

Akeena Solar, Inc.
Form 424B5
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Registration No. 333-156603

PROSPECTUS SUPPLEMENT
(To Prospectus Dated January 30, 2009)

1,785,714 Shares of Common Stock
2,000 Shares of Series A Preferred Stock
Seven-Year Warrants to Purchase 1,339,285 Shares
150 Trading-Day Warrants to Purchase 540,000 Shares
67 Trading-Day Warrants to Purchase 2,196,400 Shares

AKEENA SOLAR, INC.

We are offering up to 1,785,714 shares of our common stock, 2,000 shares of our Series A preferred stock and warrants to purchase up to 4,075,685 shares of our common stock in “units.” For each unit purchased in this offering, investors will receive one share of common stock, approximately 0.00112 shares of Series A preferred stock (the “preferred stock”), warrants to purchase 0.75 share of common stock at an exercise price of \$1.34 per share (the “Seven-Year Warrants”), warrants to purchase approximately 0.3023 shares of common stock at an exercise price of \$1.12 per share (the “150-Day Warrants”), and warrants to purchase approximately 1.23 shares of common stock at an exercise price of \$1.12 per share (the “67-Day Warrants”). A fractional portion of each share of preferred stock will automatically convert into shares of our common stock if the volume weighted average price per share of our common stock (“VWAP”) on any trading day prior to June 18, 2009 is less than \$1.12; provided that if the VWAP is \$0.86 or less, all such shares of preferred stock will automatically be fully converted. The maximum aggregate number of shares of our common stock issuable upon conversion in full of the preferred stock is 539,867. Any shares of preferred stock not converted by June 18, 2009 will be cancelled. The Seven-Year Warrants are exercisable beginning six months after their issuance date. The 150-Day Warrants and 67-Day Warrants are exercisable immediately following the Closing, although the number of shares issuable upon exercise of the 150-Day Warrants will be reduced by the number of shares issued upon conversion of the preferred stock. Under the 67-Day Warrants, we have a right, after April 14, 2009, to require the mandatory exercise of up to one-third of the shares underlying the warrant if the VWAP of our common stock for each of at least four out of five consecutive trading days exceeds \$1.30, and the daily trading volume for each of these five trading days exceeds \$175,000. The shares of common stock, the Seven-Year Warrants, the 150-Day Warrants and the 67-Day Warrants are separable and will be issued separately; however, until the conversion or cancellation of the preferred stock, the preferred stock and the 150-Day Warrants purchased together as part of a unit may not be separately sold, transferred, assigned, hypothecated, pledged or otherwise disposed, directly or indirectly.

Our common stock is listed on the NASDAQ Capital Market under the ticker symbol “AKNS.” On February 25, 2009, the last reported sale price of our common stock was \$1.34 per share.

As of February 25, 2009, there were 21,713,157 shares of our common stock held by non-affiliates. Based on the \$2.43 per share closing price of our common stock on January 8, 2009, the aggregate market value of our outstanding common equity pursuant to General Instruction I.B.6 of Form S-3 was \$52,762,972. The value of all securities we have offered pursuant to that Instruction in the last 12 calendar months (including those offered hereby) is \$13,215,791.

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Our business and an investment in our securities involves risks. These risks are described under the caption "Risk Factors" beginning on page S-6 of this prospectus supplement and page 6 of the accompanying prospectus.

	Per Unit	Total
Public offering price	\$ 1.12	\$ 1,999,999.68
Placement agent fees	\$ 0.09	\$ 158,000.00
Proceeds, before expenses, to us	\$ 1.03	\$ 1,841,999.68

We have engaged Cowen and Company, LLC as our lead placement agent and Roth Capital Partners, LLC as co-placement agent in connection with this offering. The placement agents are not purchasing or selling any of the units, nor are they required to sell any specific number or dollar amount of units, but will use their commercially reasonable efforts to arrange for the sale of the units offered. Because there is no minimum offering amount required as a condition to closing in this offering, the actual public offering amount, placement agent fees, and proceeds to us, if any, are not presently determinable and may be substantially less than the total maximum offering amounts set forth above.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.

Cowen and Company

Roth Capital Partners

February 26, 2009

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You should rely only on the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated or deemed incorporated by reference herein or therein. We have not, and the placement agents have not, authorized anyone to provide you with information different from and in addition to that contained in this prospectus supplement, the accompanying prospectus or the documents incorporated or deemed incorporated by reference herein or therein. We are not, and the placement agents are not, making an offer to sell or seeking an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

The information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated or deemed incorporated by reference herein or therein is complete and accurate as of their respective dates, and may have changed since those dates.

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a “shelf” registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the SEC. This prospectus supplement describes the specific details regarding this offering, including the price, the amount of units and underlying securities being offered and the risks of investing in our securities. The accompanying prospectus provides general information about us, some of which, such as the section entitled “Plan of Distribution,” may not apply to this offering. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement. You should read both this prospectus supplement and the accompanying prospectus together with the additional information about us described in the accompanying prospectus in the section entitled “Where You Can Find

Additional Information.” The information incorporated by reference is considered part of this prospectus supplement, and information we file later with the SEC may automatically update and supersede this information.

Prior to the registered offering to which this prospectus supplement relates, we commenced and abandoned a private offering in which we sought to raise up to \$10 million in proceeds from the sale of our common stock, warrants to purchase our common stock, and /or the sale of debt convertible into shares of our common stock. The offering was made solely to persons whom we and our lead placement agent believed to be accredited investors. We abandoned the private offering prior to the end of December 2008. We did not accept any offers to buy or indications of interest given in the private offering. This prospectus supplement and the accompanying prospectus supersede any offering materials used in the private offering.

PROSPECTUS SUPPLEMENT SUMMARY

The items in the following summary are described in more detail in this prospectus supplement, the accompanying prospectus and in the documents incorporated or deemed incorporated by reference herein or therein. This summary provides an overview of selected information and does not contain all of the information that you should consider before investing in the units subject to this offering. Therefore, you should also read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein or therein. All references to “Akeena Solar,” “the Company,” “we,” “us,” “our,” and similar terms refer to Akeena Solar, Inc. and its subsidiaries on a consolidated basis.

Overview

We are a leading designer and integrator of solar power systems. We market, sell, design and install systems for residential and commercial customers, sourcing components (such as solar modules and inverters) from manufacturers such as Suntech, Kyocera, SMA and Fronius. We currently service customers in California, Colorado, Connecticut, Hawaii, New Jersey, New York, and Pennsylvania. According to data compiled by the California Energy Commission and the New Jersey Clean Energy Program, over the past three years Akeena Solar has been one of the largest national integrators of residential and small commercial solar power systems in the United States. To date, we have installed approximately 3,000 solar power systems. Since the commencement of our operations in 2001, our sales have steadily grown, reaching approximately \$7.2 million in 2005, \$13.4 million in 2006, \$32.2 million in 2007 and \$29.9 million in the first three quarters of 2008.

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

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

Based on our experience as a solar power designer and integrator over the past seven years, we have identified certain areas in which installation costs can be significantly reduced. Our Andalay product line is a “plug and play” solar panel technology that significantly reduces the installation time, parts and costs, and provides superior reliability and aesthetics for customers, when compared to other solar panel mounting products and technology. Andalay offers the following features: (i) mounts closer to the roof with less space in between panels; (ii) no unsightly racks underneath or beside panels; (iii) built-in wiring connections; (iv) 70% fewer roof-assembled parts and 50% less labor required; (v) 25% fewer roof attachment points; and (vi) complete compliance with the National Electric Code and UL wiring and grounding requirements. We have applied for U.S. and international patents for Andalay. Installation costs for a solar power system are generally proportional to the area of panels installed. Thin film and amorphous solar cell

technologies, although less expensive on a cost per watt basis, are generally less efficient (producing fewer watts per square foot) and more expensive to install. Therefore, we believe that Andalay becomes even more useful for the new generation of less expensive but lower efficiency solar panels. Andalay solar panel technology is generally applicable to all framed rooftop solar cell technologies, including silicon, amorphous silicon, thin film and concentrators.

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We have existing supply relationships with Suntech Power Holdings Co. Ltd. (“Suntech”) and Kyocera Solar, Inc. (“Kyocera”) to provide us with volume manufacturing and delivery of our Andalay product used in our solar system installations. In January 2008, we entered into a licensing agreement with Suntech to distribute our Andalay product in Europe, Japan and Australia. We announced in early February 2009 an OEM relationship with Enphase Energy (“Enphase”) under which Enphase agreed to supply its proprietary micro-inverters to us for integration with our Andalay panels. We plan to introduce new versions of our Andalay product that include the integrated micro-inverter in the second half of 2009.

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Corporate Information

Akeena Solar was formed on February 23, 2001 as a California corporation and reincorporated as a Delaware corporation on June 2, 2006. Our corporate headquarters are located at 16005 Los Gatos Boulevard, Los Gatos, California 95032. Additional offices are located in Fresno (Clovis), Lake Forest, Palm Springs, San Diego, Santa Rosa and Thousand Oaks, California, Denver, Colorado, and Milford, Connecticut. We maintain installation offices at all of these facilities. 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.

The Offering

Securities offered by us:

· Common stock	1,785,714 Shares
· Preferred stock	2,000 Shares
· Seven-Year Warrants to purchase common stock	1,339,285 Warrant Shares
· 150-Day Warrants to purchase common stock	540,000 Warrant Shares
· 67-Day Warrants to purchase common stock	2,196,400 Warrant Shares

Common stock to be outstanding after this offering	30,109,311 Shares
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Use of proceeds

We intend to use approximately \$200,000 of the net proceeds from this offering, together with cash on hand, to repay our outstanding indebtedness to Comerica Bank, which was approximately \$17.7 million as of February 9, 2009, and we intend to use the remainder of the net proceeds for general corporate purposes. General corporate purposes may include capital expenditures, future acquisitions, working capital and repayment of other debt.

Preferred stock terms

The preferred stock has limited or no voting rights, and no dividends will accrue on the preferred stock. Upon our liquidation, dissolution or winding up, the holders of the preferred stock will be entitled to receive an amount equal to \$232 for each share of preferred stock before any distribution or payment to the holders of the common stock.

A fractional portion of each share of the preferred stock will automatically convert into shares of our common stock on each trading day until June 18, 2009 if the

volume weighted average price per share (“VWAP”) of our common stock on such trading day is below the lesser of (i) \$1.12 and (ii) the lowest VWAP not less than \$0.86 pursuant to which the preferred stock was previously converted (the “Automatic Conversion Price”). All shares of preferred stock shall automatically fully convert on any trading day prior to June 18, 2009 that the VWAP is \$0.86 or less. The preferred stock shall convert into the number of shares of common stock equal to (a) the number of shares of preferred stock outstanding multiplied by \$1,000 divided by the applicable Automatic Conversion Price less (b) the 1,785,714 shares of common stock issued in connection with this offering less (c) the shares of common stock previously issued upon conversion of the preferred stock. If the VWAP on any trading day is \$0.86 or less, all 2,000 shares of preferred stock will fully convert into the maximum conversion amount of 539,867 shares of common stock. On June 18, 2009, any preferred stock still outstanding shall be deemed cancelled.

Seven-Year Warrant terms

The Seven-Year Warrants will be exercisable beginning six months after the date of issuance, through and until the date that is seven years from the date of initial exercisability (i.e. September 2, 2016), at an exercise price of \$1.34 per share of common stock.

150-Day Warrant terms

The 150-Day Warrants will be exercisable immediately after issuance, through and including the date that is 150 trading days after the date of issuance (October 2, 2009), at an exercise price of \$1.12 per share of common stock, provided, however, that to the extent any shares of common stock are issued pursuant to the conversion of the preferred stock, the number of shares of common stock issuable upon exercise of the 150-Day Warrant shall be reduced on a one for one basis.

67-Day Warrant

The 67-Day Warrants will be exercisable immediately after the date of issuance, through and until June 5, 2009, at an exercise price of \$1.12 per share of common stock.

If, during the period commencing on April 15, 2009 and ending on June 5, 2009, the VWAP per share of our common stock for each of at least 4 out of 5 consecutive trading days during such five day period (the "Measurement Period") exceeds \$1.30, and the daily volume for each trading day during the Measurement Period of our common stock exceeds \$175,000, then we can call for the mandatory exercise of these warrants, but not in an amount exceeding up to one-third of the original number of warrant shares issuable under such 67-Day Warrant for any single mandatory exercise.

NASDAQ Capital Market symbol

AKNS

Risk factors

See “Risk Factors” and other information included or incorporated into this prospectus supplement and the accompanying prospectus for a discussion of the factors you should carefully consider before deciding to invest in our securities.

The total number of shares of common stock outstanding after this offering is based on 29,333,431 shares outstanding as of February 6, 2009 (which includes 855,507 unvested shares of restricted stock granted to our employees), and excludes:

- 2,092,264 shares of common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of \$3.86 per share, under our stock plans;
- 3,037,619 additional shares of common stock reserved for issuance under various outstanding warrant agreements, at a weighted average exercise price of \$4.15 (after giving effect to the initial adjustments described in the immediately succeeding paragraph); and
- 1,178,401 additional shares of common stock reserved for future issuance under our 2006 Incentive Stock Plan and 4,000,000 shares of common stock reserved for future issuance under our 2001 Stock Option Plan.

Of the warrants to purchase shares of our common stock that are outstanding as of February 6, 2009, there are warrants outstanding to purchase 588,010 shares of our common stock, at a weighted average exercise price of \$3.83, which were issued in March 2007 and May 2007 and are subject to antidilution adjustment as a result of the issuance of the common stock, preferred stock and warrants being offered hereby, such that these outstanding warrants will become exercisable for an aggregate of 2,010,974 shares of our common stock with an exercise price of \$1.12 per share upon the issuance of the units (subject to further adjustment if we issue additional shares of common stock as a result of the conversion of the preferred stock).

RISK FACTORS

Investing in our securities involves a high degree of risk. You should consider the following risk factors, as well as other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, before deciding to purchase any shares of our units offered herein. The risks and uncertainties described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations. If any of these risks occur, our business, financial condition or results of operations could suffer, the market price of our common stock could decline and you could lose all or part of your investment in our securities.

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 forecast our operating results, make business decisions, and identify the risks that may affect our business, financial condition and results of operations. If we are unable to timely and appropriately adapt to changes resulting from the difficult macroeconomic environment, our business, financial condition or results of operations may be materially and adversely affected.

We 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 Fronius, Kyocera, SMA and Suntech. 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. 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:

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- 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.

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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.

Our obligations under our credit facility are secured by all of our assets, so if the lender forecloses on its security interest, we may have to liquidate some or all of our assets, which may cause us to cease operations.

Unless we amend our credit facility to eliminate the asset-based line of credit from our facility, our obligations under the 2007 Credit Facility with Comerica Bank are secured by all of our assets. If we default under the credit facility we could be required to repay all of our borrowings thereunder. In addition, Comerica could foreclose its security interest and liquidate some or all of our assets, which could cause us to cease operations.

We are subject to restrictive covenants in connection with our credit facility that may limit our ability to borrow additional funds or to raise additional equity as may be required to fund our future operations.

Unless we amend our credit facility to eliminate the asset-based line of credit from our facility, the terms of the 2007 Credit Facility with Comerica may limit our ability, without Comerica’s consent, to, among other things, enter into certain transactions and create additional liens on our assets and could adversely affect our liquidity and our ability to attract additional funding if required for our business.

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 25.6% of our outstanding common stock before this offering. 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;

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- 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.

Risks Related to This Offering

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

Our currently available capital resources, combined with the net cash proceeds from this offering, cash flows from operations and expected interest income, 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.

Our management team will have broad discretion over the use of the net proceeds from this offering.

Our management will use their discretion to direct the net proceeds from this offering. We intend to use approximately \$200,000 of the net proceeds, together with cash on hand, to repay our outstanding indebtedness to Comerica Bank, which was approximately \$17.7 million as of February 9, 2009, and we intend to use the remainder of the net proceeds for general corporate purposes. General corporate purposes may include capital expenditures, future acquisitions, working capital and repayment of other debt. Our management's judgments may not result in positive returns on your investment and you will not have an opportunity to evaluate the economic, financial or other information upon which our management bases its decisions.

Investors in this offering will experience immediate and substantial dilution

The public offering price of the securities offered pursuant to this prospectus supplement is substantially higher than the net tangible book value per share of our common stock. Therefore, if you purchase units in this offering, you will incur immediate and substantial dilution in the pro forma net tangible book value per share of common stock from the price per share that you pay for the common stock. If the holders of outstanding options or warrants exercise those options or warrants at prices below the public offering price, you will incur further dilution.

There is no public market for the preferred stock or the warrants to purchase common stock in this offering.

There is no established public trading market for the preferred stock or the warrants being offered in this offering, and we do not expect a market to develop. In addition, we do not intend to apply for listing the preferred stock or the warrants on any securities exchange or for quotation on the NASDAQ Capital Market. Without an active market, the liquidity of the preferred stock or the warrants will be limited.

Our stock price is volatile, and you may not be able to resell your shares at or above the offering price.

The market price of our common stock has been, and we expect will continue to be, subject to significant volatility. The value of our common stock may decline regardless of our operating performance or prospects. Factors affecting our market price include:

- our perceived prospects;

- variations in our operating results and whether we have achieved key business targets;
 - changes in, or our failure to meet, revenue estimates;
 - changes in securities analysts' buy/sell recommendations;
- differences between our reported results and those expected by investors and securities analysts;
 - announcements of new contracts by us or our competitors;
- reaction to any acquisitions, joint ventures or strategic investments announced by us or our competitors; and
 - general economic, political or stock market conditions.

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 \$0.92 per share within the last twelve months. The closing price on February 25, 2009 was \$1.34 per share. Failure to meet Nasdaq's continued listing criteria may result in the delisting of our common stock from the Nasdaq Capital Market. A delisting from the Nasdaq Capital Market will make the trading market for our common stock less liquid, and will also make us ineligible to use Form S-3 to register the sale of shares of our common stock or to register the resale of our securities held by certain of our security holders with the SEC, thereby making it more difficult and expensive for us to register our common stock or other securities and raise additional capital.

Our stockholders may be diluted by the conversion of preferred stock and exercise of outstanding warrants to purchase common stock and this offering will result in a significant increase in the number of shares issuable upon the exercise of such warrants.

As of February 6, 2009, we have certain outstanding warrants to purchase 588,010 shares of our common stock at exercise prices ranging from \$2.75 per share to \$3.95 per share (with a weighted average exercise price of \$3.83) that were issued in connection with previous equity financing transactions in March 2007 and May 2007. 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, including the offering of shares of the securities underlying the units subject to this offering at a price below the applicable exercise price of those warrants. As a result of this offering, the exercise price for each of those outstanding warrants will be initially reduced to \$1.12 per share and the aggregate number of shares of common stock issuable upon exercise of the warrants will be initially increased to 2,010,974 shares upon the issuance of the units (subject to further adjustment if we issue additional shares of common stock as a result of the conversion of the preferred stock).

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 February 6, 2009, we have approximately 29,333,431 shares of common stock outstanding (which includes 855,507 unvested shares of restricted stock granted to our employees), and we have warrants to purchase 1,614,655 shares of common stock (of which

warrants to purchase 588,010 shares are subject to adjustment as described above) and options to purchase 2,092,264 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.

We do not anticipate declaring any cash dividends on our common stock.

We have never declared or paid cash dividends on our common stock and do not plan to pay any cash dividends in the near future. Our current policy is to retain all funds and earnings for use in the operation and expansion of our business. In addition, our debt agreement prohibits the payment of cash dividends or other distributions on any of our capital stock except dividends payable in additional shares of capital stock.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus (including any document incorporated by reference herein or therein) include forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. Forward-looking statements involve risks and uncertainties including, without limitation, our ability to raise capital to finance our operations, the effectiveness, profitability and the marketability of our services, our ability to protect our proprietary information, general economic and business conditions, the impact of technological developments and competition, adverse results of any legal proceedings, the impact of current, pending or future legislation and regulation of the solar power industry, our ability to enter into acceptable relationships with one or more manufacturers for solar panel components and the ability of such contract manufacturers to manufacture products or components of an acceptable quality on a cost-effective basis, our ability to attract or retain qualified senior management personnel, including sales and marketing and technical personnel and other risks detailed from time to time in our filings with the SEC. We make such forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In this prospectus supplement and the accompanying prospectus (including any documents incorporated by reference herein or therein), words such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential,” and similar expressions (as well as other words or expressions referencing future events, conditions or circumstances) are intended to identify forward-looking statements.

Our actual results and the timing of certain events may differ materially from the results discussed, projected, anticipated or indicated in any forward-looking statements. Any forward-looking statement should be considered in light of factors discussed under “Risk Factors” and elsewhere in this prospectus supplement and the accompanying prospectus (including any documents incorporated by reference herein or therein).

We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We disclaim any obligation, except as specifically required by law and the rules of the Securities and Exchange Commission, to publicly update or revise any such statements to reflect any change in company expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of securities to be offered by this prospectus supplement will be approximately \$1.557 million, after deducting the placement agents' fees and estimated expenses of this offering. In addition, if all of the warrants offered by this prospectus supplement are fully exercised for cash, we will receive additional proceeds of approximately \$4.859 million. There can be no assurance that we will be successful in selling any or all of the securities offered hereby. Because there is no minimum offering amount required as a condition to closing in this offering, we may sell less than all of the securities offered hereby, which may significantly reduce the amount of proceeds received by us.

We intend to use approximately \$200,000 of the net proceeds, together with cash on hand, to repay our outstanding indebtedness to Comerica Bank, which was approximately \$17.7 million as of February 9, 2009, and we intend to use the remainder of the net proceeds for general corporate purposes. General corporate purposes may include capital expenditures, future acquisitions, working capital and repayment of other debt. We may invest the net proceeds temporarily until we use them for their stated purpose.

DIVIDEND POLICY

To date, we have paid no cash dividends to our shareholders and we do not intend to pay cash dividends in the foreseeable future.

CAPITALIZATION

The following table summarizes our cash position and capitalization as of September 30, 2008 on an actual basis and as adjusted to reflect the sale of the units we are offering at the public offering price \$1.12 per unit, after deducting the placement agent fees and estimated expenses of this offering, and reflecting the anticipated amendment of our line of credit facility concurrent with the closing. You should read this information in conjunction with our consolidated financial statements and the related notes beginning on page 26 of our Annual Report on Form 10-KSB and on page 2 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, which we have filed with the SEC.

	As of September 30, 2008	
	Actual (unaudited)	As Adjusted (unaudited)
Cash and cash equivalents	\$ 2,602,717	\$ 4,444,717
Restricted cash	14,949,491	—
Total cash position	\$ 17,552,208	\$ 4,424,717
Long term debt, including current portion and warrant liability	\$ 15,813,932	\$ 2,440,044
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized; none issued	\$ —	\$ 2
Common stock, \$0.001 par value, 50,000,000 shares authorized; 28,323,597 shares issued and outstanding, actual; 30,109,311 shares issued and outstanding, as adjusted	28,323	30,109
Additional paid-in capital	52,298,421	52,278,030
Accumulated deficit	(27,798,051)	(27,798,051)
Total capitalization	\$ 40,342,625	\$ 26,950,134

Amounts representing common stock outstanding on September 30, 2008 exclude the following:

- 1,413,597 shares of common stock issuable upon exercise of stock options outstanding under our stock option plans, at a weighted average exercise price of \$5.54 per share;
- 3,037,619 additional shares of common stock reserved for issuance under various outstanding warrant agreements, at a weighted average exercise price of \$4.15 (after giving effect to the initial adjustment in the immediately succeeding paragraph);
- 1,171,076 additional shares of common stock reserved for future issuance under our 2006 Incentive Stock Plan and 4,000,000 shares of common stock reserved for future issuance under our 2001 Stock Option Plan; and
 - 773,289 unvested shares of restricted stock granted under our 2006 Incentive Stock Plan.

As of September 30, 2008, there are warrants outstanding to purchase 1,614,655 shares of our common stock. Of these warrants, warrants outstanding to purchase 588,010 shares of our common stock at a weighted average exercise price of \$3.83, which were issued in March 2007 and May 2007, are subject to adjustment as a result of the issuance of the common stock, preferred stock and warrants being offered hereby, such that these outstanding warrants will become exercisable for an aggregate of 2,010,974 shares of our common stock with an exercise price of \$1.12 per share upon the issuance of the units (subject to further adjustment if we issue additional shares of common stock as a result of the conversion of the preferred stock).

DILUTION

If you invest in our units, your ownership interest will be diluted by the difference between the price per share you pay and the net tangible book value per share of our common stock immediately after this offering. Our net tangible book value as of September 30, 2008 was approximately \$24,153,120 or \$0.85 per share of our common stock. Our net tangible book value per share represents our total tangible assets less total liabilities, divided by the number of shares of our common stock outstanding as of September 30, 2008. After giving effect to the sale of units we are offering at the public offering price of \$1.12 per unit (and excluding shares of common stock issued and any proceeds that we may receive upon exercise of the warrants), after deducting the placement agents' fees and estimated offering expenses payable by us and after reflecting the pay down of our Comerica Credit Facility, our net tangible book value as of September 30, 2008 would have been approximately \$24,134,516, or \$0.80 per share of our common stock. This amount represents a decrease in net tangible book value of \$0.051 per share to our existing stockholders and an immediate dilution in net tangible book value of \$0.32 per share to new investors purchasing securities in this offering. We determine dilution by subtracting the adjusted net tangible book value per share after this offering from the assumed public offering price per unit. The following table illustrates the dilution in net tangible book value per share to new investors.

Assumed public offering price per share	\$	1.12
Net tangible book value per share as of September 30, 2008	\$	0.853
Increase in net tangible book value per share attributable to this offering	\$	(0.051)
Adjusted net tangible book value per share as of September 30, 2008 after giving effect to this offering	\$	0.802
Dilution in net tangible book value per share to new investors	\$	0.32

The foregoing table is based on 28,323,597 shares of common stock outstanding as of September 30, 2008 and does not take into effect further dilution to new investors that could occur as follows:

- 1,413,597 shares of common stock issuable upon exercise of stock options outstanding under our stock option plans at a weighted average exercise price of \$5.54 per share;
- 3,037,619 additional shares of common stock reserved for issuance under various outstanding warrant agreements, at a weighted average exercise price of \$4.15 (after giving effect to the initial adjustment in the immediately succeeding paragraph);
- 1,171,076 additional shares of common stock reserved for future issuance under our 2006 Incentive Stock Plan and 4,000,000 shares of common stock reserved for future issuance under our 2001 Stock Option Plan; and
 - 773,289 unvested shares of restricted common stock granted under our 2006 Incentive Stock Plan.

As of September 30, 2008, there are warrants outstanding to purchase 1,614,655 shares of our common stock. Of these warrants, warrants outstanding to purchase 588,010 shares of our common stock at a weighted average exercise

price of \$3.83, which were issued in March 2007 and May 2007, are subject to adjustment as a result of the issuance of the common stock, preferred stock and warrants being offered hereby, such that these outstanding warrants will become exercisable for an aggregate of 2,010,974 shares of our common stock with an exercise price of \$1.12 per share upon the issuance of the units (subject to further adjustment if we issue additional shares of common stock as a result of the conversion of the preferred stock).

To the extent options or warrants outstanding as of September 30, 2008 have been or may be exercised or other shares are issued, there may be further dilution to new investors.

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DESCRIPTION OF PREFERRED STOCK

The shares of preferred stock in this offering will be issued pursuant to a securities purchase agreement between each of the investors and us and in accordance with the terms of the certificate of designation of the preferences and rights of the Series A Preferred Stock. For a complete description of the terms and conditions applicable to the preferred stock, you should review a copy of the securities purchase agreement and the certificate of designation regarding the preferred stock, each of which were filed as an exhibit to a Current Report on Form 8-K filed with the Securities and Exchange Commission in connection with this offering on February 26, 2009. The following is a brief summary of the preferred stock and is subject in all respects to the provisions contained in the certificate of designation.

The preferred stock has limited or no voting rights. Upon our liquidation, dissolution or winding up, the holders of preferred stock will be entitled to receive out of our assets an amount equal to \$232 per share of preferred stock before any distribution or payment is made to the holders of common stock. If our assets are insufficient to pay in full this liquidation preference, then the entirety of our assets will be distributed ratably to the holders of the preferred stock. No dividends will accrue on the preferred stock.

A fractional portion of each share of the preferred stock will automatically convert into shares of our common stock on each trading day until June 18, 2009, if the volume weighted average price per share ("VWAP") of our common stock on such trading day (the "Automatic Conversion Price") is less than the lesser of (i) \$1.12 and (ii) the lowest VWAP not less than \$0.86 pursuant to which the preferred stock was previously converted. All shares of preferred stock shall automatically fully convert on any trading day prior to June 18, 2009 that the VWAP is \$0.86 or less. Upon each such conversion, a fractional portion of the preferred stock shall convert into the number of shares of common stock equal to (a) the number of shares of preferred stock outstanding multiplied by \$1,000 divided by the applicable Automatic Conversion Price less (b) the number of shares of common stock issued in connection with this offering (1,785,714 shares) less (c) the aggregate number of shares of common stock previously issued upon conversion of the preferred stock. If the VWAP on any trading day is \$0.86 or less, all 2,000 shares of preferred stock will fully convert into a cumulative maximum total of 539,867 shares of common stock. On June 18, 2009, any preferred stock still outstanding shall be deemed cancelled.

No fractional shares shall be issued upon conversion of the preferred stock and all fractional shares will be rounded up to the next whole share. If we fail to timely deliver certificates following conversion of the preferred stock, we will be obligated for liquidated damages and compensation for any purchases made by the holder to cover any shares not timely delivered.

Prior to the redemption or conversion of the preferred stock, the preferred stock and the 150-Day Warrants purchased together as part of a unit may not be separately sold, transferred, assigned, hypothecated, pledged or otherwise disposed, directly or indirectly, and each may only be sold, transferred, assigned, hypothecated, pledged or otherwise disposed, directly or indirectly as part of a sale, transfer, assignment, hypothecation, pledge or other disposition of both the 150-Day Warrant and shares of preferred stock acquired as part of such unit.

The preferred stock will not be listed on any securities exchange or automated quotation system and we do not intend to arrange for any exchange or quotation system to list or quote the preferred stock.

DESCRIPTION OF WARRANTS

The warrants in this offering will be issued pursuant to a securities purchase agreement between each of the investors and us. You should review a copy of the securities purchase agreement, and the forms of warrant, which have been filed as an exhibit to a Current Report on Form 8-K filed with the Securities and Exchange Commission in connection with this offering, on February 26, 2009, for a complete description of the terms and conditions applicable to the

warrants. The following is a brief summary of the warrants and is subject in all respects to the provisions contained in the warrants.

Seven-Year Warrants.

Each Seven-Year Warrant represents the right to purchase up to one share of common stock at an exercise price of \$1.34 per share. Each Seven-Year Warrant may be exercised on or after the date that is six months after the date of issuance (September 2, 2009) through and including the date that is seven years from the date of exercisability (i.e. September 2, 2016).

We will not effect any exercise if after giving effect to the issuance after exercise, the holder, together with its affiliates and any person acting as a group with such holder, would beneficially own in excess of 4.99% of our outstanding common stock, except as otherwise elected by a warrant holder s provided in the warrant agreement.

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The exercise price and the number of shares underlying the Seven-Year Warrants are subject to appropriate adjustment in the event of stock splits, stock dividends on our common stock, stock combinations, subsequent rights offerings, pro rata distributions, or similar events affecting our common stock. In addition, in the event we consummate any transaction effecting a disposition of all or substantially all of our assets, purchase offer, tender offer or exchange offer accepted by the holders of 50% or more of our outstanding common stock, reclassification, reorganization or recapitalization, spin off event or other stock or share purchase agreement or other business combination, whereby more than 50% of our outstanding shares are acquired (each a “Fundamental Transaction”), in which our common stock is converted into or exchanged for securities, cash or other property, then following such event, the holders of the Seven-Year Warrants will be entitled to receive upon exercise of such warrants the kind and amount of securities, cash or other property which the holders would have received had they exercised such warrants immediately prior to such reorganization event. In addition, in the event of any Fundamental Transaction completed for cash, as a transaction under Rule 13e-3 of the Securities Exchange Act of 1934, or involving a person not trading on a national securities exchange, then the holder of the warrant has the right to require us to purchase the warrant for an amount of cash equal to the Black Scholes value of the remaining unexercised portion of the warrant.

No fractional shares of common stock will be issued in connection with the exercise of a Seven-Year Warrant. In lieu of fractional shares, we will at our election either pay the holder an amount in cash equal to the fractional amount multiplied by the exercise price or round up to the next whole share. If we fail to timely deliver certificates following exercise of a Seven-Year Warrant, we will be obligated for liquidated damages and compensation for any purchases made by the holder to cover any shares not timely delivered.

A Seven-Year Warrant may be transferred by a holder without our consent, upon surrender of the warrant to us, properly endorsed (by the holder executing an assignment in the form attached to the warrant) and upon payment of any necessary tax or other governmental charge imposed upon such transfer.

The Seven-Year Warrants will not be listed on any securities exchange or automated quotation system and we do not intend to arrange for any exchange or quotation system to list or quote the warrants.

150-Day Warrants.

Each 150-Day Warrant represents the right to purchase up to one share of common stock at an exercise price equal to \$1.12 per share, subject to adjustment as described below. Each 150-Day Warrant is immediately exercisable, through and including the date that is 150 trading days after the date of issuance (October 2, 2009). The maximum number of shares of common stock issuable upon exercise of 150-Day Warrants shall be reduced on a one for one basis by any shares of common stock issued upon conversion of preferred stock.

We will not effect any exercise if after giving effect to the issuance after exercise, the holder, together with its affiliates and any person acting as a group with such holder, would beneficially own in excess of 4.99% of our outstanding common stock, except as otherwise elected by a warrant holder as provided in the warrant agreement.

The exercise price and the number of shares underlying the 150-Day Warrants are subject to appropriate adjustment in the event of stock splits, stock dividends on our common stock, stock combinations, subsequent rights offerings, pro rata distributions, or similar events affecting our common stock. In addition, in the event we consummate any transaction effecting a disposition of all or substantially all of our assets, purchase offer, tender offer or exchange offer accepted by the holders of 50% or more of our outstanding common stock, reclassification, reorganization or recapitalization, spin off event or other stock or share purchase agreement or other business combination, whereby more than 50% of our outstanding shares are acquired (each a “Fundamental Transaction”), in which our common stock is converted into or exchanged for securities, cash or other property, then following such event, the holders of the 150-Day Warrants will be entitled to receive upon exercise of such warrants the kind and amount of securities, cash or

other property which the holders would have received had they exercised such warrants immediately prior to such reorganization event. In addition, in the event of any Fundamental Transaction completed for cash, as a transaction under Rule 13e-3 of the Securities Exchange Act of 1934, or involving a person not trading on a national securities exchange, then the holder of the warrant has the right to require us to purchase the warrant for an amount of cash equal to the Black Scholes value of the remaining unexercised portion of the warrant.