. Under SFAS 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) will change the accounting treatment for certain specific acquisition related items including: (i) expensing acquisition related costs as incurred; (ii) valuing noncontrolling interests at fair value at the acquisition date of a controlling interest; and (iii) expensing restructuring costs associated with an acquired business. SFAS No. 141(R) also includes a substantial number of new disclosure requirements. SFAS No. 141(R) is applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. SFAS No. 141(R) will have an impact on our accounting for any future business combinations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133 (SFAS No. 161). SFAS No. 161 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. SFAS No. 161 was effective for fiscal years beginning after November 15, 2008. As of March 31, 2009, we have derivatives of $3,043,112 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.”

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Asset (SFAS 142). More specifically, FSP FAS 142-3 removes the requirement under paragraph 11 of SFAS 142 to consider whether an intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions and instead, requires an entity to consider its own historical experience in renewing similar arrangements. FSP FAS 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. The adoption of this FSP on January 1, 2009 may impact any intangible assets we acquire in future transactions.

In November 2008, the Emerging Issues Task Force (EITF) reached consensus on EITF Issue No. 08-7, Accounting for Defensive Intangible Assets (EITF 08-7). A defensive asset is an acquired intangible asset where the acquirer has no intention of using, or intends to discontinue use of, the intangible asset but holds it to prevent competitors from obtaining any benefit from it. The acquired defensive asset will be treated as a separate unit of accounting and the useful life assigned will be based on the period during which the asset would diminish in value. The adoption of this EITF on January 1, 2009 may impact any intangible assets we acquire in future transactions.

In April 2009, the FASB issued Staff Position No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 extends the disclosure requirements of SFAS 107 to interim period financial statements, in addition to the existing requirements for annual periods and reiterates SFAS 107’s requirement to disclose the methods and significant assumptions used to estimate fair value. FSP FAS 107-1 and APB 28-1 is effective for our interim and annual periods commencing with our June 30, 2009 consolidated financial statements and will be applied on a prospective basis. We believe the adoption of FSP FAS 107-1 and APB 28-1 will not have a material impact on consolidated financial position, results of operations and cash flows.

In April 2009, the FASB issued SFAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (SFAS 107-1). SFAS 107-1 amends FASB No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. SFAS also amends APB Opinion No. 28, Interim Financial

Reporting, to require those disclosures in summarized financial information at interim reporting periods. SFAS 107-1 is effective for interim and annual reporting periods ending after June 15, 2009. We do not believe the adoption of this standard will have a material impact on our consolidated financial position, results of operations and cash flows.

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 3. 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.

Interest Rate Risk

As of March 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.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2009. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report. In designing and evaluating our disclosure controls and procedures, we and our management recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Quarterly Evaluation of Changes in Internal Control Over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) to determine whether any change occurred during the first fiscal quarter of 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our management concluded that there was no such change during the fiscal quarter ended March 31, 2009.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in certain legal proceedings arising 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 1A. Risk Factors

Our Quarterly Report on Form 10-Q, 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 recent severe tightening of the credit markets, turmoil in the financial markets, and weakening global economy are contributing to slowdowns in the solar industry, which slowdowns 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.

Our currently available capital resources and cash flows from operations may be insufficient to meet our working capital and capital expenditure requirements.

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.

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, Kyocera Fronius 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 February 2009, we announced that we will be closing our Connecticut office. 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.

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 ownership by competitors of proprietary tools to customize systems to the needs of a particular customer;
- 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.

Risks Relating to Our Industry

We have experienced technological changes in our industry. New technologies 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 alternative energy 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 present technical, 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 national 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 national, 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 other financial 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 or sufficient 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.

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. The recent trading price of our common stock has fallen below that level, and has been as low as $0.58 per share within the last twelve months. 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 May 2007 for the purchase of 588,010 shares of Common Stock at a weighted-average exercise price of $3.83 per share, were subject to an adjustment triggered by the March 2009 Offering, such that an aggregate of 2,618,942 of warrants to purchase shares of Company's common stock were issued at an exercise price of $0.86 per share, replacing the original 588,010 warrants. 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 31, 2009, we have approximately 30,820,744 shares of common stock outstanding (which includes 791,480 unvested shares of restricted stock granted to our employees), and we have warrants to purchase 7,181,406 shares of common stock and options to purchase 2,050,597 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 for investors.

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.

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 24.8% of our outstanding common stock as of April 29, 2009. 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 securities laws, 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 in 2008 and beyond and make certain activities more time consuming and costly.

Our Certificate of Incorporation authorizes our board to create new series of 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.

Item 6. EXHIBITS.

Exhibit Number	Description
3.1	Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on August 7, 2006)
3.2	By-laws (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K, filed on August 7, 2006)
3.3	Certificate of Amendment to Certificate of Incorporation (incorporated herein by reference to Exhibit 3.3 to our Current Report on Form 8-K, filed on August 14, 2006)
4.1	Form of Series E/F/G Warrants (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on February 26, 2009)
4.2	Certificate of Designation with respect to Series A Preferred Stock, as filed on March 3, 2009 (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on March 4, 2009)
10.1	Stock Purchase Agreement by and among Akeena Solar, Inc. and the Purchaser(s) (as defined therein), dated as of February 26, 2009 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on February 26, 2009)
10.2	Loan and Security Agreement (Cash Collateral Account) with Comerica Bank, dated as of February 10, 2009 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on March 9, 2009)
31.1*	Section 302 Certification of Principal Executive Officer
31.2*	Section 302 Certification of Principal Financial Officer
32.1*	Section 906 Certification of Principal Executive Officer
32.2*	Section 906 Certification of Principal Financial Officer

* filed herewith

SIGNATURES

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

Dated: May 1, 2009	/s/ Barry Cinnamon Barry Cinnamon President and Chief Executive Officer (Principal Executive Officer)
Dated: May 1, 2009	/s/ Gary Effren Gary Effren Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

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