Canadian Solar Inc.
Form 424B3
March 28, 2008

Table of Contents

PROSPECTUS

Filed Pursuant to Rule 424(b)(3)
Registration No. 333 149497

CANADIAN SOLAR INC.

US$75,000,000
6.0% Convertible Senior Notes due 2017
and the
Common Shares Issuable upon Conversion of the Notes

We issued and sold US$75,000,000 aggregate principal amount of our 6.0% Convertible Senior Notes due 2017 in a private transaction on December 10, 2007. Selling securityholders may use this prospectus to resell from time to time their notes and the common shares issuable upon conversion of the notes. Additional selling security holders may be named by prospectus supplement. We will not sell any securities under this prospectus or receive any proceeds from resales by selling securityholders.

The notes mature on December 15, 2017. The notes bear interest at the rate of 6.0% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, starting on June 15, 2008, to holders of record at the close of business on the preceding June 1 and December 1, respectively. The notes will be convertible into our common shares based on an initial conversion rate, subject to adjustment, of 50.6073 common shares per US$1,000 principal amount of notes (which represents an initial conversion price of approximately US$19.76 per common share).

The notes are our senior unsecured obligations and rank equally with our other unsecured and unsubordinated indebtedness. The notes are effectively subordinated in right of payment to all of our existing and future secured indebtedness and other liabilities of our subsidiaries. For a more detailed description of the notes, see the section entitled Description of Notes beginning on page 44 of this prospectus.

The securityholders may require us to repurchase the notes on December 24, 2012 and December 15, 2014. We are also required to make an offer to purchase notes from the securityholders upon a fundamental change.

Our common shares are listed on the Nasdaq Global Market under the symbol CSIQ. The closing price of the common shares on March 26, 2008 was $21.71 per share.

This investment involves risks. See the section entitled Risk Factors beginning on page 16.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 27, 2008.

TABLE OF CONTENTS

PROSPECTUS

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a shelf registration statement that we are filing with the Securities and Exchange Commission, or the SEC. By using a shelf registration statement, the selling securityholders may sell any combination of the securities described in this prospectus from time to time and in one or more offerings. This prospectus provides you with a general description of the securities the selling securityholders may offer. Each time any selling securityholders sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any applicable prospectus supplement, you should rely on the information in the applicable prospectus supplement. Before purchasing any securities, you should carefully read this prospectus, any applicable prospectus supplement and the documents incorporated by reference herein and therein, together with additional information described under the heading Where You Can Find More Information.

You should rely only on the information contained or incorporated by reference in this prospectus, a prospectus supplement or any amendment. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus may be used only where it is legal to sell these securities. The selling securityholders are offering to sell, and seeking offers to buy, only the notes and the shares of common stock covered by this prospectus, and only under the circumstances and in the jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or of any sale of the notes or the shares of common stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

References to notes in this prospectus are to the US$75,000,000 aggregate principal amount of 6.0% Convertible Senior Notes due 2017.

Table of Contents

PROSPECTUS SUMMARY

You should read the following summary together with the entire prospectus, including the information incorporated by reference and the more detailed information regarding us, our financial statements and related notes appearing elsewhere in this prospectus and in the documents incorporated herein by reference, before making an investment decision. Unless the context otherwise requires, in this prospectus, we, us, our company, our, and CSI refer to Canadian Solar Inc. and its consolidated subsidiaries; China or PRC refers to the People s Republic of China, excluding Taiwan, Hong Kong and Macau; RMB or Renminbi refers to the legal currency of China; $ or U.S. dollars refers to the legal currency of the United States; C$ refers to the legal currency of Canada; and Euro or refers to the legal currency of the European Union.

Canadian Solar Inc.

We design, manufacture and sell solar cell and module products that convert sunlight into electricity for a variety of uses. We are incorporated in Canada and conduct all of our manufacturing operations in China. Our products include a range of standard solar modules built to general specifications for use in a wide range of residential, commercial and industrial solar power generation systems. We also design and produce specialty solar modules and products based on our customers requirements. Specialty solar modules and products consist of customized modules that our customers incorporate into their own products, such as solar-powered bus stop lighting, and complete specialty products, such as solar-powered car battery chargers. Our products are sold primarily under our own brand name and also produced on an OEM basis for our customers. We also implement solar power development projects, primarily in conjunction with government organizations to provide solar power generation in rural areas of China.

We currently sell our products to customers located in various markets worldwide, including Germany, Spain, Canada, Korea and China. We currently sell our standard solar modules to distributors and system integrators. We sell our specialty solar modules and products directly to various manufacturers who integrate the specialty solar modules into their own products and sell and market the specialty solar products as part of their product portfolio.

We have historically manufactured our module products from solar cells purchased from third-party manufacturers. In 2007, we began to pursue a new business model that combines internal manufacturing capacity supplemented by direct material purchases and outsourced toll manufacturing relationships which we believe provides the company with several competitive benefits. We believe that this approach allows us to benefit from the increased margin available to vertically integrated solar manufacturers while reducing the capital expenditures required relative to a fully vertically integrated business model. We also believe that this business model provides us with greater flexibility to respond to short-term demand patterns and longer-term to take advantage of the availability of low-cost outsourced manufacturing capacity. Additionally, these steps towards increased vertical integration of our supply chain have enabled us to improve production yields, control our inventory more efficiently and improve cash management, resulting in increased confidence in our forecasts for revenue growth and margin improvement in the future.

We believe that we have contractually secured 90% of our silicon and solar cell requirements to support solar module production of 200 to 220MW in 2008. For silicon material supplies, we have entered into a five-year supply agreement with Luoyang Zhong Gui High Tech Co. Ltd in China from 2006 to 2010 for high purity silicon. For silicon wafers, we have entered into a three-year fixed price and volume agreement with LDK Solar Co., Ltd., or LDK, from 2008 to 2010 for specified quantities of solar wafers, including 50MW for delivery in 2008. We also have standby toll manufacturing arrangements with LDK and other ingot and wafer manufacturers to convert our virgin polysilicon and reclaimed silicon feedstock into wafers. In January 2007, we entered into a supply agreement with Deutsche Solar, a subsidiary of SolarWorld AG of Germany, for a supply of multi-crystalline silicon wafers through

2018. In November 2007, we entered into various agreements with China Sunergy Co., Ltd. for a supply of 25MW of solar cells for delivery in 2008, and an agreement with Gintech Energy Corporation of Taiwan for a supply of 17 to 22MW of solar cells for delivery in 2008. We have other silicon wafer and solar cell supply agreements in place. We continue to evaluate new technologies, including the use of upgraded metallurgical grade silicon material. If the results of our evaluation are positive, we intend to use upgraded metallurgical grade silicon material in the

Table of Contents

production of solar ingots, wafers, cells and modules. We believe that the use of upgraded metallurgical grade silicon material could increase our total solar module shipments by 30 to 40MW in 2008.

We have aggressively expanded our manufacturing capacity for both solar cells and solar modules. We have continued to expand our own in-house solar cell manufacturing abilities, completing our first solar cell production line with an annual capacity of 25MW in the first quarter of 2007 and our second 25MW production line in the third quarter of 2007. We have recently installed our third and fourth solar cell production lines and our annual solar cell production capacity was 100MW as of December of 2007. Currently, we intend to use all of our solar cells in the manufacturing of our own solar module products. At September 30, 2007, we had 180MW of annual module manufacturing capacity between our Suzhou, Changshu and Luoyang facilities. Another new Changshu solar module plant was opened in February 2008, which we anticipate will increase our total annual solar module production capacity to 400MW by the first quarter of 2008.

In addition, we have commenced work on two new projects:

Expansion of our internal solar cell manufacturing capacity from 100 to 250MW. We expect to complete this project by the summer of 2008.

Construction of a solar ingot and wafer plant in the City of Luoyang, China. We expect to complete the initial phase of this project by the summer of 2008, which will give us an annual solar wafer capacity of 40 to 60MW.

We believe that the substantial industry and international experience of our management team has helped us foster strategic relationships with suppliers throughout the solar power industry value chain. We also take advantage of our flexible and low cost manufacturing capability in China to lower our manufacturing and operating costs. We believe we have a proven track record of low cost and rapid expansion of solar cell and solar module manufacturing capacity.

We have grown rapidly since March 2002, when we sold our first solar module products. Our net revenues increased from $9.7 million in 2004 to $68.2 million in 2006, and from $43.8 million for the nine months period ended September 30, 2006 to $175.3 million for the nine months ended September 30, 2007. We sold 2.2MW, 4.1MW and 14.9MW of our solar module products in 2004, 2005 and 2006, respectively, and 10.9MW and 45.6MW for the nine months ended September 30, 2006 and 2007, respectively.

Industry Background

Solar power has recently emerged as one of the most rapidly growing renewable energy sources. Solar cells are fabricated from silicon wafers and convert sunlight into electricity through a process known as the photovoltaic effect. Solar modules, which are an array of interconnected solar cells encased in a weatherproof frame, are mounted in areas with direct exposure to the sun to generate electricity from sunlight. Solar power systems, which are comprised of solar modules, related power electronics and other components, are used in residential, commercial and industrial applications and for customers who have no access to an electric utility grid.

According to Solarbuzz, an independent solar energy research firm, the global solar power market, as measured by annual solar system installations, increased from 345MW in 2001 to 1,744MW in 2006, representing a CAGR of 38.3%. During the same period, solar power industry revenues grew from approximately $2.4 billion in 2001 to approximately $10.6 billion in 2006, representing a CAGR of 34.6%. Solarbuzz projects that solar power industry revenues and solar system installations will reach $18.6 billion and 4,177MW, respectively, by 2011. According to Solarbuzz, worldwide installations of solar power systems are expected to grow at a CAGR of 19.1% from 2006 to 2011, led by shipments for on-grid applications, where solar power is used to supplement a customer s electricity purchased from the utility network. We believe growth in the near term will be constrained by the limited availability of high-purity silicon.

We believe the following factors have driven and will continue to drive growth in the solar power industry:

- government incentives for solar power and other renewable energy sources;

- fossil fuel supply constraints and desire for energy security;

- growing awareness of the advantages of solar power, including its peak energy generation advantage, fuel risk advantage, scalability, reliability and environmentally friendly nature;
- advances in technologies making solar power more cost-efficient; and
- large market among underserved populations in rural areas of developing countries with little or no access to electricity.

Our Competitive Strengths

We believe that the following competitive strengths enable us to compete effectively and to capitalize on the rapid growth in the global solar power market:

- our ability to manage our supply chain via long term supply contracts and toll manufacturing arrangements, allowing us to secure a cost-effective supply of solar wafers and solar cells;
- our ability to quickly and cost-effectively increase our internal manufacturing capacity for solar cells and modules;
- the strength of our customer relationships in the rapidly expanding global solar market;
- our continued focus on maintaining a reputation for high quality and reliable solar modules and excellent customer support; and
- our established senior management team with significant industry and international expertise.

Our Strategies

Our objective is to be a global leader in the development and manufacture of solar module products. We have developed the following strategies, based on our experience, to anticipate changes in the industry:

- pursue a balanced and diversified solar cell supply strategy by entering into long-term solar cell and solar wafer supply contracts, toll manufacturing arrangements and developing our in-house solar cell and solar wafer manufacturing capabilities;
- continue to proactively manage silicon raw material supply by securing long term silicon raw materials contracts;
- continue to diversify silicon supply sources including the development of products utilizing upgraded metallurgical grade silicon;
- further diversify our geographic presence, customer base and product mix;
- enhance innovation and efficiency through R&D; and
- build a leading global brand.

Corporate Structure

We were incorporated pursuant to the laws of the Province of Ontario in October 2001. We changed our jurisdiction by continuing under the Canadian federal corporate statute, the Canada Business Corporations Act, or CBCA, effective June 1, 2006. As a result, we are governed by the CBCA.

In November 2001, we established CSI Solartronics (Changshu) Co., Ltd., or CSI Solartronics, which is our wholly owned subsidiary located in Changshu, China. Through CSI Solartronics, we focus primarily on the production of specialty solar modules and products. In addition to CSI Solartronics, we also currently have six other wholly owned subsidiaries: (i) CSI Solar Manufacture Inc., or CSI Solar Manufacturing, located in Suzhou, China, which we incorporated in January 2005, through which we focus primarily on the production of standard solar modules; (ii) CSI Solar Technologies Inc., or CSI Solar Technologies, also located in Suzhou, China, which we incorporated in August 2003, through which we focus on solar module product development; (iii) CSI Central Solar Power Co., Ltd., or CSI Luoyang, in Luoyang, China, which we incorporated in February 2006, through which we currently

Table of Contents

manufacture solar modules and intend to manufacture solar ingots and solar wafers; (iv) CSI Cells Co., Ltd., or CSI Cells, formerly known as CSI Solarchip International Co., Ltd., which we incorporated in June 2006 and completed the first cell production line in the first quarter of 2007, through which we manufacture solar cells; (v) Changshu CSI Advanced Solar Inc., or CSI Advanced, which was incorporated in August 2006 and through which we intend to manufacture solar modules; and (vi) CSI Solar Inc., which was incorporated in Delaware in June 2007. CSI Advanced is not yet operational and is currently in the construction and preparatory phase. In May 2007, we set up a representative office in Phoenix, Arizona, to enhance our sales and marketing efforts in the U.S. market. This office became affiliated with CSI Solar Inc. after its incorporation in June 2007.

Corporate Information

Our principal executive offices are located at No. 199 Lushan Road, Suzhou New District, Suzhou, Jiangsu 215129, People s Republic of China. Our telephone number at this address is (86-512) 6690-8088 and our fax number is (86-512) 6690-8087. Our mailing address in Canada is located at 675 Cochrane Drive, East Tower, 6th Floor, Markham, Ontario L3R 0B8. Our telephone number at this address is (1-905) 530-2334 and our fax number is (1-905) 530-2001.

You should direct all inquiries to us at the address and telephone number of our principal executive offices set forth above. Our website is www.csisolar.com. The information contained on our website does not form part of this prospectus.

Table of Contents

FORWARD-LOOKING STATEMENTS

The information in this prospectus, any prospectus supplement and the documents incorporated herein by reference contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, results of operations, business strategy and financial needs, all of which are largely based on our current expectations and projections. These statements are made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as may, will, expect, anticipate, future, intend, plan, bel estimate, is/are likely to or other and similar expressions. Forward-looking statements involve inherent risks and uncertainties. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding the worldwide demand for electricity and the market for solar power;
- our beliefs regarding lack of infrastructure reliability and long-term fossil fuel supply constraints;
- our beliefs regarding the inability of traditional fossil fuel-based generation technologies to meet the demand for electricity;
- our beliefs regarding the importance of environmentally friendly power generation;
- our expectations regarding governmental support for the deployment of solar power;
- our beliefs regarding the future shortage or availability of the supply of high-purity silicon;
- our beliefs regarding the acceleration of adoption of solar power technologies and the continued growth in the solar power industry;
- our beliefs regarding the competitiveness of our solar module products;
- our expectations with respect to increased revenue growth and improved profitability;
- our expectations regarding the benefits to be derived from our supply chain management and vertical integration manufacturing strategy;
- our ability to continue developing our in-house solar components production capabilities and our expectations regarding the timing and production capacity of our internal manufacturing programs;
- our beliefs regarding our securing adequate silicon and solar cell requirements to support our solar module production;
- our beliefs regarding the effects of environmental regulation;
- our beliefs regarding the changing competitive arena in the solar power industry;
- our future business development, results of operations and financial condition; and
- competition from other manufacturers of solar power products and conventional energy suppliers.

Known and unknown risks, uncertainties and other factors, may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. See the section entitled Risk Factors for a discussion of some risk factors that may affect our business and results of operations. These risks are not exhaustive. Other sections of this prospectus and the documents incorporated herein by reference may include additional factors that could adversely impact our business and financial performance. Moreover, because we operate in an emerging and evolving industry, new risk factors may emerge from time to time. It is not possible for our management to predict all risk factors, nor can we assess the impact of these factors on our business or the extent to which any factor, or combination of factors, may cause actual result to differ materially from those expressed or implied in any forward-looking statement.

This prospectus, including the documents incorporated herein by reference, also contains data related to the solar power market in several countries. These market data, including market data from Solarbuzz, include projections that are based on a number of assumptions. The solar power market may not grow at the rates projected by the market data, or at all. The failure of the market to grow at the projected rates may materially and adversely affect our business and the market price of our common shares and the notes. In addition, the rapidly changing nature of the solar power market subjects any projections or estimates relating to the growth prospects or future condition of our market to significant uncertainties. If any one or more of the assumptions underlying the market data proves to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this prospectus and in the documents incorporated herein by reference relate only to events or information as of the date on which the statements are made in this prospectus or, in the case of statements made in documents incorporated by reference, as of the respective dates of those documents. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information and reporting requirements of the Exchange Act, under which we file periodic reports, proxy and information statements and other information with the SEC. Copies of the reports, proxy statements and other information may be examined without charge at the SEC s Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549 or on the Internet at http://www.sec.gov. Copies of all or a portion of such materials can be obtained from the Public Reference Section of the SEC upon payment of prescribed fees. Please call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room.

As a foreign private issuer, we are exempt from the rules under the Exchange Act that prescribe the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. We are not currently required under the Exchange Act to publish financial statements as frequently or as promptly as are United States companies subject to the Exchange Act. We will, however, continue to furnish our shareholders with annual reports containing audited financial statements and will issue quarterly press releases containing unaudited statements of operations data as well as such other reports as may from time to time be authorized by our board of directors or as may be otherwise required.

We have filed with the SEC a registration statement on Form F-3, including all amendments to the registration statement under the Securities Act with respect to the notes and the common issuable upon conversion of the notes covered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information regarding us and the securities offered under this prospectus, please see the registration statement and the exhibits and schedules filed with the registration statement. Statements contained in this prospectus regarding the contents of any agreement or other document filed as an exhibit to the registration statement or our other filings with the SEC are not necessarily complete, and in each instance please see the copy of the full agreement filed as an exhibit to the applicable filing. We qualify each of these statements in all respects by the reference to the full agreement.

INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, including all subsequent annual reports on Form 20-F, prior to termination of this offering. In addition we may incorporate by reference any Form 6-K subsequently submitted by us by identifying in such Form 6-K that it is being incorporated by reference into this prospectus.

Table of Contents

Our annual report on Form 20-F for the fiscal year ended December 31, 2006, filed with the SEC on May 29, 2007; and

our reports of foreign private issuer on Form 6-K filed with the SEC on March 15, 2007, April 23, 2007, May 14, 2007, June 11, 2007, August 15, 2007, October 2, 2007, October 29, 2007, November 15, 2007, November 30, 2007, December 4, 2007, December 5, 2007 and March 6, 2008.

We will provide without charge to each person to whom a copy of this prospectus is delivered, including any beneficial owner, upon the written or oral request of such person, a copy of any or all of the documents incorporated by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into the information that this prospectus incorporates). Requests should be directed to:

Canadian Solar Inc.
No. 199 Lushan Road
Suzhou New District
Suzhou, Jiangsu 215129
People s Republic of China
Attention: Investor Relations
Telephone: (86-512) 6690 8088

You should rely only on the information that we incorporate by reference or provide in this prospectus. We have not authorized anyone to provide you with different information. We are not making any offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of those documents.

Table of Contents

THE OFFERING

The summary below highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all the information that you should consider before investing in the notes. The Description of Notes section of this prospectus contains a more detailed description of the terms and conditions of the notes and shares of our common shares issuable upon conversion of the notes. As used in this section, references to Canadian Solar, the company, we, us and our refer only to Canadian Solar Inc. and do not include its direct or indirect subsidiaries.

Issuer of notes and common shares	Canadian Solar Inc.
Notes issued	US$75,000,000 principal amount of 6.0% convertible senior notes due 2017.
Maturity	December 15, 2017.
Ranking	The notes are our senior, unsecured obligations and rank equal in right of payment to all of our other unsecured and unsubordinated indebtedness. The notes are effectively subordinated in right of payment to all of our existing and future secured debt to the extent of such security and structurally subordinated to the indebtedness and other liabilities of our subsidiaries. As of September 30, 2007, we had no secured debt outstanding and our direct and indirect subsidiaries had approximately US$61.7 million of total debt outstanding on a consolidated basis.
Interest	The notes bear interest at a rate of 6.0% per annum. Interest is payable semi-annually in arrears on each June 15 and December 15 beginning on June 15, 2008.
Conversion rights	You may convert your notes prior to the close of business on the trading day before the stated maturity date. The initial conversion rate is 50.6073 common shares per US$1,000 principal amount of notes, subject to adjustment. This is equivalent to an initial conversion price of approximately US$19.76 per common share. Upon conversion you will receive our common shares for your notes. If we have obtained consent from holders, we may elect to deliver cash or a combination of cash and common shares in satisfaction of our conversion obligation. In no event will the total number of common shares to be issued upon conversion of any note exceed 56.6773 shares per $1,000 principal amount of notes, subject to adjustment. See the section entitled Description of Notes Conversion Rights for more information.
Conversion rate increase upon fundamental change	If you elect to convert your notes in connection with a fundamental change that occurs on or before December 24, 2012 as described below under the section entitled Description of Notes Adjustment to Conversion Rate upon Occurrence of a Fundamental Change, we will, to the extent

described in this prospectus, increase the conversion rate applicable to the notes.

The amount of the increase in the applicable conversion rate, if any, will be based on our common share price and the effective date of the fundamental change. A description of how the increase in the applicable conversion rate will be determined and a table showing the increase that would apply at various common share prices and

Table of Contents

	fundamental change effective dates are set forth under the section entitled Description of Notes Adjustment to Conversion Rate upon Occurrence of a Fundamental Change.
Optional redemption by us	We may redeem the notes on or after December 24, 2012 at a redemption price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest to, but excluding, the redemption date (i) in whole or in part, if the closing price for our common shares exceeds 130% of the conversion price for at least 20 trading days within a period of 30 consecutive trading days ending within five trading days of the notice of redemption, or (ii) in whole only, if at least 95% of the initial aggregate principal amount of the notes originally issued have been redeemed, converted or repurchased and, in each case, cancelled.
Purchase of notes at your option on specified dates	You may require us to repurchase the notes for cash on December 24, 2012 and December 15, 2014 at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest to, but excluding, the repurchase date.
Offer to purchase the notes on a fundamental change	We are required to make an offer to purchase your notes for cash upon a fundamental change at 100% of the principal amount of the notes, plus accrued and unpaid interest to, but excluding, the purchase date.
Additional amounts	All payments made by us or any successor to us under or with respect to the notes will be made without withholding or deduction for taxes unless we are legally required to do so, in which case, subject to certain exceptions and limitations, we will pay such additional amounts as may be necessary so that the net amount received by holders of the notes after such withholding or deduction shall equal the amount that would have been received in the absence of such withholding or deduction.
Tax redemption	In the event of certain changes to the laws governing a relevant taxing jurisdiction, we will have the option to redeem, in whole but not in part, the notes for a purchase price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest, including any additional amounts, up to, but excluding, the repurchase date. Upon our giving a notice of redemption, a holder may elect not to have its notes redeemed, in which case such holder would not be entitled to receive the additional amounts referred to in Additional Amounts above after the redemption date.
Resale registration rights	We prepared this prospectus in connection with our obligations under a registration rights agreement with respect to the resale of the notes and the common shares issuable upon conversion of the notes. We will use our reasonable best efforts to keep such shelf registration statement effective, subject to certain permitted exceptions, until the earliest of (i) December 10, 2009; (ii) the date when all registrable securities shall have been registered under the Securities Act and disposed

of; (iii) the date on which all registrable securities held by non-affiliates are eligible to be sold to the public pursuant to

	Rule 144(k) under the Securities Act; and (iv) the date on which the registrable securities cease to be outstanding.
	We will be required to pay additional interest, subject to some limitations, to the holders of the notes if we fail to comply with our obligations to register the notes and the common shares issuable upon conversion of the notes or the registration statement does not become effective within the specified time periods. See the section entitled Description of Notes Resale Registration Rights for more information.
Use of proceeds	We will not receive any proceeds from the selling securityholders sale of the notes or the common shares issuable upon conversion of the notes.
Trustee, paying agent and conversion agent	The Bank of New York.
Book-entry form	The notes have been issued in book-entry form and are represented by global certificates deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities except in limited circumstances.
Trading	Prior to this offering, the notes have been eligible for trading in the PORTAL Market[sm]. Notes sold by means of this prospectus will not remain eligible for trading in the PORTAL Market[sm]. We do not intend to list the notes for trading on any national securities exchange or on the Nasdaq National Market. Our common shares are traded on the Nasdaq Global Market under the symbol CSIQ.
Taxation	For certain United States and Canadian federal income tax consequences of the holding, disposition and conversion of the notes, and the holding and disposition of our common shares, see the section entitled Taxation.
Risk factors	You should carefully consider the information set forth in the section of this prospectus entitled Risk Factors as well as the other information included in or incorporated by reference in this prospectus before deciding whether to invest in the notes and our common shares into which the notes may be converted.
Ratio of Earnings to Fixed Charges	Our ratio of earnings to fixed charges for the years ended December 31, 2002, 2003, 2004, 2005, 2006 and the nine months ended September 30, 2007 have been set forth in the section of this prospectus entitled Ratio of Earnings to Fixed Charges.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following summary consolidated statement of operations data for the years ended December 31, 2003, 2004, 2005 and 2006 and summary consolidated balance sheet data as of December 31, 2003, 2004, 2005 and 2006 are derived from our audited consolidated financial statements, which have been audited by an independent registered public accounting firm. The auditor report on our consolidated statements of operations for the years ended December 31, 2004, 2005 and 2006 and our consolidated balance sheets as of December 31, 2005 and 2006 is incorporated by reference into this prospectus from our annual report on Form 20-F for the year ended December 31, 2006. You should read the summary consolidated financial data in conjunction with those financial statements and the related notes. Our summary consolidated statement of operations data for the year ended December 31, 2003 and our consolidated balance sheet data as of December 31, 2003 and 2004 have been derived from our audited consolidated financial statements which are not included in our annual report. Our summary consolidated statement of operations data for the year ended December 31, 2002 and our consolidated balance sheet data as of December 31, 2002 have been derived from our unaudited consolidated financial statements, which are not included in our annual report, but which have been prepared on the same basis as our audited consolidated financial statements. The summary consolidated statement of operations data for the nine months ended September 30, 2006 and 2007 and summary balance sheet data as of September 30, 2007 are derived from our unaudited condensed consolidated financial statements.

The audited financial statements are prepared and presented in accordance with U.S. GAAP. Our unaudited financial statements have been prepared on the same basis as our audited financial statements and, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. Our historical results do not necessarily indicate results expected for any future periods.

	Year Ended December 31,					For the Nine Months Ended September 30,	
	2002	**2003**	**2004**	**2005**	**2006**	**2006**	**2007**
	(in thousands of US$, except share and per share data, and operating data and percentages)						
Statement of operations data:							
Net revenues	$ 4,042	$ 4,113	$ 9,685	$ 18,324	$ 68,212	$ 43,841	$ 175,339
Cost of revenues(1)	2,628	2,372	6,465	11,211	55,872	31,601	166,172
Gross profit	1,414	1,741	3,220	7,113	12,340	12,240	9,167
Operating expenses(1)							
Selling expenses	81	39	269	158	2,909	1,676	4,560
General and administrative expenses	405	1,039	1,069	1,708	7,923	4,483	11,378
Research and development expenses(2)	7	20	41	16	398	115	677

Total operating expenses	493	1,098	1,379	1,882	11,230	6,274	16,615
Income/(loss) from operations	921	643	1,841	5,231	1,110	5,966	(7,448)
Interest expenses				(239)	(2,194)	(1,980)	(943)
Interest income		1	11	21	363	91	396
Loss on change in fair value of derivatives related to convertible Notes				(316)	(6,997)	(6,997)	
Loss on financial instruments related to convertible notes				(263)	(1,190)	(1,190)	
Other net	(3)	10	(32)	(25)	(90)	(13)	1,716
Income tax expense	(81)	(34)	(363)	(605)	(432)	(202)	77
Minority interests	(215)	(209)					
Income/(loss) before extraordinary gain	625	411	1,457	3,804	(9,430)	(4,325)	(6,202)
Extraordinary gain		350					
Net income/(loss)	625	761	1,457	3,804	(9,430)	(4,325)	(6,202)
Earnings per share, basic and diluted							
Extraordinary gain		0.02					
Net income (loss)	0.04	0.05	0.09	0.25	(0.50)	(0.25)	(0.23)

Table of Contents

	Year Ended December 31,					For the Nine Months Ende[d] September 30,	
	2002	2003	2004	2005	2006	2006	2007
	(in thousands of US$, except share and per share data, and operating data and percentages)						
s used in utation and diluted	15,427,995	15,427,995	15,427,995	15,427,995	18,986,498	17,275,330	27,279,0
r financial							
margin	35.0%	42.3%	33.2%	38.8%	18.1%	28.0%	5
ting margin	22.8%	15.6%	19.0%	28.5%	1.6%	13.6%	(4
argin	15.5%	18.5%	15.0%	20.8%	(13.8)%	(9.9)%	(3

(1) Share-based compensation expenses are included in our cost of revenues and operating costs and expenses.

(2) We also conduct research and development activities in connection with our implementation of solar power development projects. These expenditures are included in our cost of revenues.

(3) Less than one thousand.

	As of December 31,					As of September 30,
	2002	2003	2004	2005	2006	2007
	(in thousands of US$)					
Balance Sheet Data:						
Cash and cash equivalents	$ 596	$ 1,879	$ 2,059	$ 6,280	$ 40,911	$ 27,402
Restricted cash		27	27	112	825	3,357
Inventories	312	313	2,397	12,162	39,700	65,918
Accounts receivable, net	1,047	257	636	2,067	17,344	49,061
Advances to suppliers	3	81	370	4,740	13,484	18,731
Value added tax recoverable	167	142	22	815	2,281	7,926
Other current assets	51	95	150	257	2,398	2,473
Total current assets	2,176	2,794	5,661	26,433	116,943	174,868
Property, plant and equipment, net	291	244	453	932	7,910	31,688
Intangible assets					39	91
Prepaid-rental					1,103	1,178
	9	15	31	65	3,639	3,837

Deferred tax assets (non-current)						
Total assets	2,476	3,053	6,145	27,430	129,634	211,662
Short-term borrowings				1,300	3,311	51,651
Accounts payable	488	426	824	4,306	6,874	14,919
Other payable	65	398	302	892	993	5,189
Advances from suppliers and customers	113	18	273	2,823	3,225	9,496
Income tax payable	92	119	407	914	112	509
Amounts due to related parties	12	93	189	431	149	202
Embedded derivatives related to convertible notes				3,679		
Other current liabilities	61	147	761	1,022	1,191	1,330
Total current liabilities	831	1,201	2,756	15,367	15,855	83,296
Accrued warranty costs	39	79	167	341	875	2,552
Long term debt						10,003
Convertible notes				3,387		
Financial instruments related to convertible notes				1,107		
Other non-current liabilities	261	261	261	261		
Total liabilities	1,131	1,541	3,184	20,463	16,730	95,851
Total shareholders equity	1,345	1,512	2,961	6,967	112,904	115,811
Total liabilities and shareholders equity	2,476	3,053	6,145	27,430	129,634	211,662
Number of shares outstanding	15,427,995	15,427,995	15,427,995	15,427,995	27,270,000	27,290,298(4)

(4) Excluding 566,190 restricted shares, which were subject to restrictions on voting and dividend rights and transferability, as of September 30, 2007.

SUMMARY OF RECENT FINANCIAL DEVELOPMENTS

Third Quarter 2007 Financial Results

Net revenues for the third quarter 2007 were $97.4 million, including $3.8 million of silicon material sales, compared to net revenues of $17.8 million for the third quarter of 2006 and $60.4 million for the second quarter of 2007. Net revenues for the second quarter of 2007 included $2.7 million of silicon material sales. Net income for the quarter was $0.5 million, or $0.02 per diluted share, compared to net income of $0.24 million, or $0.01 per diluted share, for the third quarter of 2006 and net loss of $2.9 million, or $0.11 per diluted share, for the second quarter of 2007.

Our return to profitability was achieved through continued sales momentum, improved production yields, better inventory controls, improved cash management and stable pricing. As a result, we were able to increase our product shipments and improve our profit margins as forecast despite modest price increases in materials from some suppliers.

Results of Operations for the Nine Months Ended September 30, 2006 and 2007

Net Revenues. Our total net revenues increased 300.2% from $43.8 million for the nine months ended September 30, 2006 to $175.3 million for the nine months ended September 30, 2007. The increase was due primarily to a significant increase in net revenues generated from the sale of our solar module products from $43.8 million for the nine months ended September 30, 2006 to $166.0 million for the nine months ended September 30, 2007. However, as a percentage of total revenues, solar module product sales decreased from 99.8% to 94.7% due to an increase in silicon material sales to third party customers.

There was a significant decrease in other net revenues generated from our implementation of solar power development projects from $68,000 for the nine months ended September 30, 2006 to nil for the nine months ended September 30, 2007, primarily due to our substantial completion of the remaining milestones in the Solar Electrification for Western China project in 2005, for which a portion of revenue had been recognized in 2006 after final customer acceptance.

The volume of our solar module products sold increased from 10.9MW for the nine months ended September 30, 2006 to 45.6MW for the nine months ended September 30, 2007. The significant increase in the volume of our solar module products sold was driven by several factors, including favorable incentive programs that stimulated demand for our products in our main target markets of Germany, Spain and Italy, establishment of customer relationships with several large solar integrators in our target markets and an increase in module production capacity to fulfill this demand.

Cost of Revenues. Our cost of revenues increased 425.9% from $31.6 million for the nine months ended September 30, 2006 to $166.2 million for the nine months ended September 30, 2007. The increase in our cost of revenues was due primarily to a significant increase in the quantity of solar cells needed to produce an increased output of our standard solar modules and the rising prices of silicon feedstock and solar cells arising from the industry-wide shortage of high-purity silicon. As a percentage of our total net revenues, cost of revenues increased from 72.1% for the nine months ended September 30, 2006 to 94.8% for the nine months ended September 30, 2007, with the increase primarily due to rising prices of silicon feedstock and solar cells arising from an industry-wide shortage of high-purity silicon.

Gross Profit. As a result of the foregoing, our gross profit decreased from $12.2 million for the nine months ended September 30, 2006 to $9.2 million for the nine months ended September 30, 2007. Our gross margin decreased from 27.9% for the nine months ended September 30, 2006 to 5.2% for the nine months ended September 30, 2007. The decrease in gross margin was due primarily to the rising prices of silicon feedstock and solar cells arising from the industry-wide shortage of high-purity silicon and a decrease in average selling prices for our solar module products. We have increased our quarterly gross margin in each quarter since the fourth quarter of 2006, from 0.4% in the quarter ended December 31, 2006 to 6.5% in the quarter ended September 30, 2007. Although we have improved our gross margin through continued sales growth and effective cost controls, we cannot assure you that we will continue to do so in future periods.

Operating Expenses. Our operating expenses increased by 164.8% from $6.3 million for the nine months ended September 30, 2006 to $16.6 million for the nine months ended September 30, 2007. The increase in our operating expenses was due primarily to an increase in our general and administrative expenses and selling expenses. Operating expenses as a percentage of our total net revenue decreased from 14.3% for the nine months ended September 30, 2006 to 9.5% for the nine months ended September 30, 2007.

Selling Expenses. Our selling expenses increased from $1.7 million for the nine months ended September 30, 2006 to $4.6 million for the nine months ended September 30, 2007. Selling expenses as a percentage of our total net revenues decreased from 3.8% for the nine months ended September 30, 2006 to 2.6% for the nine months ended September 30, 2007. The increase in our selling expenses was due primarily to (i) the increase in share-based compensation expenses that we incurred in connection with our grant of share options and restricted shares to sales and marketing personnel, (ii) the increase in freight charges and export processing fees caused by our increasing use of cost, insurance and freight sales terms in the nine months ended September 30, 2007 comparing to mostly free-on-board or ex-work sales terms in the nine months ended September 30, 2006 and (iii) an increase in salaries and benefits as we hired additional sales personnel to handle our increased sales volume.

General and Administrative Expenses. Our general and administrative expenses increased by 153.8% from $4.5 million for the nine months ended September 30, 2006 to $11.4 million for the nine months ended September 30, 2007, primarily due to (i) the increase in share-based compensation expenses that we incurred in connection with our grant of share options and restricted shares to general and administrative employees and (ii) increases in salaries and benefits for our administrative and finance personnel as we hired additional personnel in connection with the growth of our business. As a percentage of our total net revenues, general and administrative expenses decreased from 10.2% for the nine months ended September 30, 2006 to 6.5% for the nine months ended September 30, 2007, primarily as a result of the greater economies of scale that we achieved in the nine months ended September 30, 2007.

Research and Development Expenses. Our research and development expenses increased significantly from $115,000 for the nine months ended September 30, 2006 to $676,672 for the nine months ended September 30, 2007, due to increased efforts in development of new products and technology improvement. We expect our expenditures for research and development efforts to increase significantly in 2008 as we undertake technology development related to future product offerings.

Share-Based Compensation Expenses. Our share-based compensation expenses in the nine months ended September 30, 2006 was $3.5 million as compared to $7.0 million in the nine months ended September 30, 2007. This increase was due to the implementation of our share-based compensation program in May 2006, thus share-based compensation expenses allocated in 2006 occurred over a shorter time period as compared to the nine months ended September 30, 2007.

Interest Expenses. We incurred interest expenses of approximately $2.0 million for the nine months ended September 30, 2006 compared to $943,625 for the nine months ended September 30, 2007. The interest expenses for the nine months ended September 30, 2006 were in connection with (i) the convertible notes that we sold to HSBC and JAFCO in November 2005 and March 2006 and which were outstanding before July 1, 2006, (ii) non-cash amortization of discount on debts in relation to the convertible notes issued to HSBC and JAFCO and (iii) interest payable for our various short-term borrowings before our initial public offering in November 2006. These convertible notes were converted on July 1, 2006. As a result of relatively low debt levels in the nine months ended September 30, 2007, our interest expenses were comparatively lower for the nine months ended September 20, 2007, compared to the same period in 2006.

Loss on Change in Fair Value of Derivatives Related to Convertible Notes. We recorded nil for the loss on change in fair value of derivatives related to convertible notes for the nine months ended September 30, 2007 compared to

$7.0 million for the nine months ended September 30, 2006. After amending the terms of our convertible notes in March 2006, we no longer incurred this charge.

Loss on Financial Instruments Related to Convertible Notes. We recorded nil for a non-cash charge for the nine months ended September 30, 2007 compared to $1.2 million for the nine months ended September 30, 2006. After

Table of Contents

issuing the second tranche convertible notes together with convertible notes issued pursuant to the investors option in March 2006, we no longer incurred this charge.

Income Tax Income (Expense). Our income tax expense was $202,430 for the nine months ended September 30, 2006, as compared to a gain of $76,786 for the nine months ended September 30, 2007, in part due to the tax benefit from the amortization of an increase in deferred tax assets associated with expenses related to our initial public offering and based on Canadian tax regulations.

Net Loss. As a result of the cumulative effect of the above factors, we recorded net loss of $6.2 million for the nine months ended September 30, 2007, as compared to a $4.3 million net loss for the nine months ended September 30, 2006.

Liquidity and Capital Resources

To date, we have financed our operations primarily through cash flows from operations, short-term borrowings, convertible note issuances, as well as equity contributions by our shareholders. We have significant working capital commitments because of the rapid growth of our standard solar module business. Additionally, some of our suppliers of silicon raw materials, including polysilicon, solar wafers and solar cells require us to make prepayments in advance of their shipment. In a long-term supply contract, customary with the current industry practice, we have agreed to make large amounts of prepayments in cash to our supplier in advance of the planned delivery with the prepayments being proportionally off-set at deliveries from the supplier during the contract term. Due to the industry-wide shortage of high-purity silicon, working capital and access to financings to allow for the purchase of silicon raw materials are critical to growing our business.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and planned commercial bank borrowings will be sufficient to meet our anticipated cash needs, including our cash needs for working capital, capital expenditures and potential acquisitions for at least the next 12 months. We may, however, require additional cash due to changing business conditions or other future developments. If our cash is insufficient to meet our requirements, we may seek to sell additional equity securities or debt securities or borrow from lending institutions. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all.

RISK FACTORS

Your investment in the notes involves a high degree of risk. You should carefully consider the risks described below as well as other information and data included in this prospectus, including in our most recent annual report on Form 20-F and the documents incorporated by reference in this prospectus, as the same may be updated from time to time by our future filings under the Securities Exchange Act of 1934, or the Exchange Act, before making an investment decision. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also adversely impact our business operations. If any of the events described in the risk factors below, or other events described in the risk factors incorporated by references occur, our business, financial condition, operating results and prospects could be materially affected and you could lose all or part of your investment.

Risks Related to Our Company and Our Industry

Evaluating our business and prospects may be difficult because of our limited operating history.

There is limited historical information available about our company upon which you can base your evaluation of our business and prospects. We began business operations in October 2001 and shipped our first solar module products in March 2002. With the rapid growth of the solar power industry, we have experienced a high growth rate since our inception and, in particular, since 2004 after we began to sell standard solar modules. As such our historical operating results may not provide a meaningful basis for evaluating our business, financial performance and prospects. We may not be able to achieve growth rates in future periods similar to those we have experienced in recent periods, and our business model at higher volumes is unproven. Accordingly, you should not rely on our results of operations for any prior periods as an indication of our future performance. You should consider our business and prospects in light of the risks, expenses and challenges that we will face as an early-stage company seeking to develop and manufacture new products in a rapidly growing market.

Our quarterly operating results may fluctuate from period to period in the future.

Our quarterly operating results may fluctuate from period to period based on a number of factors, including:

- the average selling prices of our solar modules and products;
- the availability and pricing of raw materials, particularly high-purity silicon and reclaimable silicon;
- the availability, pricing and timeliness of delivery of solar cells and wafers from our suppliers and toll manufacturers;
- the rate and cost at which we are able to expand our internal manufacturing capacity to meet customer demand and the timeliness and success of these expansion efforts;
- the impact of seasonal variations in demand linked to construction cycles and weather conditions, with purchases of solar products tending to decrease during the winter months in our key markets, such as Germany, due to adverse weather conditions that can complicate the installation of solar power systems;
- timing, availability and changes in government incentive programs and regulations, particularly in our target markets;

unpredictable volume and timing of customer orders, some of which are not fixed by contract but vary on a purchase order basis;

the loss of one or more key customers or the significant reduction or postponement of orders from these customers;

availability of financing for on-grid and off-grid solar power applications;

unplanned additional expenses such as manufacturing failures, defects or downtime;

acquisition and investment related costs;

geopolitical turmoil within any of the countries in which we operate or sell products;

foreign currency fluctuations, particularly in the Euro, U.S. Dollar and RMB;

our ability to establish and expand customer relationships;

changes in our manufacturing costs;

changes in the relative sales mix of our products;

our ability to successfully develop, introduce and sell new or enhanced solar modules and products in a timely manner, and the amount and timing of related research and development costs;

the timing of new product or technology announcements or introductions by our competitors and other developments in the competitive environment; and

increases or decreases in electric rates due to changes in fossil fuel prices or other factors.

We base our planned operating expenses in part on our expectations of future revenue, and a significant portion of our expenses will be fixed in the short-term. If revenue for a particular quarter is lower than we expect, we likely will be unable to proportionately reduce our operating expenses for that quarter, which would harm our operating results for that quarter. This may cause us to miss analysts guidance or any guidance announced by us. If we fail to meet or exceed analyst or investor expectations or our own future guidance, even by a small amount, our share price could decline, perhaps substantially.

The current industry-wide shortage of high-purity silicon may constrain our revenue growth and decrease our margins and profitability.

We produce solar modules, which are an array of interconnected solar cells encased in a weatherproof package, and products that use solar modules. High-purity silicon is an essential raw material in the production of solar cells and is also used in the semiconductor industry generally. While we do have in-house solar cell manufacturing capabilities, we continue to depend on solar cell supplies from a few producers. There is currently an industry-wide shortage of high-purity silicon because of increased demand as a result of recent expansions of, and increased demand in, the solar power and semiconductor industries. The shortage of high-purity silicon has driven the overall increase in silicon feedstock prices. For example, according to a March 2007 report by Solarbuzz, the average long-term silicon feedstock contracted price increased from approximately $28-32 per kilogram in 2004 to $60-65 per kilogram in 2007. In addition, according to Solarbuzz, prices of silicon feedstock obtained through spot purchases or short-term contracts went as high as $300 per kilogram in 2006, peaking in the third quarter of 2006 before decreasing by 10% from this peak by the first quarter of 2007. The shortage of high-purity silicon has also resulted in a shortage of, and significant price increases for, solar cells. According to Solarbuzz, the average selling price of solar cells increased from the fourth quarter of 2004 to the fourth quarter of 2005 by approximately 20% to 25%, depending on the size of the solar cells and the type of technology; mainstream multicrystalline silicon cell prices increased from the first quarter of 2006 to the first quarter of 2007 by an average of 8%, while monocrystalline silicon PV cell prices increased by a similar proportion.

The average price of silicon feedstock and solar cells remained high in 2007. Any further increase in the demand from the semiconductor industry will compound the shortage and price increases. The shortage of high-purity silicon has constrained our revenue growth in the past and may continue to do so. Increases in the prices of silicon feedstock and solar cells have in the past increased our production costs and may impact our cost of revenues and net income in the future. The production of high-purity silicon is capital intensive and adding additional capacity requires significant lead time. While we are aware that several new facilities for the manufacture of high-purity silicon are under construction, we do not believe that the supply shortage will be remedied in the very near term. We expect that demand for high-purity silicon will continue to outstrip supply for the near future. Furthermore, if we cannot fulfill our solar cell needs through internal production and obtain solar wafers and solar cells externally at commercially viable prices, this could adversely affect our margins and operating results. This would have a material negative impact on our business and operating results.

Table of Contents

If we are unable to secure an adequate and cost effective supply of solar wafers, cells or reclaimable silicon, our revenue, margins and profits could be adversely affected.

Solar cells are the most important component of solar module products. We engage in vertical integration of our supply chain to secure a sufficient and cost-effective supply of solar cells through a combination of internal solar cell component manufacturing and also our sourcing of silicon feedstock, toll manufacturing arrangements with suppliers of ingots, wafers and cells and direct purchases from solar cell suppliers. While we have been able to secure silicon to meet our production needs in the past, due to ongoing industry shortages of silicon feedstock, solar wafers and solar cells, we cannot assure you that we will be able to continue to successfully manage our supply chain and secure an adequate and cost-effective supply of solar cells. For example, we have entered into several long-term contracts with silicon raw material suppliers, but we cannot assure you that we will be able to obtain adequate supplies from them under these contracts or from other suppliers in sufficient quantities and at commercially viable prices in the future. Moreover, toll manufacturing arrangements may not be available to us in the future or at higher volumes, in particular as high-purity silicon becomes more readily available in the future, which could have an adverse effect on our margins and profitability. While we produce solar cells internally to meet a portion of our solar cell needs, we cannot guarantee you that we will be able to successfully produce enough solar cells to supplement our solar cell needs. If we are unable to procure an adequate supply of solar cells, either via contractual arrangements providing solar cells to us at commercially viable prices or through in-house production, we may be unable to meet demand for our products and could lose our customers and market share, and our margins and revenues could decline.

In addition, while we have been able to generate cost savings in the past through our recycling of reclaimable silicon, we cannot assure you that we will be able to secure sufficient reclaimable silicon at higher volumes and reasonable prices in the future as we believe there is a limited supply of reclaimable silicon available in the market and intensified competition for these materials as a result of new competitors entering the market. Recently, there has been increased scrutiny by the Chinese Customs authorities on the import of scrap silicon over a concern that the recycling process for certain types of scrap silicon may cause environmental damage if not performed in a fully licensed factory. This has created certain disruptions to our silicon reclamation business. Since December 2006, 1.2 tons of our scrap silicon has been under detention by the Chinese Customs authorities. In August 2007, following testing by Chinese Customs authorities, one-fourth of this amount was identified by them as prohibited solid waste. Although the case is still pending, if the investigation deems any portion of this scrap silicon to be prohibited solid waste, such portion of the scrap silicon will have to be returned to its point of origin and we may be assessed a fine with a penalty ranging from RMB100,000 (US$12,813.80) to RMB1 million (US$128,137.70). We are actively working with local industry groups, the Chinese Customs authorities and the Chinese Environment Protection Administration to define new procedures and regulations governing scrap silicon. These new regulations may increase the cost of reclamation and limit our ability to sustain or expand our silicon reclamation program. If we are unable to secure a sufficient supply of reclaimable silicon at reasonable prices and reclaim this silicon on a cost-efficient basis, we cannot assure you that we will be able to save cost through our reclamation program and maintain our profit margin as a result of further negative changes in the government policy.

Because the markets in which we compete are highly competitive and many of our competitors have greater resources than us, we may not be able to compete successfully and we may lose or be unable to gain market share.

We compete with a large number of competitors in the solar module market. These include international competitors such as BP Solar International Inc., or BP Solar, Sharp Solar Corporation, or Sharp Solar, SolarWorld AG, or SolarWorld, and competitors located in China such as Suntech Power Holdings Co., Ltd., Yingli Green Energy Holding Company Limited, Solarfun Power Holdings Co., Ltd. and Trina Solar Limited. We expect to face increasing competition in the future. Further, many of our competitors are developing and are currently producing products based on new solar power technologies that may ultimately have costs similar to, or lower than, our projected costs. For example, some of our competitors are developing or currently producing products based on alternative solar technologies, such as thin film photovoltaic materials, which they believe will ultimately cost the same as or less than crystalline silicon technologies, which we use. Solar modules produced using thin film materials, such as amorphous silicon and cadmium telluride, require significantly less silicon to produce than crystalline silicon solar modules, such as our products, and are less susceptible to increases in silicon costs. We may also face competition from semiconductor manufacturers, several of which have either announced plans to start or have already commenced production of solar modules. In addition, from a technological and capital investment point of view, the entry barriers are relatively low in the solar module manufacturing business given the low capital requirements and relatively little technological complexity involved. Due to the scarcity of high-purity silicon, supply chain management, access to financing and establishment of name brand recognition and a strong customer base are key entry barriers at present. However, if high-purity silicon supplies increase, some of these barriers may disappear or lessen and many new competitors may enter into the industry resulting in rapid industry fragmentation and loss of our market share.

Many of our current and potential competitors have longer operating histories, greater name recognition, access to larger customer bases and resources and significantly greater economies of scale. In addition, our competitors may have stronger relationships or may enter into exclusive relationships with some of the key distributors or system integrators to whom we sell our products. As a result, they may be able to respond more quickly to changing customer demand or to devote greater resources to the development, promotion and sales of their products than we can. The sale of our solar module products generated 97.7% and 87.6% of our net revenues in 2005 and 2006, respectively, and 94.7% for the nine months ended September 30, 2007. Our competitors with more diversified product offerings may be better positioned to withstand a decline in the demand for solar power products. Some of our competitors have also become vertically integrated, from upstream silicon wafer manufacturing to solar power system integration. It is possible that new competitors or alliances among existing competitors could emerge and rapidly acquire significant market share, which would harm our business. If we fail to compete successfully, our business would suffer and we may lose or be unable to gain market share.

In the immediate future, we believe that in order to remain competitive, we will need to continue focusing on securing silicon feedstock and solar wafers for our in-house solar cell manufacturing needs and expanding our internal production capacity, developing our in-house solar wafer manufacturing capacity, maintaining strategic relationships with a few select suppliers to fulfill our remaining solar cell and solar wafer needs and increasing our sales and marketing efforts to secure customer orders. Many of our competitors have greater access to silicon raw materials and cell supply, including stronger strategic relationships with leading global and domestic silicon feedstock suppliers, or have more significant silicon wafer and cell manufacturing capabilities. We believe that as the supply of high-purity silicon stabilizes and customers become more knowledgeable and selective, the key to competing successfully in the industry will shift to more traditional sales and marketing activities. We have conducted very limited advertising to date, focusing primarily on medium to larger sized solar power distributors and integrators in the European market in the past, and cannot assure you that we will be able to make that transition successfully. The greater name recognition of some of our competitors may make it difficult for us to compete as a result of this industry transition. In addition, the solar power market in general competes with other sources of renewable energy and conventional solar power generation. If prices for conventional and other renewable energy resources decline, or if these resources enjoy greater policy support than solar power, the solar power market could suffer.

The reduction or elimination of government subsidies and economic incentives for solar power could cause demand for our products, our revenues, profits and margins to decline.

We believe that the near-term growth of the market, particularly for on-grid applications, depends in large part on the availability and size of government subsidies and economic incentives. Because a substantial portion of our sales is made in the on-grid market, the reduction or elimination of government subsidies and economic incentives may adversely hinder the growth of this market or result in increased price competition, which could cause our revenues to decline.

Today, the cost of solar power substantially exceeds the cost of power provided by the electric utility grid in many locations. Governments around the world have used different policy initiatives to accelerate the development and adoption of solar power and other renewable energy sources. Renewable energy policies are in place in the European Union, most notably Germany and Spain, certain countries in Asia, and many of the states in Australia and the United States. Examples of customer-focused financial incentives include capital cost rebates, feed-in tariffs, tax credits and net metering and other incentives to end users, distributors, system integrators and manufacturers of solar power products to promote the use of solar power in both on-grid and off-grid applications and to reduce dependency on other forms of energy. These government economic incentives could be reduced or eliminated altogether, or governmental entities could reprioritize solar initiatives that they have launched. For example, according to Solarbuzz, plans by the Shanghai municipal government to install solar energy heating systems on 100,000 rooftops have stalled. Reductions in, or eliminations of, government subsidies and economic incentives before the solar power industry reaches a scale of economy sufficient to be cost-effective in a non-subsidized market place could result in decreased demand for our products and decrease our revenues, profits and margins.

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

The market for electricity generation products is heavily influenced by government regulations and policies concerning the electric utility industry, as well as policies promulgated by electric utilities. These regulations and policies often relate to electricity pricing and technical interconnection of customer-owned electricity generation. In a number of countries, these regulations and policies have been modified and may continue to be modified. Customer purchases of, or further investment in the research and development of, alternative energy sources, including solar power technology, could be deterred by these regulations and policies, which could result in a significant reduction in the potential demand for our products. For example, without a regulatory mandated exception for solar power systems, utility customers are often charged interconnection or standby fees for putting distributed power generation on the electric utility grid. These fees could increase the cost to our customers of using our solar module products and make them less desirable, thereby harming our business, prospects, results of operations and financial condition. In addition, pricing regulations and policies may place limits on our ability to increase the price of our solar module products in response to increases in our solar raw material costs, including solar cells. We anticipate that our products and their installation will be subject to oversight and regulation in accordance with national and local regulations relating to building codes, safety, environmental protection, utility interconnection and metering and related matters. It is difficult to track the requirements of individual jurisdictions and design products to comply with the varying standards. For example, the European Union s Restriction of Hazardous Substances Directive, which took effect in July 2006, is a general directive. Each European Union member state will adopt its own enforcement and implementation policies using the directive as a guide. Therefore, there could be many different versions of this law that we will have to comply with to maintain or expand our sales in Europe. Any new government regulations or utility policies pertaining to our solar module products may result in significant additional expenses to us and, as a result, could cause a significant reduction in demand for our solar module products. In particular, any changes to existing regulations and policies or new regulations and policies in Germany could have a material adverse effect on our business and operating results. Sales to customers located in Germany accounted for 75.3% and 56.9% of our net revenues in 2005 and 2006, respectively, and 72.8% for the nine months ended September 30, 2007, in part because of the availability and amounts of government subsidies and economic incentives in Germany.

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 revenues may not continue to increase or may even decline, and we may be unable to sustain our profitability.

The solar power market is at a relatively early stage of development, and the extent of acceptance of solar power products is uncertain. Market data on the solar power industry is not as readily available as for other more established industries where trends can be assessed more reliably from data gathered over a longer period of time. In addition, demand for solar power products in our targeted markets, including Germany, Spain, Korea, Italy and Greece, may not develop or may develop to a lesser extent than we anticipate. Many factors may affect the viability of widespread adoption of solar power technology and demand for solar power products, including:

- cost-effectiveness, performance and reliability of solar power products compared to conventional and other renewable energy sources and products;

availability of government subsidies and incentives to support the development of the solar power industry;

success of other alternative energy generation technologies, such as wind power, hydroelectric power and biomass;

fluctuations in economic and market conditions that affect the viability of conventional and other renewable energy sources, such as increases or decreases in the prices of oil and other fossil fuels;

capital expenditures by end users of solar power products, which tend to decrease when the economy slows down;

deregulation of the electric power industry and broader energy industry; and

changes in seasonal demands for our products, as illustrated by the slowdown of our sales to Germany in the fourth quarter of 2006.

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 revenues may suffer and we may be unable to sustain our profitability.

The lack or unavailability of financing for on-grid and off-grid solar power applications could cause our sales to decline.

Our solar module products are used in both on-grid applications and off-grid applications. Off-grid applications are used where access to utility networks is not economical or physically feasible. In some developing countries, government agencies and the private sector have, from time to time, provided financing on preferential terms for rural electrification programs. We believe that the availability of financing programs could have a significant effect on the level of sales of solar modules for both on-grid and off-grid applications. If existing financing programs for on-grid and off-grid applications are eliminated or if financing programs are inaccessible or inadequate, the growth of the market for on-grid and off-grid applications may be materially and adversely affected, which could cause our sales to decline. In addition, a rise in interest rates could render existing financings more expensive and present an obstacle for potential financings that would otherwise spur the growth of the solar power industry, which could materially and adversely affect our business.

Our dependence on a limited number of solar wafer, solar cell and silicon raw material suppliers could prevent us from timely delivering our products to our customers in the required quantities, which could result in order cancellations and decreased revenues.

We purchase silicon raw materials, which include polysilicon, solar wafers and solar cells, from a limited number of third-party suppliers. Our major suppliers of silicon raw materials include Luoyang Zhong Gui High Tech Co. Ltd., or Luoyang Poly, of China, which provides us with specified minimum levels of polysilicon, LDK of China, and Deutsche Solar AG, or Deutsche Solar, of Germany, which provide us specified minimum levels of solar wafers; and China Sunergy Co., Ltd., or China Sunergy, and Gintech Energy Corporation of Taiwan, or Gintech, which provides us specified minimum levels of solar cells. We have also entered into annual supply agreements with a few other overseas and domestic Chinese solar wafer and solar cell suppliers. These suppliers may not be able to meet the specified minimum levels set forth in the contracts. If we fail to develop or maintain our relationships with these or our other suppliers, we may not be able to internally produce or secure a supply of solar cells at cost-effective prices, or at all. If that were to occur, we may be unable to manufacture our products in a timely manner or our products may be manufactured only at a higher cost, and we could be prevented from delivering our products to our customers in the required quantities and at prices that are profitable. Problems of this kind could cause us to experience order cancellations and loss of market share and harm our reputation. The failure of a supplier to supply solar wafers, solar cells or silicon raw materials that meet our quality, quantity and cost requirements in a timely manner could impair our ability to manufacture our products or increase our costs, particularly if we are unable to obtain these solar wafers, solar cells or silicon raw materials from alternative sources on a timely basis or on commercially reasonable terms. For example, in late 2006, one of our major suppliers of solar wafers incurred serious fire damage with its silicon cast ingot furnaces. This resulted in a chain reaction and caused the shortage and price increase of multi-crystalline solar wafers, which is a key material for our products.

Our dependence on a limited number of customers and our lack of long-term contracts may cause significant fluctuations or declines in our revenues.

We currently sell a substantial portion of our solar module products to a limited number of customers, including distributors and system integrators, and various manufacturers who either integrate our products into their own products or sell them as part of their product portfolio. Our top five customers collectively accounted for approximately 53.4% and 84.0% of our net revenues in 2006 and for the nine months ended September 30, 2007, respectively. Each of Iliotec and Bihler contributed over 10% of our net revenues in 2006. Each of Schüco, City Solar AG and pro solar Solarstrom contributed over 10% of our net revenues for the nine months period ended September 30, 2007. Sales to our customers are typically made through one-year frame work sales agreements with quarterly firm orders stipulating prices and product amounts as adjusted or negotiated with customers. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, any one of the following events may cause material fluctuations or declines in our revenues:

- reduction, delay or cancellation of orders from one or more of our significant customers;
- loss of one or more of our significant customers and our failure to identify additional or replacement customers; and
- failure of any of our significant customers to make timely payment for our products.

Even though our top five customers have contributed to a significant portion of our revenues, we have experienced changes in our top customers. As we continue to grow our business and operations, we expect our top customers may continue to change. We cannot assure you that we will be able to develop a consistent customer base.

Cancellation of customer product orders may make us unable to recoup prepayments made to suppliers.

Suppliers of solar wafers, cells and silicon raw materials typically require us to make prepayments well in advance of shipment. While we also sometimes require our customers to make partial prepayments, there is typically a lag between the time of our prepayment for solar wafers, cells and silicon raw materials and the time that our customers make prepayments to us. As a result, the purchase of solar wafers, cells and silicon feedstock, and other silicon raw materials through toll manufacturing arrangements, has required, and will continue to require, us to make significant working capital commitments beyond that generated from our cash flows from operations to support our estimated production output. In the event our customers cancel their orders, we may not be able to recoup prepayments made to suppliers in connection with our customers orders, which could have an adverse impact on our financial condition and results of operations.

We may not be able to manage our expansion of operations effectively.

We commenced business operations in October 2001 and have since grown rapidly. We expect to continue to significantly expand our business to meet the growth in demand for our products, as well as to capture new market opportunities. To manage the potential growth of our operations, we will be required to improve our operational and financial systems and procedures and controls. Our rapid growth has strained our resources and made it difficult to maintain and update our internal procedures and controls as necessary to meet the expansion of our overall business. We must also increase production output, expand, train and manage our growing employee base, and successfully establish new subsidiaries to operate new or expanded facilities. Additionally, access to additional funds to support the expansion of our business may not always be available to us. Furthermore, our management will be required to maintain and expand our relationships with our customers, suppliers and other third parties.

We cannot assure you that our current and planned operations, personnel, systems and internal procedures and controls will be adequate to support our future growth. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures.

Table of Contents

Technological changes in the solar power industry could render our products uncompetitive or obsolete, which could reduce our market share and cause our revenues and profit to decline.

The solar power market is characterized by evolving technology standards that require improved features, such as more efficient and higher power output, improved aesthetics and smaller size. This requires us to develop new solar module products and enhancements for existing solar module products to keep pace with evolving industry standards and changing customer requirements. Technologies developed by others may prove more advantageous than ours for the commercialization of solar module products and may render our technology obsolete. Our failure to further refine our technology and develop and introduce new solar module products could cause our products to become uncompetitive or obsolete, which could reduce our market share and cause our revenues to decline. We will need to invest significant financial resources in research and development to maintain our market position, keep pace with technological advances in the solar power industry and effectively compete in the future.

If our future innovations fail to enable us to maintain or improve our competitive position, we may lose market share. If we are unable to successfully design, develop and introduce or bring to market competitive new solar module products, or enhance our existing solar module products, we may not be able to compete successfully. Competing solar power technologies may result in lower manufacturing costs or higher product performance than those expected from our solar module products. In addition, if we are unable to manage product transitions, our business and results of operations would be negatively affected.

Our future success substantially depends on our ability to significantly expand our internal solar components manufacturing capacity, which exposes us to a number of risks and uncertainties.

Our future success depends on our ability to significantly increase our internal solar components manufacturing capacity. If we are unable to do so, we may be unable to expand our business, decrease our costs per watt, maintain our competitive position and improve our profitability. Our ability to establish additional manufacturing capacity is subject to significant risks and uncertainties, including:

- the need to raise significant additional funds to purchase raw materials and to build additional manufacturing facilities, which we may be unable to obtain on commercially viable terms or at all;

- delays and cost overruns as a result of a number of factors, many of which are beyond our control, including delays in equipment delivery by vendors;

- delays or denial of required approvals by relevant government authorities;

- diversion of significant management attention and other resources; and

- failure to execute our expansion plan effectively.

If we are unable to establish or successfully operate our internal solar components manufacturing capabilities, or if we encounter any of the risks described above, we may be unable to expand our business as planned. Moreover, even if we do expand our manufacturing capacity we might not be able to generate sufficient customer demand for our solar power products to support our increased production levels.

Our business depends substantially on the continuing efforts of our executive officers, and our business may be severely disrupted if we lose their services.

Our future success depends substantially on the continued services of our executive officers, especially Dr. Shawn Qu, our chairman, president and chief executive officer, Bing Zhu, our chief financial officer, Bencheng Li, our vice president, domestic corporate development, Gregory Spanoudakis, our vice president of international sales and marketing and Robert Patterson, our vice president of corporate and product development and general manager of Canadian operations. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Therefore, our business may be severely disrupted, and we may incur additional expenses to recruit and retain new officers, in particular those with a significant mix of both international and China-based solar power industry experience as many of our current officers have. In addition, if any of our executives joins a competitor or forms a competing company, whether in violation of their agreements with us or otherwise, we may lose some of our customers.

Table of Contents

We face risks associated with the marketing, distribution and sale of our solar module products internationally. If we are unable to effectively manage these risks, they could impair our ability to expand our business abroad.

In 2005 and 2006 and for the nine months ended September 30, 2007, we sold approximately 97.2%, 79.3% and 97.8%, respectively, of our products to customers located outside of China. The marketing, distribution and sale of our solar module products in the international markets expose us to a number of risks, including:

- fluctuations in the currency exchange rates of the Euro, U.S. dollar and RMB;
- difficulty in engaging and retaining distributors and system integrators who are knowledgeable about and, can function effectively in, overseas markets;
- increased costs associated with maintaining marketing efforts in various countries;
- difficulty and cost relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer our products;
- cultural, language and logistical barriers to working with customers in different countries; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries.

Problems with product quality or product performance, including defects, in our products could damage our reputation, or result in a decrease in customers and revenue, unexpected expenses and loss of market share.

Our products may contain defects that are not detected until after they are shipped or are installed because we cannot test for all possible scenarios. These defects could cause us to incur significant costs, divert the attention of our personnel from product development efforts and significantly affect our customer relations and business reputation. If we deliver solar module products with errors or defects, or if there is a perception that our products contain errors or defects, our credibility and the market acceptance and sales of our solar module products could be harmed. In one instance in 2005 and another in 2006, customers raised concerns about the stated versus actual performance output of some of our solar modules. We determined that these concerns resulted from differences in calibration methodologies and we resolved the issue with these customers. However, the corrective actions and procedures that we took may turn out to be inadequate to prevent further incidents of the same problem or to protect against future errors or defects. As we continue to develop our internal solar cell manufacturing capabilities and expand into in-house solar ingot and solar wafer production, we may have problems standardizing product quality in these new areas of business. In addition, some of our ingot, wafer and cell suppliers with whom we have toll manufacturing arrangements previously raised concerns about the quality and consistency of the silicon feedstock, in particular the reclaimable silicon that we recycle through our silicon reclamation program for re-use in the solar power industry, that we have provided to them for their ultimate conversion into solar cells. The use of reclaimed silicon in the solar power supply chain has an inherent risk as it is difficult to maintain the consistency and quality of reclaimed silicon at the same level as high-purity silicon. The successful use of reclaimed silicon requires extensive experience, know-how and additional quality control measures from both the provider of reclaimed silicon and the toll manufacturers. If we cannot successfully maintain the consistency and quality of the reclaimed silicon from our silicon reclamation program at an acceptable level, this may result in less efficient solar cells for our solar modules or in a lower conversion ratio of solar cells per ton of silicon feedstock that we provide, and may potentially delay and reduce our supply of solar cells. This may reduce or eliminate the cost advantages of recycling silicon through our silicon reclamation program. This could also cause problems with product quality or product performance, including defects in our products, and increase the cost of producing our products.

We obtain some of the solar wafers and solar cells that we use in our products from third parties, either directly or through toll manufacturing arrangements, and we have limited control over the quality of that portion of the solar wafers and solar cells we incorporate into our solar modules. Unlike solar modules, which are subject to certain uniform international standards, solar wafers and solar cells generally do not have uniform international standards, and it is often difficult to determine whether solar module product defects are a result of the solar cells or other components or reasons. We also rely on third party suppliers for other components that we use in our products, such as glass, frame and backing for our solar modules, and electronic components for our specialty solar modules and

Table of Contents

products. Furthermore, the solar cells and other components that we purchase from third party suppliers are typically sold to us without any, or with only limited, warranty. The possibility of future product failures could cause us to incur substantial expense to repair or replace defective products. Furthermore, widespread product failures may damage our market reputation, reduce our market share and cause our revenues to decline.

Since we cannot test our products for the duration of our standard warranty periods, we may be subject to unexpected warranty expense.

Our standard solar modules are typically sold with a two-year guarantee for defects in materials and workmanship and a 10-year and 25-year warranty against declines of more than 10.0% and 20.0%, respectively, of the initial minimum power generation capacity at the time of delivery. Our specialty solar modules and products are typically sold with a one-year guarantee against defects in materials and workmanship and may, depending on the characteristics of the product, contain a limited warranty of up to ten years, against declines of the minimum power generation capacity specified at the time of delivery. We believe our warranty periods are consistent with industry practice. Due to the long warranty period, we bear the risk of extensive warranty claims long after we have shipped our products and recognized revenue. We began selling specialty solar modules and products in 2002 and only began selling standard solar modules in 2004. Any increase in the defect rate of our products would cause us to increase the amount of warranty reserves and have a corresponding negative impact on our operating results. Although we conduct quality testing and inspection of our solar module products, our solar module products have not been and cannot be tested in an environment simulating the up to 25-year warranty periods. As a result, we may be subject to unexpected warranty expense and associated harm to our financial results as long as 25 years after the sale of our products.

Our future growth depends in part on our ability to make strategic acquisitions and investments and to establish and maintain strategic relationships, and our failure to do so could have a material adverse effect on our market penetration and revenue growth.

The solar power industry has only recently emerged as a high growth market and is currently experiencing shortages of its key component, high-purity silicon, due to rapid industry growth and demand. We believe it is critical that we continue to manage upstream silicon supply sources by, among other strategies, continuing to pursue strategic acquisitions and investments in solar cell and silicon raw materials suppliers to secure a guaranteed supply and better control the specifications and quality of the materials delivered and fostering strategic relationships, particularly with silicon feedstock suppliers, as we continue to develop our in-house solar component manufacturing abilities, and partnerships with solar wafer and solar cell suppliers. We cannot assure you, however, that we will be able to successfully make such strategic acquisitions and investments or establish strategic relationships with third parties that will prove to be effective for our business. Our inability in this regard could have a material adverse effect on our market penetration, our revenue growth and our profitability.

Strategic acquisitions, investments and relationships with third parties could subject us to a number of risks, including risks associated with sharing proprietary information and loss of control of operations that are material to our business. Moreover, strategic acquisitions, investments and relationships may be expensive to implement and subject us to the risk of non-performance by a counterparty, which may in turn lead to monetary losses that materially and adversely affect our business.

We may not succeed in developing and maintaining a cost-effective solar cell manufacturing capability.

We plan to continue expanding our in-house solar cell manufacturing capabilities to support our core solar module manufacturing business. We completed installation of our first four solar cell production lines in 2007, and expect the annual solar cell production capacity from these production lines to reach 100MW by the end of 2007. However, we only have limited and recent operating experience in this area and we will face significant challenges in the solar cell business. Manufacturing solar cells is a highly complex process and we may not be able to produce solar cells of sufficient quality to meet our solar module manufacturing standards. Minor deviations in the manufacturing process can cause substantial decreases in yield and in some cases cause production to be suspended or yield no output. We will need to make capital expenditures to purchase manufacturing equipment for solar cell production and will also need to make significant investments in research and development to keep pace with technological advances in solar power technology. The technologies, designs and customer preferences for solar cells change more rapidly, and solar cell product life cycles are shorter than those for solar modules. We may not be able to successfully address these new challenges. We will also face increased costs to comply with environmental laws and regulations. Any failure to successfully develop and maintain cost-effective solar cell manufacturing capability may have a material adverse effect on our business and prospects.

In addition, although we intend to continue direct purchasing of solar cells and our toll manufacturing arrangements through a limited number of strategic partners, if we engage in the large scale production of solar cells it may disrupt our existing relationships with solar cell suppliers. One of our suppliers has raised concerns with us over our decision to implement internal solar cell product capabilities. If solar cell suppliers discontinue or reduce the supply of solar cells to us, either through direct sales or through toll manufacturing arrangements, and we are not able to compensate for the loss or reduction with our own manufacturing of solar cells, our business and results of operations may be materially and adversely affected.

We may experience difficulty in developing our internal production capabilities for ingots and wafers and, if developed, in achieving acceptable yields and product performance as a result of manufacturing problems.

We are in the process of developing our internal production capabilities for the manufacture of silicon ingots and wafers. We do not have prior operational experience in ingot and wafer production and will face significant challenges in developing this line of business, and may not be successful in doing so. The technology is complex, and will require costly equipment and the hiring of highly skilled personnel to implement. In addition, we may experience delays in developing these capabilities and in obtaining governmental permits required to carry on these operations.

If we are able to successfully develop these production capabilities, we will need to continuously enhance and modify these capabilities in an effort to improve yields and product performance. Microscopic impurities such as dust and other contaminants, difficulties in the manufacturing process, disruptions in the supply of utilities or defects in the key materials and tools used to manufacture wafers can cause a percentage of the wafers to be rejected, which in each case, negatively affects our yields. We may experience production difficulties that cause manufacturing delays and lower than expected yields.

Problems in our facilities may limit our ability to manufacture products, including but not limited to, production failures, construction delays, human errors, equipment malfunction or process contamination, which could seriously harm our operations. We may also experience floods, droughts, power losses and similar events beyond our control that would affect our facilities. A disruption to any step of the manufacturing process will require us to repeat each step and recycle the silicon debris, thus adversely affecting our yields.

We may fail to successfully bring to market our new specialty solar modules and products, which may prevent us from achieving increased sales, margins and market share.

We expect to continue to derive part of our revenues from sales of our new specialty solar modules and products and will increase our research and development expenses in connection with developing these products. If we fail to successfully develop our new specialty solar modules and products, we will likely be unable to recover the expenses that we will incur to develop these products and may be unable to increase our sales and market share and to increase our margins. Many of our new specialty solar modules and products have yet to receive market acceptance, and it is difficult to predict whether we will be successful in completing their development or whether they will be commercially successful. We may also need to develop new manufacturing processes that have yet to be tested and which may result in lower production output.

Our failure to protect our intellectual property rights in connection with new specialty solar modules and products may undermine our competitive position.

As we develop and bring to market new specialty solar modules and products, we may need to increase our expenses to protect our intellectual property and our failure to protect our intellectual property rights may undermine our competitive position. We currently use contractual arrangements with employees and trade secret protections to protect our intellectual property. Nevertheless, these afford only limited protection and the actions we take to protect our intellectual property rights as we develop new specialty solar modules and products may not be adequate. We currently have only three patents and five patent applications pending in China for products that make up a relatively small percentage of our net revenues and two trademark applications pending in China. Policing unauthorized use of proprietary technology can be difficult and expensive. Also, litigation, which can be costly and divert management attention, may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others.

We may be exposed to infringement, misappropriation or other claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards.

Our success depends on our ability to use and develop our technology and know-how and sell our solar module products without infringing the intellectual property or other rights of third parties. We do not have, and have not applied for, any patents for our proprietary technologies outside China, although we have sold, and expect to continue to sell, a substantial portion of our products outside China. The validity and scope of claims relating to solar power technology patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. In addition, we have not yet registered our trade name, CSI, outside of China, and our trademark application in China is still pending. As a result, we could be subject to trademark disputes and may not be able to police the unauthorized use of our trade name. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. Additionally, we use imported equipment in our production lines, without supplier guarantees that our use does not infringe on third party intellectual property rights in China. This creates a potential source of litigation or infringement claims arising from such use. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation.

In addition, our competitors and other third parties may initiate legal proceedings against us or our employees that may strain our resources, divert our management attention and damage our reputation. For example, in March 2002, ICP Global Technologies Inc., or ICP Global, a manufacturer of solar power products, filed an action in the Superior Court of the Province of Quebec, Canada (Action No. 500-05 071241-028) against our vice president of international sales and marketing, Gregory Spanoudakis, and ATS Automation Tooling Systems Inc., or ATS. ICP Global subsequently amended the complaint to include us, our subsidiary, CSI Solartronics, and our chairman and chief executive officer, Dr. Shawn Qu, as defendants. The amended complaint contends that all of the defendants jointly engaged in unlawful conduct and unfair competition in directing a business opportunity away from ICP Global to us. Although there have been no meaningful discovery, court filings or communications from the plaintiff on this matter since early 2004, we cannot assure you that ICP Global will not move forward with this case or that the litigation will not be determined adversely to us. We also cannot assure you that similar proceedings will not occur in the future.

We rely on dividends paid by our subsidiaries for our cash needs.

We conduct significantly all of our operations through our subsidiaries, CSI Solartronics (Changshu) Co., Ltd., CSI Solar Manufacture Inc., CSI Solar Technologies Inc., CSI Central Solar Power Co., Ltd., CSI Cells Co., Ltd. and Changshu CSI Advanced Solar Inc., which are companies established in China. We rely on dividends paid by these subsidiaries for our cash needs, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities organized in China is subject to limitations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. These subsidiaries are also required to set aside at least 10.0% of their after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reach 50.0% of its registered capital. These reserves are not distributable as cash dividends. In addition, if any of these subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

If we are unable to attract, train and retain technical personnel, our business may be materially and adversely affected.

Our future success depends, to a significant extent, on our ability to attract, train and retain technical personnel. Recruiting and retaining capable personnel, particularly those with expertise in the solar power industry, are vital to our success. There is substantial competition for qualified technical personnel, and there can be no assurance that we will be able to attract or retain our technical personnel. If we are unable to attract and retain qualified employees, our business may be materially and adversely affected.

Fluctuations in exchange rates could adversely affect our business.

Historically, a major portion of our sales were denominated in Euros, with the remainder in Renminbi and U.S. dollars. A major portion of our costs and expenses is denominated in U.S. dollars and Renminbi. Our Renminbi costs and expenses primarily related to domestic sourcing of solar cells, wafers, silicon and other raw materials, toll manufacturing fees, labor costs and local overhead expenses. From time to time, we also have loan arrangements with Chinese commercial banks that are denominated in U.S. dollars and Renminbi. Therefore, fluctuations in currency exchange rates could have a material adverse effect on our financial condition and results of operations. Fluctuations in exchange rates, particularly among the U.S. dollar, Renminbi and Euro, affect our gross and net profit margins and could result in fluctuations in foreign exchange and operating gains and losses. We cannot predict the impact of future exchange rate fluctuations on our results of operations and we may incur net foreign currency losses in the future.

Product liability claims against us could result in adverse publicity and potentially significant monetary damages.

As with other solar module product manufacturers, we are exposed to risks associated with product liability claims if the use of our solar module products results in injury. Since our products generate electricity, it is possible that users could be injured or killed by our products as a result of product malfunctions, defects, improper installation or other causes. We only shipped our first products in March 2002 and, because of our limited operating history, we cannot predict whether product liability claims will be brought against us in the future or the effect of any resulting negative publicity on our business. Although we carry limited product liability insurance, we may not have adequate resources to satisfy a judgment if a successful claim is brought against us. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. Even if the product liability claims against us are determined in our favor, we may suffer significant damage to our reputation.

Our founder, Dr. Shawn Qu, has substantial influence over our company and his interests may not be aligned with the interests of our other shareholders.

As of February 14, 2008, Dr. Shawn Qu, our founder, chairman and chief executive officer, beneficially owned 50.0% of our outstanding share capital comprised of 27,320,389 common shares, excluding restricted shares granted but yet to be vested and subject to restrictions on voting and dividend rights and transferability. As such, Dr. Qu has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our common shares. These actions may be taken even if they are opposed by our other shareholders.

28

Table of Contents

Compliance with environmental regulations can be expensive, and noncompliance with these regulations may result in adverse publicity and potentially significant monetary damages, fines and suspensions of our business operations.

We are required to comply with all national and local regulations regarding protection of the environment. As we expand our silicon reclamation program and research and development activities and move into solar ingot, solar wafer and solar cell manufacturing, we have begun to generate material levels of noise, waste water, gaseous wastes and other industrial wastes in the course of our business operations. Additionally, as we expand our internal solar components production capacity, our risk of facility incidents with a potential environmental impact also increases.

Except for a failure to obtain certain approvals prior to starting production as disclosed in Risks Related to Doing Business in China We may face a potential risk for failing to comply with certain PRC legal requirements, we believe that we are in compliance with present environmental protection requirements and have all necessary environmental permits to conduct our business as it is presently conducted. However, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. For example, we increased our expenditures to comply with the European Union s Restriction of Hazardous Substances Directive, which took effect in July 2006, by reducing the amount of lead and other restricted substances used in our solar module products. Furthermore, we may need to comply with the European Union s Waste Electrical and Electronic Equipment Directive if we begin to sell specialty solar modules and products to customers located in Europe or if our customers located in other markets demand that our products be compliant.

If we fail to comply with present or future environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. For instance, the Chinese Customs have recently increased their scrutiny on the import of scrap silicon over a concern that the recycling process for certain types of scrap silicon may cause environmental damage if not performed in a fully licensed factory and have subjected certain importations of recyclable silicon by some China-based companies, including us. See the section entitled If we are unable to secure an adequate and cost effective supply of solar wafers, cells or reclaimable silicon, our revenue, margins and profits could be adversely affected. Any failure by us to control the use of, or to restrict adequately the discharge of, hazardous substances could subject us to potentially significant monetary damages and fines or suspensions of our business operations.

We may not be successful in establishing our brand names among all consumers in important markets and the products we sell under our brand name may compete with the products we manufacture on an OEM basis for our customers.

We sell our products primarily under our own brand name and also on an OEM basis for our customers. In certain markets our brand may not be as prominent as other more established solar power vendors, and there can be no assurance that the CSI brand name or any of our potential future brand names, will gain acceptance among customers. Moreover, because the range of products we sell under our own brands and those we manufacture for our customers may be substantially similar, there can be no assurance that, currently or in the future, there will not be direct or indirect competition between products sold under the CSI brand, or any of our other potential future brands, and products that we manufacture on an OEM basis. This could negatively affect our relationship with these customers.

If we grant employee share options, restricted shares or other share-based compensation in the future, our net income could be adversely affected.

We adopted a share incentive plan in 2006. As of November 26, 2007, we had issued 1,725,321 share options and 566,190 restricted shares under our share incentive plan. In December 2004, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 123R, Share-Based Payment.

This statement, which became effective in our first quarter of 2006, will prescribe how we account for share-based compensation, and may have an adverse or negative impact on our results of operations or the price of our common shares. SFAS No. 123R requires us to recognize share-based compensation as compensation expense in the statement of operations based on the fair value of equity awards on the date of the grant, with the compensation expense recognized over the period in which the recipient is required to provide service in exchange

Table of Contents

for the equity award. This statement also requires us to adopt a fair value-based method for measuring the compensation expense related to share-based compensation. The additional expenses associated with share-based compensation may reduce the attractiveness of issuing share options or restricted shares under our share incentive plan. However, if we do not grant share options or restricted shares, or reduce the number of share options or restricted shares that we grant, we may not be able to attract and retain key personnel. If we grant more share options or restricted shares to attract and retain key personnel, the expenses associated with share-based compensation may adversely affect our net income.

There have been historical deficiencies with our internal controls and there remain areas of our internal and disclosure controls that require improvement. If we fail to maintain an effective system of internal controls, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our common shares may be adversely impacted.

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring every public company to include a management report on such company s internal controls over financial reporting in the company s annual report, which contains management s assessment of the effectiveness of the company s internal controls over financial reporting. In addition, an independent registered public accounting firm must attest to and report on management s assessment of the effectiveness of the company s internal controls over financial reporting. These requirements will first apply to our annual report on Form 20-F for the fiscal year ending on December 31, 2007. Our management may conclude that our internal controls over our financial reporting are not effective. Moreover, even if our management concludes that our internal controls over financial reporting is effective, our independent registered public accounting firm may still decline to attest to our management s assessment or may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems in the foreseeable future.

Prior to our initial public offering, we were a private company of limited operating history with limited accounting and other resources with which to adequately address our internal controls and procedures. As a result, in our past audits, our auditors had identified material weaknesses and deficiencies with our internal controls. In our audit for the fiscal year ended December 31, 2006, our auditors observed a number of weaknesses and deficiencies with respect to our internal controls under the standards established by the Public Company Accounting Oversight Board. The material weaknesses identified by our independent registered public accounting firm include (i) insufficient accounting resources to properly identify adjustments, analyze transactions and prepare financial statements in accordance with U.S. GAAP, and (ii) a lack of formal accounting policies and procedures for U.S. GAAP to ensure that our accounting policies and procedures are appropriately or consistently applied. Following the identification of these material weaknesses and other deficiencies, we have undertaken remedial steps and plan to continue to take additional remedial steps to address these material weaknesses and deficiencies and to further improve our internal and disclosure controls, including hiring additional staff, training our new and existing staff and installing new enterprise resource planning, or ERP systems, in order to build up a unified and integrated database of our company. In addition, since the beginning of 2007, we have engaged an advisory firm to advise us about complying with requirements of the Sarbanes-Oxley Act, and have hired an individual experienced in handling compliance with the requirements of Sarbanes-Oxley Act. However, if we are unable to remedy the existing material weaknesses and deficiencies in our internal and disclosure controls and procedures, or if we fail to maintain an effective system of internal and disclosure controls in the future, we may be unable to accurately report our financial results or prevent fraud and as a result, investor confidence and the market price of our common shares may be adversely impacted. Furthermore, we anticipate that we will incur considerable costs and devote significant management time and efforts and other resources to comply with Section 404 of the Sarbanes Oxley Act.

30

Table of Contents

Risks Related to Doing Business in China

Uncertainties with respect to the Chinese legal system could have a material adverse effect on us.

We conduct substantially all of our manufacturing operations through our subsidiaries in China. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Fluctuation in the value of the Renminbi may have a material adverse effect on your investment.

The change in value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in China s political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 5.7% appreciation of Renminbi against the U.S. dollar between July 21, 2005 and December 31, 2006. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar. As a portion of our costs and expenses is denominated in Renminbi, the revaluation in July 2005 and potential future revaluation has and could further increase our costs in U.S. dollar terms. In addition, as we rely entirely on dividends paid to us by our operating subsidiaries in China, any significant revaluation of the Renminbi may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on, our common shares. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our common shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.

Certain portions of our revenue and expenses are denominated in Renminbi. If our revenues denominated in Renminbi increase or expenses denominated in Renminbi decrease in the future, we may need to convert a portion of our revenues into other currencies to meet our foreign currency obligations, including, among others, payment of dividends declared, if any, in respect of our common shares. Under China s existing foreign exchange regulations, our PRC subsidiaries are able to pay dividends in foreign currencies, without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take further measures in the future to restrict access to foreign currencies for current account transactions.

Foreign exchange transactions by our PRC subsidiaries under most capital accounts continue to be subject to significant foreign exchange controls and require the approval of PRC governmental authorities. In particular, if we finance our PRC subsidiaries by means of additional capital contributions, these capital contributions must be approved by certain government authorities including the Ministry of Commerce or its local counterparts. These limitations could affect the ability of our PRC subsidiaries to obtain foreign exchange through equity financing.

We may face a potential risk for failing to comply with certain PRC legal requirements.

We are required to comply with the PRC Environmental Protection Law. For example, some of our subsidiaries, such as CSI Luoyang and CSI Cells, are required to have their manufacturing facilities examined and approved by

Table of Contents

the PRC Environmental Protection Agency prior to the start of production. However, due to discrepancies between interpretation of the written law and its application to date, both CSI Luoyang and CSI Cells began production earlier this year without obtaining such approvals. As a result, there is a risk that we may be ordered by the relevant environmental protection administration to cease manufacturing at these operations and face fines. We are currently negotiating with the relevant authorities to complete the examination and obtain the requisite approvals. We will need to undergo similar reviews and obtain approvals prior to launching our solar wafer manufacturing operations. There can be no assurance that we will obtain the necessary approvals for our manufacturing operations in a timely manner, if at all.

Also, some registration certificates of the PRC subsidiaries have expired or have not been updated with current subsidiary registration information, which may result in administrative fines. We are currently conducting efforts to renew and update these certificates with the relevant governmental authorities and are hopeful of obtaining the renewed and updated certificates in a timely manner.

In addition, we adopted a share incentive plan in 2006 that grants employees, including some of our PRC employees, share options and restricted shares. However, we have not yet filed our share incentive plan with SAFE as required by the Implementation Rule of the Individual Foreign Exchange Administrative Measures (SAFE Rules). Since the SAFE Rules were only adopted in February 2007, there is some uncertainty as to how they will be interpreted and implemented. If SAFE subsequently determines that we were required to obtain its approval before allowing our PRC employees to participate in our share incentive plan, this could have an adverse effect on our ability to grant our PRC employees share options and restricted shares.

Our business benefits from certain PRC government incentives. Expiration of, or changes to, these incentives could have a material adverse effect on our operating results.

Under current PRC laws and regulations, a foreign invested enterprise, or FIE, in China is typically subject to enterprise income tax, or EIT, at the rate of 30% on taxable income, and local income tax at the rate of 3% on taxable income. The PRC government has provided various incentives to FIEs, including each of our PRC subsidiaries, to encourage the development of foreign investments. Such incentives include reduced tax rates and other measures. FIEs that are determined by PRC tax authorities to be manufacturing companies with authorized terms of operation more than ten years, are eligible for: (i) a two-year exemption from EIT from their first profitable year; and (ii) a 50% reduction in its applicable EIT rate in the succeeding three years. CSI Solartronics is entitled to a preferential EIT rate of 24%, as it is a manufacturing enterprise located in a coastal economic development zone in Changshu. CSI Solartronics first profitable year was 2002 and its initial EIT preferential period ended in 2006. However, CSI Solartronics has been granted a three year extension for the 50% reduction in its EIT rate by Changshu tax authority. Thus, CSI Solartronics is currently subject to an EIT rate of 12%. CSI Solar Manufacturing is entitled to a preferential EIT rate of 15%. CSI Solar Manufacturing s first profitable year was 2005 and it was exempt from EIT until 2006. It is now subject to an EIT rate of 7.5% until 2009. CSI Luoyang and CSI Cells became profitable in 2007. As such, both CSI Luoyang and CSI Cells are exempted from EIT until 2008 and will enjoy a 50% reduction in their applicable EIT rates from 2009 to 2011. CSI Solar Technologies and CSI Advanced are not currently profitable and have therefore not applied for preferential tax treatment. If these subsidiaries turn profitable, they will apply for preferential tax rates and tax holidays. However, with the new PRC EIT law becoming effective on January 1, 2008, a foreign-invested enterprise which has yet to enjoy preferential treatment due to lack of profitability, commencement of the preferential five-year tax holiday will coincide with the year the new EIT law comes into effect, i.e. January 1, 2008. As these tax benefits expire, the effective tax rate of our PRC subsidiaries may increase significantly, and any increase of their EIT rates in the future could have a material adverse effect on our financial condition and results of operations.

In addition, the National People s Congress, the Chinese legislature, passed a new enterprise income tax law, which is scheduled to take effect on January 1, 2008. The new law applies a uniform 25% enterprise income tax rate to both foreign invested enterprises and domestic enterprises. An enterprise registered under the laws of a jurisdiction outside China may be deemed a Chinese tax resident if its place of effective management is in China and it will consequently be subject to the EIT upon its worldwide income. Existing companies are required to transition to the new EIT rate over a five year period starting January 1, 2008. The PRC State Council has recently promulgated detailed implementation rules for the new Enterprise Income Tax Law. Because the tax law and related implementation rules are newly executed, there is uncertainty as to how they will be interpreted and implemented. Although we are carefully monitoring these legal developments and will timely adjust our effective income tax rate when necessary, we cannot assure you that the new Enterprise Income Tax Law will not cause increases in the EIT rates applicable to our PRC subsidiaries, which could have a material adverse effect on our financial condition and results of operations.

Subject to the interpretation of the new enterprise income tax law and its implementation rules, if we are deemed to be a non-PRC tax resident following the implementation of the new Enterprise Income Tax Law, we may be subject to an EIT rate of 10% on the dividends paid to us by our subsidiaries. However, as the PRC has not promulgated further guidance on the applicability of the new law or its related implementation rules, there is uncertainty as to how it will be applied and affect us.

There may be some uncertainty surrounding a recently adopted PRC regulation that requires certain offshore listings to be approved by the China Securities Regulatory Commission.

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or CSRC, promulgated a regulation that took effect on September 8, 2006. This regulation, among other things, requires offshore special purpose vehicles, or SPVs, formed for listing purposes through acquisitions of PRC domestic companies and controlled by Chinese domestic companies or PRC individuals to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval. We believe, based on the advice of our PRC counsel, that this regulation does not apply to us and that CSRC approval is not required because we are not an SPV covered by the new regulation as we are owned and controlled by non-PRC individuals and entities, and all our PRC subsidiaries are foreign-funded and have been incorporated through our direct investment instead of acquisition. However, since the regulation has been adopted only for a few months, there may be some uncertainty as to how this regulation will be interpreted or implemented. If the CSRC or other PRC regulatory body subsequently determines that we needed to obtain the CSRC s approval for our initial public offering in November 2006, we may face sanctions by the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our common shares. In the future, we may grow our business in part by directly acquiring complementary businesses. Complying with the requirements of the new regulations and any other PRC laws to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the PRC regulatory agencies, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We face risks related to health epidemics and other outbreaks.

Our business could be adversely affected by the effects of avian flu or another epidemic or outbreak. From 2005 to 2007, there have been reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. Any prolonged recurrence of avian flu or other adverse public health developments in China may have a material adverse effect on our business operations. These could include our ability to travel or ship our products outside of China, as well as temporary closure of our manufacturing facilities. Such closures or travel or shipment restrictions would severely disrupt our business operations and adversely affect our results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu or any other epidemic.

Risks Related to Our Common Shares

The market price for our common shares may be volatile.

The market price for our common shares has been and may continue to be highly volatile and subject to wide fluctuations during the period from November 9, 2006, the first day on which our common shares were listed on the Nasdaq Global Market, until March 26, 2008, the trading prices of our common shares ranged from $6.50 to

Table of Contents

$31.44 per share and the closing sale price on March 26, 2008 was $21.71 per share. The market price for our common shares may continue to be volatile and subject to wide fluctuations in response to factors including the following:

- announcements of technological or competitive developments;
- regulatory developments in our target markets affecting us, our customers or our competitors;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of other solar power companies;
- addition or departure of our executive officers and key research personnel;
- announcements regarding patent litigation or the issuance of patents to us or our competitors;
- fluctuations in the exchange rates between the U.S. dollar, the Euro and RMB;
- release or expiry of lock-up or other transfer restrictions on our outstanding common shares; and
- sales or perceived sales of additional common shares.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our common shares.

Substantial future sales or perceived sales of our common shares in the public market could cause the price of our common shares to decline.

Sales of our common shares in the public market, or the perception that these sales could occur, could cause the market price of our common shares to decline. As of February 14, 2008, we had 27,320,389 common shares outstanding, excluding restricted shares granted but yet to be vested and subject to restrictions on voting and dividend rights and transferability. In addition, the common shares outstanding will increase and be available for sale when certain option holders receive our common shares if they exercise their share options upon vesting, subject to volume, holding period and other restrictions as applicable under Rule 144 and Rule 701 under the Securities Act. To the extent these shares are sold into the market, the market price of our common shares could decline.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

Our articles of continuance contain anti-takeover provisions that could adversely affect the rights of holders of our common shares.

We adopted an amendment to our articles of continuance that became effective immediately upon the closing of our initial public offering. We have included certain provisions in our amended articles of continuance that would limit the ability of others to acquire control of our company, and deprive our shareholders of the opportunity to sell their shares at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

Table of Contents

We have included the following provisions in our amended articles of continuance that may have the effect of delaying or preventing a change of control of our company:

Our board of directors has the authority, without approval by the shareholders, to issue an unlimited number of preferred shares in one or more series. Our board of directors may establish the number of shares to be included in each such series and may fix the designations, preferences, powers and other rights of the shares of a series of preferred shares.

Our board of directors shall fix and may change the number of directors within the minimum and maximum number of directors provided for in our articles. Our board of directors may appoint one or more additional directors, who shall hold office for a term expiring no later than the close of the next annual meeting of shareholders, subject to the limitation that the total number of directors so appointed may not exceed one-third of the number of directors elected at the previous annual meeting of shareholders.

You may have difficulty enforcing judgments obtained against us.

We are a corporation organized under the laws of Canada and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted in the PRC. In addition, most of our directors and officers, are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts, judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are located outside of the United States. In addition, we have been advised by our Canadian counsel that a monetary judgment of a U.S. court predicated solely upon the civil liability provisions of U.S. federal securities laws would likely be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. We cannot assure you that this will be the case. It is unlikely that an action could be brought in Canada in the first instance for civil liability under U.S. federal securities laws. There is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, it is uncertain whether such PRC courts would be competent to hear original actions brought in the PRC against us or such persons predicated upon the securities laws of the United States or any state.

We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. holders of our notes or common shares.

Based on the market price of our common shares and the composition of our income and assets and our operations, we believe we were not a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our taxable year ended December 31, 2007. However, we must make a separate determination each year as to whether we are a PFIC (after the close of each taxable year). Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year or any future taxable year. A non-U.S. corporation will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets is attributable to assets that produce or are held for the production of passive income. The market value of our assets is generally determined by reference to the market price of our common shares, which may fluctuate considerably. If we were treated as a PFIC for any taxable year during which a U.S. person held a note or common share, certain adverse U.S. federal income tax consequences could apply to such U.S. person. See the section entitled Taxation Certain U.S. Federal Income Tax Considerations Passive Foreign Investment Company.

We incur increased costs as a result of being a public company.

As a public company, we incur a significantly higher level of legal, accounting and other expenses than we did as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by SEC, and the Nasdaq Global Market, have required changes in corporate governance practices of public companies.

We expect these new rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

Risks Related to the Notes

The notes are unsecured, are effectively subordinated to all of our existing and future secured indebtedness and are structurally subordinated to all liabilities of our subsidiaries, including trade payables.

The notes are unsecured, are effectively subordinated to all of our existing and future secured indebtedness, to the extent of the assets securing such indebtedness, and are structurally subordinated to all liabilities of our subsidiaries, including trade payables. The notes rank equally with all our existing and future unsecured, unsubordinated debt, and senior to all our future subordinated debt. The notes rank junior to all our existing and future secured debt to the extent of the collateral securing such debt and are effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. As of September 30, 2007, we had:

$15.3 million of unsecured, unsubordinated indebtedness outstanding equal in right of payment to the notes;

no secured indebtedness outstanding effectively senior in right of payment to the notes to the extent of the collateral securing such indebtedness; and

no subordinated indebtedness.

As of September 30, 2007, our subsidiaries had liabilities (including trade and other payables but excluding intercompany indebtedness) outstanding in an amount of $80.6 million, which is structurally senior to the notes. The indenture for the notes does not restrict us or our subsidiaries from incurring additional debt or other liabilities. Our subsidiaries will not guarantee any of our obligations under the notes.

We expect from time to time to incur additional indebtedness and other liabilities and to refinance our existing indebtedness. The indenture pursuant to which the notes are issued does not limit the amount of indebtedness that we or any of our subsidiaries may incur. In the event of our insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, we may not have sufficient assets to pay amounts due on any or all of the notes then outstanding. See the section entitled Description of Notes General.

Our holding company structure makes us dependent on cash flow from our subsidiaries to meet our obligations.

Most of our operations are conducted through, and most of our assets are held by, our subsidiaries; therefore, we are dependent on the cash flow of our subsidiaries to meet our debt obligations, including our obligations under the notes. Our subsidiaries are separate legal entities that have no obligation to pay any amounts due under the notes or the guarantee or to make any funds available for that purpose, whether by dividends, loans or other payments. The ability of our subsidiaries to pay dividends or otherwise transfer assets to us is subject to various restrictions, including restrictions under applicable law.

None of our subsidiaries has guaranteed or otherwise become obligated with respect to the notes. Our right to receive assets from and of our subsidiaries upon its liquidation or reorganization, and the right of holders of the notes to participate in those assets, is structurally subordinated to claims of that subsidiary s creditors, including trade creditors. Even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of that subsidiary and any indebtedness of that subsidiary senior to that held by us. Furthermore, none of our subsidiaries is under any obligation to make payments to us, and any payments to us would depend on the earnings or financial condition of our subsidiaries and various business considerations. Statutory, contractual or other restrictions may also limit our subsidiaries ability to pay dividends or make distributions, loans or advances to us. For these reasons, we may not have access to any assets or cash flows of our subsidiaries to make payments on the notes.

Table of Contents

There are no restrictive covenants in the indenture for the notes relating to our ability to incur future indebtedness or complete other transactions.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness, transactions with affiliates, incurrence of liens or the issuance or repurchase of securities by us or any of our subsidiaries. We therefore may incur additional debt, including secured indebtedness that would be effectively senior to the notes to the extent of the value of the assets securing such debt, or indebtedness at the subsidiary level to which the notes would be structurally subordinated. We cannot assure you that we will be able to generate sufficient cash flow to pay the interest on our debt, including the notes offered hereby, or that future working capital, borrowings or equity financing will be available to pay or refinance any such debt.

The make whole premium that may be payable upon conversion in connection with certain fundamental changes may not adequately compensate you for the lost option time value of your notes as a result of such fundamental change.

If you convert notes in connection with certain fundamental changes that occur prior to December 24, 2012, we may be required to increase the conversion rate for notes so surrendered for conversion, as described under the section entitled Description of Notes Adjustment to Conversion Rate upon Occurrence of a Fundamental Change. While these increases in the applicable conversion rate are designed to compensate you for the lost option time value of your notes as a result of such change, such increases are only an approximation of such lost value and may not adequately compensate you for such loss. In addition, even if a fundamental change occurs, in some cases described below under the section entitled Description of Notes Adjustment to Conversion Rate upon Occurrence of a Fundamental Change there will be no such conversion rate increase.

The conversion rate for the notes may not be adjusted for all dilutive events that may occur.

The conversion rate for the notes is subject to adjustment for certain events including, but not limited to, the issuance of share dividends on common shares, the issuance of certain rights or warrants, subdivisions or combinations of our common shares, certain distributions of assets, debt securities, share capital or cash to holders of our common shares and certain issuer tender or exchange offers as described under the section entitled Description of Notes Conversion Rate Adjustments. Such conversion rates will not be adjusted for other events, such as share issuances for cash or third-party tender offers, that may adversely affect the trading price of the notes or any common shares. See the section entitled Description of Notes Conversion Rate Adjustments. We are not restricted from issuing additional common shares during the life of the notes and have no obligation to consider the interests of holders of the notes in deciding whether to issue common shares. There can be no assurance that an event that adversely affects the value of the notes, but does not result in an adjustment to the conversion rate, will not occur.

Because your right to require repurchase of the notes is limited, the market price of the notes may decline if we enter into a transaction that is not a designated event under the indenture.

The term fundamental change is limited and may not include every event that might cause the market price of the notes to decline or result in a downgrade of the credit rating of the notes. The term fundamental change does not apply to transactions in which 90% of the consideration (excluding cash payments fractional shares and cash payments made in respect of dissenters appraisal rights and cash payment of the required cash payment, if any) paid for our common shares in a merger or similar transaction is publicly traded common shares. Our obligation to repurchase the notes upon a designated event may not preserve the value of the notes in the event of a highly leveraged transaction, reorganization, merger or similar transaction. See the section entitled Description of Notes Fundamental Change Requires Us to Make an Offer to Purchase Notes.

37

If we have elected to pay cash or a combination of cash and common shares upon conversion of the notes, you may receive less proceeds than expected because the value of our common shares may decline after you exercise your conversion right.

Under the notes, if we have received shareholder approval and have elected to pay cash or a combination of cash and common shares upon conversion of the notes, a converting holder will be exposed to fluctuations in the value of our common shares during the period from the date such holder surrenders notes for conversion until the date we settle our conversion obligation. Under the notes, if we elect to settle all or any portion of our conversion obligation in cash (other than solely cash in lieu of any fractional shares), the amount of consideration that you will receive upon conversion of your notes is in part determined by reference to the volume weighted average prices of our common shares for each trading day in a ten-trading day period. In addition, if we elect to settle a portion, but less than all, of our conversion obligation in cash (other than solely cash in lieu of any fractional shares), and the market price of our common shares at the end of such ten-trading day period is below the average of the volume weighted average price of our common shares during such period, the value of any common shares that you will receive in satisfaction of our conversion obligation will be less than the value used to determine the number of shares you will receive.

If you hold notes, you are not entitled to any rights with respect to our common shares, but you are subject to all changes made with respect to our common shares.

If you hold notes, you are not entitled to any rights with respect to our common shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on common shares), but you are subject to all changes affecting the common shares. You will only be entitled to rights on the common shares if and when we deliver common shares to you in exchange for your notes. For example, in the event that an amendment is proposed to our certificate of incorporation or by-laws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of the common shares, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common shares.

We may not be able to raise the funds necessary to repay the notes when due, finance a fundamental change, purchase the notes on specified dates or make the payments due upon conversion, if any.

At maturity, the entire outstanding principal amount of the notes will become due and payable. In addition, upon the occurrence of a fundamental change and upon each of December 24, 2012 and December 15, 2014, holders of notes may require us to purchase their notes. Furthermore, if we have received shareholder approval and have elected to pay cash or a combination of cash and common shares upon conversion of the notes, we will be required to make cash payments to holders on conversion thereof. However, it is possible that we would not have sufficient funds to repay the notes at maturity, make the required purchase of the notes or make cash payments on conversion. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a fundamental change under the indenture. See the section entitled Description of Notes Fundamental Change Requires Us to Make an Offer to Purchase Notes.

The fundamental change purchase feature of the notes may delay or prevent an otherwise beneficial attempt to take over our company.

The terms of the notes require us to make an offer to purchase the notes for cash in the event of a fundamental change. A takeover of our company would trigger an option of the holder of the notes to require us to purchase the notes. This may have the effect of delaying or preventing a takeover of our company that would otherwise be beneficial to investors in the notes.

An active trading market for the notes may not develop.

If you are able to sell your notes, we cannot assure you as to the price at which any sales will be made. There is currently no established public market for the notes, and no active trading market might ever develop. Furthermore, trading prices of the notes will depend on many factors, including prevailing interest rates, the market for similar securities, the price, and volatility in the price, of our common shares, our performance and other factors. In

Table of Contents

addition, we do not know whether an active trading market will develop for the notes. To the extent that an active trading market does not develop, the liquidity and trading prices for the notes may be harmed.

We have no plans to list the notes on a securities exchange. At the time of the original issuance of the notes, the initial purchaser of the notes informed us that it intended to make a market in the notes. However, that purchaser is not obligated to do so. Any market-making activity, if initiated, may be discontinued at any time, for any reason or for no reason, without notice. If the initial purchaser ceases to act as the market maker for the notes, we cannot assure you another firm or person will make a market in the notes.

The liquidity of any market for the notes will depend upon the number of holders of the notes, our results of operations and financial condition, the market for similar securities, the interest of securities dealers in making a market in the notes and other factors. An active or liquid trading market for the notes may not develop.

The price of our common shares may be volatile, which may affect the trading price of the notes.

In the past, the price of our common shares has experienced volatility due to a number of factors, some of which are beyond our control. The price of our notes and the common shares into which the notes are convertible may continue to experience volatility in the future from time to time. Among the factors that could affect the price of our notes and the common shares into which the notes are convertible are:

- our operating and financial performance and prospects;
- quarterly variations in key financial performance measurer, such as earnings per share, net income and revenue;
- changes in revenue or earnings estimates or publication of research reports by financial analysts;
- announcements of technological innovations or new products by us or our competitors;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- sales of our common shares or other actions by investors with significant shareholdings;
- general market conditions; and
- domestic and international economic, legal, political and regulatory factors unrelated to our performance.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating of particular companies. These broad market fluctuations may adversely affect the trading price of our notes and the underlying common shares. Any adverse effect upon the trading price of our common shares would, in turn, adversely affect the trading price of the notes.

Conversion of the notes will dilute the ownership interest of existing shareholders, including holders who had previously converted their notes, or may otherwise depress the price of our common shares.

The conversion of some or all of the notes will dilute the ownership interests of existing shareholders. Any sales in the public market of the common shares issuable upon such conversion could adversely affect prevailing market prices of our common shares. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could be used to satisfy short positions, or anticipated conversion of the notes into our common shares could depress the price of our common shares.

Table of Contents

REASONS FOR THE OFFER AND USE OF PROCEEDS

All sales of the notes or common shares issuable upon conversion of the notes will be by or for the account of the selling securityholders listed in this and any subsequent prospectus supplement. We will not receive any proceeds from the sale by any selling shareholder of the notes or the common shares issuable upon conversion of the notes.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed changes on a historical basis for the period indicated. The ratios are calculated by dividing earnings by fixed charges. For this purpose, earnings consist of pre-tax income from continuing operations before adjustment for minority interests, plus fixed charges. Fixed charges represent interest, amortization of debt discount and expense, and the estimated interest portion of rental charges.

	Year Ended December 31,					Nine Months Ended September 30,
	2002	**2003**	**2004**	**2005**	**2006**	**2007**
Ratio of earnings to fixed charges	142X	149X	166X	17X	(1)	(2)

(1) Earnings for the year ended December 31, 2006 were insufficient to cover fixed charges by approximately $9.0 million as our operating results were negatively impacted by downward market performance mainly in the last quarter of this year.

(2) Earnings for the nine months ended September 30, 2007 were insufficient to cover fixed charges by approximately $6.3 million as our operating results were negatively impacted by a rapid increase in the cost of goods sold due to the price pressure resulting from an industry-wide raw materials shortage and the downward market performance in the first quarter of this year.

For the purpose of computing the consolidated ratio of earnings to fixed charges, earnings consist of income from continuing operations before income taxes, fixed charges, amortization of capitalized interest, distributed income of equity investees and losses before tax of equity investees for which charges arising from guarantees are included in fixed charges, minus capitalized interest and minority interest in pre-tax income of subsidiaries that have not incurred fixed charges. Fixed charges consist of interest expense, including capitalized interest, amortized premiums, discounts and capitalized expenses related to indebtedness and estimated interest included in rental expense.

Table of Contents

PRICE RANGE OF COMMON SHARES

Our common shares are traded on the Nasdaq Global Market under the symbol CSIQ. The following table sets forth the high and low intraday sales prices of our common shares for each period indicated as reported on the Nasdaq Global Market. Our common shares commenced trading on the Nasdaq Global Market on November 9, 2006.

	Sales Price	
Period	**High US$**	**Low US$**
2006		
Fourth Quarter (from November 10)	16.73	9.43
2007		
First Quarter:		
January	11.87	9.26
February	14.36	10.30
March	11.68	8.72
Second Quarter:		
April	13.88	9.60
May	11.80	8.78
June	10.87	9.21
Third Quarter:		
July	11.70	8.57
August	9.25	6.50
September	10.95	7.08
Fourth Quarter:		
October	11.65	8.67
November	18.88	9.99
December	31.44	15.62
2008		
First Quarter:		
January	31.10	14.74
February	24.15	17.32
March (through March 26)	22.67	17.04

The closing price of our common shares on March 26, 2008 as reported by the Nasdaq Global Market was US$21.71.

DIVIDEND POLICY

We have never declared or paid any dividends, nor do we have any present plan to pay any cash dividends on our common shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has complete discretion on whether to pay dividends, subject to restrictions under the Canada Business Corporations Act (the CBCA). See the section entitled Description of Share Capital Common Shares

Dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. Cash dividends on our common shares, if any, will be paid in U.S. dollars.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization (unaudited, in thousands, except per share data) as of January 31, 2008.

This table should be read in conjunction with Summary Consolidated Financial Data included in this prospectus and our consolidated financial statements and notes thereto incorporated by reference in this prospectus.

		As of January 31, 2008
Cash and cash equivalents	$	35,572
Restricted cash		1,670
Long-term debt:		
6.0% Convertible Senior Notes due 2017	$	75,000
Other long-term debt		18,080
Total long-term debt		93,080
Shareholders equity		
Common shares, unlimited authorized shares; 27,320,389 shares issued and outstanding(1)		99,454
Additional paid-in capital		26,534
Accumulated deficit		(146)
Accumulated other comprehensive income		7,754
Total shareholders equity		133,888
Total capitalization		226,968

(1) Excludes 1,725,321 common shares issuable upon the exercise of options outstanding as of the date of this prospectus and 768,367 common shares reserved for future issuance under our 2006 equity incentive plan.

Table of Contents

EXCHANGE RATE INFORMATION

Our business is primarily conducted in China, our functional currency is Renminbi and a portion of our revenues are denominated in Renminbi. We record transactions denominated in other currencies at the rates of exchange prevailing when the transaction occur. We translate monetary assets and liabilities denominated in other currencies into Renminbi at rates of exchange in effect at the balance sheet dates and record exchange gains and losses in our statements of operations. We have chosen the U.S. dollar as our reporting currency. Accordingly we translate assets and liabilities using exchange rates in effect at each period end and we use average exchange rates for the statement of operations. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On March 26, 2008, the noon buying rate was RMB7.0290 to US$1.00.

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated based on the noon buying rate in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York.

	Noon Buying Rate			
Period	**Period End**	**Average**[1]	**Low**	**High**
	(RMB Per US$1.00)			
2002	8.2800	8.2770	8.2800	8.2669
2003	8.2767	8.2772	8.2800	8.2765
2004	8.2765	8.2768	8.2774	8.2764
2005	8.0702	8.1826	8.2765	8.0702
2006	7.8041	7.9597	8.0702	7.8041
2007	7.2946	7.5806	7.8127	7.2946
2008				
January	7.1818	7.2405	7.2946	7.1818
February	7.1115	7.1644	7.1973	7.1100
March (through March 26)	7.0290	7.0824	7.1110	7.0290

(1) Annual averages are calculated from month-end rates. Monthly averages are calculated using the average of the daily rates during the relevant period.

Table of Contents

DESCRIPTION OF NOTES

We issued the notes under an indenture dated as of December 10, 2007 between us and The Bank of New York, as trustee. The terms of the notes include those expressly set forth in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended, or the Trust Indenture Act. The notes and any common shares issuable upon conversion of the notes are covered by a resale registration rights agreement which we have entered into as of December 10, 2007 pursuant to which we have agreed to, for the benefit of the holders of notes, file this shelf registration statement with the SEC covering resale of notes, as well as our common shares issuable upon conversion of notes.

The following description is a summary of the material provisions of the notes, the indenture and the resale registration rights agreement. It does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the notes, the indenture and the resale registration rights agreement, including the definitions of certain terms used therein. We urge you to read these documents because they, and not this description, define your rights as a holder of the notes. You may request copies of these documents from us upon written request at our address, which is listed in this prospectus under the section entitled Where You Can Find More Information.

For purposes of this description, references to the Company, we, our and us refer only to Canadian Solar, Inc. and r to its subsidiaries and references to holders refer to the holders of notes.

General

The notes:

- are our general unsecured unsubordinated obligations, and rank equally with our other unsecured unsubordinated indebtedness, but are effectively subordinated to the indebtedness and other liabilities of our subsidiaries;
- are limited to an aggregate principal amount of US$75,000,000, except as set forth below;
- will mature on December 15, 2017, unless earlier converted, repurchased or redeemed;
- bear interest at a rate of 6.0% per annum on the principal amount, payable semi-annually, in arrears, on each June 15 and December 15, beginning on June 15, 2008 to holders of record at the close of business on the preceding June 1 and December 1, respectively;
- will bear additional interest if we fail to comply with certain obligations set forth under the section entitled Resale Registration Rights;
- include a requirement that we make an offer to purchase, in whole or in part, for cash upon occurrence of a fundamental change (as defined under the section entitled Fundamental Change Requires Us to Make an Offer to Purchase Notes) at a price equal to 100% of the principal amount of any notes being purchased, plus accrued and unpaid interest (including additional interest), if any, to, but excluding, the repurchase date as described under the section entitled Fundamental Requires Us to Make an Offer to Purchase Notes;

are redeemable by us at any time on or after December 24, 2012, for cash at a price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to, but excluding, the redemption date (i) in whole or in part, if the last reported sale price (as defined below under the section entitled Conversion Rights General) of our common shares for at least 20 trading days in a period of 30 consecutive trading days, the last of which occurs no more than five trading days prior to the date upon which notice of such redemption is published, is at least 130% of the applicable conversion price per common share in effect on such trading date, or (ii) in whole only, if at least 95% of the initial aggregate principal amount of the notes originally issued have been redeemed, converted or repurchased and, in each case, cancelled;

will be redeemable, in whole but not in part, if as a result of a change in or amendment to the laws of a Relevant Jurisdiction (as defined under the section entitled Additional Amounts) we are required

Table of Contents

to pay Additional Amounts at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest and Additional Amounts, if any, subject to a holder s election not to be subject to such redemption;

are subject to purchase by us at the option of the holder on December 24, 2012 and December 15, 2014, subject to certain conditions, at a purchase price in cash equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to, but excluding, the date of repurchase as described under Purchase of Notes at Your Option on Specified Dates;

were issued in denominations of US$1,000 and integral multiples of US$1,000; and

are represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in definitive form.

At any time prior to the close of business on the business day before the stated maturity date, the notes may be converted into common shares at an initial conversion rate of 50.6073 common shares per US$1,000 principal amount of notes (equivalent to a conversion price of approximately US$19.76 per common share), subject to prior repurchase or redemption. The conversion rate is subject to adjustment if certain events occur. See the section entitled Conversion Rate Adjustments and Adjustment to Conversion Rate upon Occurrence of a Fundamental Change.

We use the term note in this prospectus to refer to each US$1,000 principal amount of notes. The registered holder of a note will be treated as the owner of it for all purposes.

We may, without the consent of the holders, reopen the notes and issue additional notes under the indenture with the same terms and with the same CUSIP numbers as the notes offered hereby in an unlimited aggregate principal amount, provided that no such additional notes may be issued unless fungible with the notes offered hereby for U.S. federal income tax purposes. We may also from time to time repurchase the notes in open market purchases or negotiated transactions without prior notice to the holders.

The indenture does not limit the amount of debt which may be issued by us or our subsidiaries under the indenture or otherwise.

Holders may not sell or otherwise transfer the notes or any common shares issuable upon conversion of the notes except in compliance with the provisions set under Resale Registration Rights.

Other than restrictions described under Fundamental Change Requires Us to Make an Offer to Purchase Notes and Consolidation, Merger and Sale of Assets below, and except for the provisions set forth under Conversion Rights Adjustment to Conversion Rate upon Conversion upon Fundamental Change, the indenture does not contain any covenants or other provisions designed to afford holders of the notes protection in the event of a highly leveraged transaction involving us or in the event of a decline in our credit rating as the result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving us that could adversely affect the holders.

Payments on the Notes; Paying Agent and Registrar

We will make all payments on the notes exclusively in such coin or currency of the United States as at the time of payment will be legal tender for the payment of public and private debts. The trustee will initially act as the registrar and the paying agent for notes. We may, however, change the paying agent or registrar without prior notice to the holders of the notes, and we may act as paying agent or registrar.

We will pay principal of, and interest on, notes in global form registered in the name of or held by The Depository Trust Company, or DTC, or its nominee in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of such global notes.

We will pay the principal of and interest on certificated notes (i) to registered holders having an aggregate principal amount of US$5,000,000 or less, by check mailed to the registered holders of these notes and (ii) to registered holders having an aggregate principal amount of more than US$5,000,000, either by check mailed to each holder or, upon application by a holder to the registrar not later than the relevant record date, by wire transfer in immediately

Table of Contents

available funds to that holder s account within the United States, which application shall remain in effect until the holder notifies, in writing, the registrar to the contrary.

If any payment date with respect to the notes falls on a day that is not a business day, we will make the payment on the next business day. Business day means any day, except a Saturday or Sunday or any other day on which the Federal Reserve Bank of New York is closed. The payment made on the next business day will be treated as though it had been made on the original payment date, and no interest will accrue on the payment for the additional period of time.

Transfer and Exchange

Subject to the provisions described under Resale Registration Rights, a holder of notes may transfer or exchange notes at the office of the registrar in accordance with the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by us, the trustee or the registrar for any registration of transfer or exchange of notes, but we may require a holder to pay a sum sufficient to cover any transfer tax or other similar governmental charge required by law or permitted by the indenture. We are not required to transfer or exchange any note selected for redemption or surrendered for conversion or repurchase, except, in each case, for that portion of the notes not being redeemed, converted or repurchased.

Ranking

The notes are our senior, unsecured obligations and rank equal in right of payment to all of our other unsecured and unsubordinated indebtedness. The notes are effectively subordinated in right of payment to all of our existing and future secured debt to the extent of such security and structurally subordinated to the indebtedness and other liabilities of our subsidiaries. As of September 30, 2007, we had approximately no secured debt outstanding and our direct and indirect subsidiaries had approximately US$61.7 million of total debt outstanding on a consolidated basis.

The notes are our exclusive obligation. Our cash flow and our ability to service our indebtedness, including the notes, is dependent upon the earnings of our subsidiaries. In addition, we are dependent on the distribution of earnings, loans or other payments by our subsidiaries to us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries have not guaranteed the notes or have any obligation to pay any amounts due on the notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries earnings and business considerations.

Our right to receive any assets of any subsidiary upon its liquidation or reorganization, and, therefore, our right to participate in those assets, will be structurally subordinated to the claims of that subsidiary s creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our right as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

Interest

The notes bear interest at a rate of 6.0% per annum from December 10, 2007, or from the most recent date to which interest has been paid or duly provided for. Interest is payable semiannually in arrears on June 15 and December 15 of each year, beginning June 15, 2008. Interest on the notes will be computed on the basis of a 360-day year composed of twelve 30-day months.

Interest will be paid to the person in whose name a note is registered at the close of business on June 1 or December 1, as the case may be, immediately preceding the relevant interest payment date, except in the situations described in Conversion Rights General.

Table of Contents

Additional Amounts

All payments made by us or any successor to us under or with respect to the notes, including payments of cash or delivery of common shares upon conversion, will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which we or any successor are organized or resident for tax purposes or through which payment is made (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a Relevant Taxing Jurisdiction), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, we will pay to the holder of each note such additional amounts (Additional Amounts) as may be necessary to ensure that the net amount received by the holder after such withholding or deduction (including any taxes on the Additional Amounts) shall equal the amounts which would have been received by such holder had no such withholding or deduction been required, except that no Additional Amount shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the holder or beneficial owner of such note and the Relevant Taxing Jurisdiction other than merely holding such note or the receipt of payments thereunder, including, without limitation, such holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Taxing Jurisdiction or treated as a resident thereof or being or having been physically present, carried on business or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such note became due and payable pursuant to the terms thereof or was made or duly provided for; or

(iii) the failure of the holder or beneficial owner to comply with a timely request from us or any successor to provide certification, information, documents or other evidence concerning such holder s or beneficial owner s nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, or to make any declaration or satisfy any other reporting requirement relating to such matters, if and to the extent that due and timely compliance with such request is required by statute, regulation or administrative practice of the Relevant Taxing Jurisdiction to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such holder or beneficial owner;

(b) any estate, inheritance, gift, sale, transfer, capital gains, excise, personal property or similar tax, assessment or other governmental charge;

(c) any tax, duty, assessment or other governmental charge that is payable otherwise than by withholding from payments under or with respect to the notes; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) or (c); or

(2)

with respect to any payment of the principal of, or premium, if any, or interest on, such note to a holder, if the holder is a fiduciary, partnership or person other than the sole beneficial owner of that payment to the extent that such payment would be required to be included in the income under the laws of the Relevant Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the holder thereof.

Table of Contents

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any note or any amount payable with respect to such note, such mention shall be deemed to include payment of Additional Amounts provided for in the indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Conversion Rights

General

At any time prior to the close of business on the business day immediately preceding the stated maturity date and subject to prior repurchase or redemption, holders may convert each of their notes into the common shares at an initial conversion rate of 50.6073 common shares per US$1,000 principal amount of notes (equivalent to an initial conversion price of approximately US$19.76 per common share).

In certain circumstances, common shares issued upon conversion of notes will be issued and delivered in the form of restricted common shares.

The conversion rate and the equivalent conversion price in effect at any given time are referred to as the applicable conversion rate and the applicable conversion price, respectively, and will be subject to adjustidth="10%" colspan="2" valign="bottom" style="border:none;border-bottom:solid windowtext 1.0pt;padding:0in 0in 0in 0in;width:10.34%;">

2014

2015

2016

2017

Oil positions

Price swaps (BBLs)

NYMEX-WTI

723,634

561,833

397,488

198,744

Weighted average price

$

95.76

$

93.16

$

86.02

$

85.75

Basis swaps (BBLs)

Argus-

410,400

Weighted average price

Midland-Cushing

$

(1.0000

)

$

$

$

NGL positions

Price swaps (BBLs)		
	Mont Belvieu	
		183,857
		147,823
Weighted average price		

$

34.11

$

34.50

$

$

(1) Our natural gas basis swaps are traded on the following indices: Centerpoint East, Houston Ship Channel, WAHA and TEXOK.

At September 30, 2014 and December 31, 2013, we had the following interest rate swap derivative contracts (in thousands):

Effective	Maturity		Notional Amount	Average %	Index
February 2012	February 2015	$	150,000	0.51750%	LIBOR
February 2015	February 2017		75,000	1.72500%	LIBOR
February 2015	February 2017		75,000	1.72750%	LIBOR
June 2012	June 2015		70,000	0.52375%	LIBOR
June 2015	June 2017		70,000	1.42750%	LIBOR

Effect of Derivative Instruments Balance Sheet

The fair value of our commodity and interest rate derivative instruments is included in the tables below (in thousands):

	As of September 30, 2014							
	Current Assets		Long-term Assets		Current Liabilities		Long-term Liabilities	
Interest rate								
Swaps	$		$	82	$	1,781	$	791
Gross fair value				82		1,781		791

Netting arrangements		(82)		(82)
Net recorded fair value	$	$	$ 1,781	$ 709
Sale of natural gas production				
Price swaps	$ 9,310	$ 5,283	$ 22	$ 91
Basis swaps			473	481
Sale of crude oil production				
Price swaps	4,328	2,605	228	261
Basis swaps	875	74		
Sale of NGLs				
Price swaps	326	43	118	9
Gross fair value	14,839	8,005	841	842
Netting arrangements	(331)	(283)	(331)	(283)
Net recorded fair value	$ 14,508	$ 7,722	$ 510	$ 559

Table of Contents

	As of December 31, 2013			
	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities
Interest rate				
Swaps	$	$ 637	$ 648	$ 2,191
Gross fair value		637	648	2,191
Netting arrangements		(637)		(637)
Net recorded fair value	$	$	$ 648	$ 1,554
Sale of natural gas production				
Price swaps	$ 8,250	$ 11,937	$ 196	$ 73
Basis swaps	56	211	317	65
Sale of crude oil production				
Price swaps	1,564	5,042	1,519	331
Basis swaps	227			
Sale of NGLs				
Price swaps	106	4	662	153
Gross fair value	10,203	17,194	2,694	622
Netting arrangements	(477)	(448)	(477)	(448)
Net recorded fair value	$ 9,726	$ 16,746	$ 2,217	$ 174

Effect of Derivative Instruments Statements of Operations

The net gain (loss) amounts and classification related to derivative instruments for the periods indicated are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Commodity derivatives (revenue)	$ 19,771	$ (6,282)	$ 821	$ 5
Interest rate derivatives (other income (expense), net)	492	(1,401)	(930)	1,371

Credit Risk

All of our derivative transactions have been carried out in the over-the-counter market. The use of derivative instruments involves the risk that the counterparties may be unable to meet the financial terms of the transactions. We monitor the creditworthiness of each of our counterparties and assess the possibility of whether each counterparty to the derivative contract would default by failing to make any contractually required payments as scheduled in the derivative instrument in determining the fair value. We also have netting arrangements in place with each counterparty to reduce credit exposure. The derivative transactions are placed with major financial institutions that present minimal credit risks to us. Additionally, we consider ourselves to be of substantial credit quality and have the financial resources and willingness to meet our potential repayment obligations associated with the derivative transactions.

9. Related Parties

Ownership in Our General Partner by Lime Rock Management and its Affiliates

As of September 30, 2014, Lime Rock Management, an affiliate of Fund I, owned all of the Class A member interests in our general partner, Fund I owned all of the Class B member interests in our general partner and Fund II owned all of the Class C member interests in our general partner. In addition, Fund I owned an aggregate of approximately 17.7% of our outstanding common units and all of our subordinated units, representing an approximate 31.0% limited partner interest in us. As of September 30, 2014, our general partner owned an approximate 0.1% general partner interest in us, represented by 22,400 general partner units, and all of our incentive distribution rights.

As more fully described in our 2013 Annual Report, three separate one-third tranches of the subordinated units

Table of Contents

may convert on the first business day after the distribution to unitholders in respect of any quarter ending on or after December 31, 2012, December 31, 2013 and December 31, 2014, respectively, provided that an aggregate amount equal to the minimum quarterly distribution payable with respect to all units that would be payable on four, eight or twelve consecutive quarters, as applicable, has been earned and paid prior to the applicable date, in each case provided there are no arrearages in the minimum quarterly distribution on our common units at that time. We converted 2,240,000 subordinated units on a one-for-one basis into common units pursuant to the terms of our partnership agreement on May 16, 2014. We do not expect the second tranche of the subordinated units to convert pursuant to the provisions of our partnership agreement following our distribution for the third quarter of 2014 that will be paid on November 14, 2014. Each quarter, we will determine whether the test for conversion of the subordinated units has been met until the subordinated units convert pursuant to the provisions of our partnership agreement.

Contracts with our General Partner and its Affiliates

As more fully described in our 2013 Annual Report, we have entered into agreements with our general partner and its affiliates. For the three months ended September 30, 2014 and 2013, we paid Lime Rock Management approximately $0.5 million either directly or indirectly related to these agreements. For the nine months ended September 30, 2014 and 2013, we paid Lime Rock Management approximately $1.1 million and $1.0 million either directly or indirectly related to these agreements, respectively.

In connection with the management of our business, Lime Rock Resources Operating Company, Inc. (ServCo), an affiliate of our general partner, provides services for invoicing and processing of payments to our vendors. Periodically, ServCo remits cash to us for the net working capital received on our behalf. Changes in the affiliates (payable)/receivable balances during the nine months ended September 30, 2014 are included below (in thousands):

	ServCo	Lime Rock Resources	Total
Balance as of December 31, 2013	$ (518)	$ 263	$ (255)
Expenditures	(76,677)		(76,677)
Cash paid for expenditures	98,911		98,911
Revenues and other	(16,217)	(2)	(16,219)
Balance as of September 30, 2014	$ 5,499	$ 261	$ 5,760

Distributions of Available Cash to Our General Partner and Affiliates

We will generally make cash distributions to our unitholders and our general partner pro rata. As of September 30, 2014, our general partner and its affiliates held 4,089,600 of our common units, all of our subordinated units and 22,400 general partner units. During the nine months ended September 30, 2014 and 2013, we paid cash distributions of $39.6 million and $36.1 million, respectively, to all unitholders as of the respective record dates.

We announced our third quarter 2014 distribution on October 17, 2014 as discussed in Note 14.

10. Unitholders Equity

At-the-Market Offering Program

On February 4, 2014, we launched an at-the-market offering program (the ATM Program) with MLV & Co. LLC (MLV) as sales agent. We may sell from time to time through MLV our common units representing limited partner interests having an aggregate offering amount of up to $75.0 million. Any sales of common units under the ATM Program may be made by any method permitted by law deemed to be an at-the-market offering defined by Rule 415 of the Securities Act, including, without limitation, sales made directly on the New York Stock Exchange, or any other existing trading market for our common units or to or through a market maker.

Our second lien term loan requires that 50% of the net cash proceeds from any equity offering be used to repay

Table of Contents

borrowings outstanding under the term loan. In October 2014, we entered into an amendment to our Term Loan to waive this requirement through March 31, 2015 (Note 14). During the nine months ended September 30, 2014, we received net proceeds from the sale of 1,375,239 newly issued common units of $23.4 million, after deducting underwriting discounts and commissions and offering expenses of approximately $0.7 million, and used the proceeds for general partnership purposes. During the nine months ended September 30, 2014, we paid approximately $0.5 million of aggregate compensation to MLV for sales under the ATM Program.

Equity Offering

On March 22, 2013, we closed a public equity offering of 3,700,000 common units representing limited partner interests in the Partnership at a price to the public of $16.84 per common unit, or $16.1664 per common unit after payment of the underwriting discount. We received net proceeds from the sale of 3,700,000 newly issued common units of $59.5 million, after deducting underwriting discounts and commissions and offering expenses of $0.3 million. We used the net proceeds of the offering to fund our April 2013 Acquisition discussed in Note 3 and repay borrowings outstanding on our Credit Agreement.

Fund I sold 3,200,000 common units in the equity offering at a price to the public of $16.84 per common unit, or $16.1664 per common unit after payment of the underwriting discount. We did not receive any proceeds from the sale of common units by Fund I; however, the equity balance of Fund I was adjusted for its reduced ownership interest in us.

Units Outstanding

As of September 30, 2014, we had 23,168,539 common units, 4,480,000 subordinated units and 22,400 general partner units outstanding. As of September 30, 2014, Fund I owned 4,089,600 common units and all of our subordinated units, representing an approximate 31.0% limited partner interest in us.

11. Net Income (Loss) Per Limited Partner Unit

The following sets forth the calculation of net income (loss) per limited partner unit for the following periods (in thousands, except per unit amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Net income (loss)	$ 26,232	$ 284	$ 21,589	$ 13,805
Net income (loss) attributable to common control operations				(448)
Net income (loss) available to unitholders	26,232	284	21,589	13,357
Less: General partner s interest in net (income) loss	(26)		(22)	(13)

Limited partners interest in net income (loss)	$ 26,206	$ 284	$ 21,567	$ 13,344
Weighted average limited partner units outstanding:				
Common units	23,001	19,449	21,260	18,378
Subordinated units	4,480	6,720	5,596	6,720
Total	27,481	26,169	26,856	25,098
Net income (loss) per limited partner unit (basic and diluted)	$ 0.95	$ 0.01	$ 0.80	$ 0.53

Our subordinated units and restricted unit awards are considered to be participating securities for purposes of calculating our net income (loss) per limited partner unit, and accordingly, are included in basic computation as such. Net income (loss) per limited partner unit is determined by dividing the net income (loss) available to the common unitholders, after deducting our general partner s approximate 0.1% interest in net income (loss), by the weighted average number of common units and subordinated units outstanding as of September 30, 2014 and 2013.

14

Table of Contents

The aggregate number of common units and subordinated units outstanding was 23,168,539 and 4,480,000, respectively, as of September 30, 2014. The aggregate number of common units and subordinated units outstanding was 19,448,539 and 6,720,000, respectively, as of September 30, 2013.

12. Equity-Based Compensation

On November 10, 2011, our General Partner adopted a long-term incentive plan (2011 LTIP) for employees, consultants and directors of our General Partner and its affiliates, including Lime Rock Management and ServCo, who perform services for us. The 2011 LTIP consists of unit options, restricted units, phantom units, unit appreciation rights, distribution equivalent rights, unit awards and other unit-based awards. The 2011 LTIP initially limits the number of units that may be delivered pursuant to vested awards to 1,500,000 common units. As of September 30, 2014, there were 1,304,300 units available for issuance under the 2011 LTIP. The 2011 LTIP is currently administered by our General Partner s board of directors or a committee thereof.

The fair value of restricted units is determined based on the fair market value of the units on the date of grant. The outstanding restricted units vest in equal amounts (subject to rounding) over a three-year period following the date of grant and are entitled to receive quarterly distributions during the vesting period.

A summary of the status of the non-vested restricted units as of September 30, 2014, is presented below:

	Number of Non-vested Restricted Units	Weighted Average Grant-Date Fair Value
Non-vested restricted units at December 31, 2013	165,265	$ 16.73
Granted	7,057	17.71
Vested	(12,341)	17.92
Forfeited	(13,691)	16.54
Non-vested restricted units at September 30, 2014	146,290	16.69

As of September 30, 2014, there was approximately $1.6 million of unrecognized compensation cost related to non-vested restricted units. The cost is expected to be recognized over a weighted average period of approximately 2.0 years. There were 49,410 vested restricted units as of September 30, 2014.

13. Subsidiary Guarantors

We and LRE Finance, our 100 percent-owned subsidiary, filed a registration statement on Form S-3 with the SEC on August 28, 2013, and the SEC declared the registration statement effective on September 10, 2013. Securities that may be offered and sold include debt securities that are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933. LRE Finance may co-issue any debt securities issued by us pursuant to the registration statement. LRE Finance was formed solely for the purpose of co-issuing our debt securities and has no material assets or liabilities other than as co-issuer of our debt securities, if and when issued. OLLC, our 100 percent-owned subsidiary, may guarantee any debt securities issued by us and such guarantee will be full and unconditional, subject to customary release provisions. The guarantee will be released (i) automatically upon any sale, exchange or transfer of our equity interests in OLLC, (ii) automatically upon the liquidation and dissolution of OLLC, (iii) following delivery of notice to the trustee under the indenture related to the debt securities of the release of OLLC of its obligations under our revolving credit facility, and (iv) upon legal or covenant defeasance or other satisfaction of the obligations under the related debt securities. Other than LRE Finance, OLLC is our sole subsidiary, and thus, no other subsidiary will guarantee our debt securities.

Furthermore, we have no assets or operations independent of OLLC, and there are no significant restrictions upon the ability of OLLC to distribute funds to us by dividend or loan. Finally, none of our or OLLC s assets represents restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X.

Table of Contents

14. Subsequent Events

Unit Distribution

On October 17, 2014, we announced that the board of directors of our general partner declared a cash distribution for the third quarter of 2014 of $0.4975 per outstanding unit, or $1.99 on an annualized basis. The distribution will be paid on November 14, 2014 to all unitholders of record as of the close of business on October 31, 2014. The aggregate amount of the distribution will be $13.8 million.

Commodity Hedges

Subsequent to September 30, 2014, we acquired the following commodity hedges:

	Index	2017	2018
Oil positions			
Price swaps (BBLs)	NYMEX-	118,286	497,242
Weighted average price	WTI	$ 83.75	$ 81.71

Stroud Field Acquisition

In August 2014, we entered into a definitive agreement to acquire oil and natural gas properties in the Stroud field located in Lincoln and Creek Counties, Oklahoma for a purchase price of $38.0 million, subject to customary purchase price adjustments. We financed the acquisition with borrowings under our Credit Agreement. The effective date of the transaction was September 1, 2014, and closing of the transaction occurred on October 1, 2014.

Amendments to Credit Agreement and Term Loan Agreement

On October 1, 2014, we entered into the Fourth Amendment (Fourth Credit Agreement Amendment) to the Credit Agreement. The Fourth Credit Agreement Amendment, among other things, (i) reduced the interest rate margins applicable to the loans and other obligations thereunder, with margins ranging from 1.50% to 2.50% for eurodollar loans, and from 0.50% to 1.50% for base rate loans, in each case based on utilization of the credit facility, (ii) extended the maturity date to October 1, 2019, (iii) increased the maximum credit amount to $750,000,000, (iv) increased the borrowing base to $260,000,000 and (v) confirmed that, notwithstanding the increase to maximum credit amount, the obligations under Credit Agreement remain subject to a $500,000,000 first lien cap pursuant to the Intercreditor Agreement.

On October 1, 2014, we entered into the Fourth Amendment (Fourth Term Loan Agreement Amendment) to the Term Loan Agreement. The Fourth Term Loan Agreement Amendment, among other things, amended the Term Loan Agreement to exclude certain sales of common units representing limited partner interests in us made on and after October 1, 2014 and on and before March 31, 2015 from compliance with the mandatory prepayment provision under the Term Loan Agreement that requires us to use 50% of the net cash proceeds from any equity offering to repay borrowings outstanding under the Term Loan Agreement. The Fourth Term Loan Agreement Amendment also extended the maturity date of the Term Loan Agreement to April 1, 2020.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control, which may include statements about our:

- *business strategies;*
- *ability to replace the reserves we produce through drilling and property acquisitions;*
- *drilling locations;*
- *oil and natural gas reserves;*
- *technology;*
- *realized oil and natural gas prices;*
- *production volumes;*
- *lease operating expenses;*
- *general and administrative expenses;*
- *future operating results;*
- *cash flows and liquidity;*
- *availability of drilling and production equipment;*
- *general economic conditions;*
- *effectiveness of risk management activities; and*
- *plans, objectives, expectations and intentions.*

All statements, other than statements of historical fact, are forward-looking statements. These forward-looking statements can be identified by their use of terms and phrases such as may, predict, pursue, expect, estimate, project, plan, believe, intend, achievable, anticipate, target, continue, potential, should, could and similar terms and phrases. Although we believe that *the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties some of which are beyond our control. Actual results could differ materially from those anticipated in these forward-looking statements. One should consider carefully the risk factors described in Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Annual Report) that describe factors that could cause our actual results to differ from those anticipated in the forward-looking statements, including, but not limited to, the following factors:*

- *our ability to generate sufficient cash to pay quarterly distributions on our common units;*
- *our ability to replace the oil and natural gas reserves we produce;*
- *our substantial future capital expenditures, which may reduce our cash available for distribution and could materially affect our ability to make distributions on our common units;*
- *a decline in, or substantial volatility of, oil, natural gas or natural gas liquids (NGL) prices;*
- *the differential between the NYMEX or other benchmark prices of oil and natural gas and the wellhead price we receive for our production;*
- *the risk that our hedging strategy may be ineffective or may reduce our income;*
- *uncertainty inherent in estimating our reserves;*
- *the risks and uncertainties involved in developing and producing oil and natural gas;*
- *risks related to potential acquisitions, including our ability to make accretive acquisitions on economically acceptable terms or to integrate acquired properties;*
- *competition in the oil and natural gas industry;*
- *cash flows and liquidity;*
- *restrictions and financial covenants in our credit facility and term loan;*
- *the availability of pipelines, transportation and gathering systems and processing facilities owned by third parties;*
- *electronic, cyber, and physical security breaches;*
- *general economic conditions; and*

Table of Contents

• *legislation and governmental regulations, including climate change legislation and federal or state regulation of hydraulic fracturing.*

All forward-looking statements are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this document and speak only as of the date of this report. Other than as required under the securities laws, we do not assume a duty to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

Overview

LRR Energy, L.P. (we, us, our, or the Partnership) is a Delaware limited partnership formed in April 2011 by Lime Rock Management LP (Li Rock Management), an affiliate of Lime Rock Resources A, L.P. (LRR A), Lime Rock Resources B, L.P. (LRR B) and Lime Rock Resources C, L.P. (LRR C), to operate, acquire, exploit and develop producing oil and natural gas properties in North America with long-lived, predictable production profiles. LRR A, LRR B and LRR C were formed by Lime Rock Management in July 2005 for the purpose of acquiring mature, low-risk producing oil and natural gas properties with long-lived production profiles. As used herein, references to Fund I refer collectively to LRR A, LRR B and LRR C; references to Fund II refer collectively to Lime Rock Resources II-A, L.P. and Lime Rock Resources II-C, L.P; and references to Fund III refer collectively to Lime Rock Resources III-A, L.P. and Lime Rock Resources III-C, L.P. References to Lime Rock Resources refer collectively to Fund I, Fund II and Fund III.

Our properties are located in the Permian Basin region in West Texas and Southeast New Mexico, the Mid-Continent region in Oklahoma and East Texas and the Gulf Coast region in Texas.

Contribution of Properties

On January 3, 2013, we completed an acquisition from Fund I of certain oil and natural gas properties located in the Mid-Continent region in Oklahoma for a purchase price of $21.0 million, subject to customary purchase price adjustments (the January 2013 Acquisition). In addition, as part of the January 2013 Acquisition, we acquired in the money commodity hedge contracts valued at approximately $1.7 million at the closing of the January 2013 Acquisition. The January 2013 Acquisition was effective October 1, 2012. In June 2013, we paid $0.4 million in cash to Fund I related to post-closing adjustments to the purchase price.

On April 1, 2013, we completed an acquisition of certain oil and natural gas properties located in the Mid-Continent region in Oklahoma and crude oil hedges from Fund II for a purchase price of $38.2 million (the April 2013 Acquisition). As part of the April 2013 Acquisition, we acquired in the money crude oil hedges valued at approximately $0.4 million as of the closing of the April 2013 Acquisition. The April 2013 Acquisition was effective April 1, 2013. We funded the April 2013 Acquisition with proceeds from our equity offering described in Note 10 to the consolidated condensed financial statements included in this report.

Results of Operations

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Revenues (in thousands):				
Oil sales	$ 19,258	$ 22,239	$ 59,768	$ 56,714
Natural gas sales	6,542	6,564	22,206	20,364
Natural gas liquids sales	2,771	2,655	8,895	7,165
Gain (loss) on commodity derivative instruments, net	19,771	(6,282)	821	5
Other income	40	19	111	106
Total revenues	48,382	25,195	91,801	84,354

Table of Contents

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Expenses (in thousands):				
Lease operating expense	6,024	6,005	18,688	18,072
Production and ad valorem taxes	2,172	2,434	6,820	6,478
Depletion and depreciation	8,711	9,533	25,856	29,772
General and administrative expense	2,629	2,669	8,510	8,866
Interest expense	2,551	2,349	7,667	6,863
Loss (gain) on interest rate derivative instruments, net	(492)	1,401	930	(1,371)
Production:				
Oil (MBbls)	219	216	653	614
Natural gas (MMcf)	1,609	1,849	4,897	5,500
NGLs (MBbls)	93	84	268	229
Total (MBoe)	580	608	1,737	1,760
Average net production (Boe/d)	6,304	6,609	6,363	6,447
Average sales price:				
Oil (per Bbl):				
Sales price	$ 87.94	$ 102.96	$ 91.53	$ 92.37
Effect of settled commodity derivative instruments	2.96	(9.76)	(0.43)	(2.92)
Realized price	$ 90.90	$ 93.20	$ 91.10	$ 89.45
Natural gas (per Mcf):				
Sales price	$ 4.07	$ 3.55	$ 4.53	$ 3.70
Effect of settled commodity derivative instruments	1.22	1.40	0.82	1.40
Realized price	$ 5.29	$ 4.95	$ 5.35	$ 5.10
NGLs (per Bbl):				
Sales price	$ 29.83	$ 31.61	$ 33.21	$ 31.29
Effect of settled commodity derivative instruments	(0.22)	3.83	(1.88)	4.88
Realized price	$ 29.61	$ 35.44	$ 31.33	$ 36.17
Average unit cost per Boe:				
Lease operating expenses	$ 10.39	$ 9.87	$ 10.76	$ 10.27
Production and ad valorem taxes	3.74	4.00	3.93	3.68
Depletion and depreciation	15.02	15.67	14.89	16.92
General and administrative expenses	4.53	4.39	4.90	5.04

Our Results for the Three Months Ended September 30, 2014 Compared to the Three Months Ended September 30, 2013

We recorded net income of $26.2 million for the three months ended September 30, 2014 compared to net income of $0.3 million during the three months ended September 30, 2013, primarily related to gains on commodity and interest rate derivative instruments and lower depletion and depreciation, offset by lower revenues from oil sales. The following discussion summarizes key components of the changes between periods.

Sales Revenues. A summary of increases (decreases) in our oil, natural gas and NGL revenues between the three months ended September 30, 2013 and September 30, 2014 follows (in thousands):

Oil, natural gas and NGL revenues-prior period	$	31,458
Increase (decrease)		
Price realization		
Oil		(3,257)
Natural gas		961
NGLs		(150)
Sales volumes		
Oil		264
Natural gas		(973)
NGLs		268
Oil, natural gas and NGL revenues-current period	$	28,571

Table of Contents

Sales revenues decreased from $31.5 million for the three months ended September 30, 2013 to $28.6 million for the three months ended September 30, 2014, primarily due to lower oil price realizations and natural gas sales volumes offset by higher natural gas price realizations. Sales revenues for the three months ended September 30, 2014 consisted of oil sales of $19.3 million, natural gas sales of $6.5 million and NGL sales of $2.8 million. Sales revenues for the three months ended September 30, 2013 consisted of oil sales of $22.2 million, natural gas sales of $6.6 million and NGL sales of $2.7 million.

Our production volumes for the three months ended September 30, 2014 included 312 MBbls of oil and NGLs and 1,609 MMcf of natural gas, or 3,390 Bbl/d of oil and NGLs and 17,489 Mcf/d of natural gas. On an equivalent basis, production for the period was 580 MBoe, or 6,304 Boe/d. Our average net production for the three months ended September 30, 2014 was impacted by flaring at our Red Lake field of approximately 25 Boe/d. Due to flooding, production at our Corral Canyon field was negatively impacted by approximately 25 Boe/d during the three months ended September 30, 2014. Our production volumes for the three months ended September 30, 2013 included 300 MBbls of oil and NGLs and 1,849 MMcf of natural gas, or 3,261 Bbl/d of oil and NGLs and 20,098 Mcf/d of natural gas. On an equivalent basis, production for the period was 608 MBoe, or 6,609 Boe/d.

Our average sales price per Bbl for oil and NGLs for the three months ended September 30, 2014, excluding the effect of commodity derivative contracts, was $87.94 and $29.83, respectively. Our average sales price per Mcf of natural gas for the three months ended September 30, 2014, excluding the effect of commodity derivative contracts, was $4.07. Our average sales price per Bbl for oil and NGLs for the three months ended September 30, 2013, excluding the effect of commodity derivative contracts, was $102.96 and $31.61, respectively. Our average sales price per Mcf of natural gas for the three months ended September 30, 2013, excluding the effect of commodity derivative contracts, was $3.55.

Effects of Commodity Derivative Contracts. Due to changes in oil and natural gas prices, we recorded a net gain on our commodity hedging program for the three months ended September 30, 2014 of $19.8 million, which was comprised of positive net cash settlements and amortization of approximately $2.6 million and positive fluctuations in the fair value of derivatives of approximately $17.2 million. For the three months ended September 30, 2013, we recorded a net loss from our commodity hedging program of $6.3 million, which was comprised of positive net cash settlements and amortization of approximately $0.8 million and declines in fair value of derivatives of approximately $7.1 million. Volatility in commodity prices had a significant impact on our gains and losses on commodity derivative contracts.

Lease Operating Expense. Our lease operating expenses were $6.0 million, or $10.39 per Boe, for the three months ended September 30, 2014 compared to $6.0 million, or $9.87 per Boe, for the three months ended September 30, 2013.

Production and Ad Valorem Taxes. Our production and ad valorem taxes were $2.2 million, or $3.74 per Boe, for the three months ended September 30, 2014 compared to $2.4 million, or $4.00 per Boe, for the three months ended September 30, 2013. Production taxes accounted for approximately $2.0 million and ad valorem taxes for approximately $0.1 million of the total taxes recorded during the three months ended September 30, 2014. Production taxes accounted for approximately $2.2 million and ad valorem taxes for approximately $0.2 million of the total taxes recorded during the three months ended September 30, 2013.

Depletion and Depreciation. Our depletion and depreciation expense was $8.7 million, or $15.02 per Boe, for the three months ended September 30, 2014 compared to $9.5 million, or $15.67 per Boe, for the three months ended September 30, 2013. The decrease in depletion and depreciation expense and per Boe amounts was primarily related to lower property and equipment balances as of September 30, 2014.

Impairment of Oil and Natural Gas Properties. We did not record an impairment charge in the three months ended September 30, 2014 and 2013. If future oil or natural gas prices or reserves decline, the estimated undiscounted future cash flows for our oil and natural gas properties may not exceed the net capitalized costs for such properties and a non-cash impairment charge may be required to be recognized in future periods. As of October 31, 2014, the NYMEX-WTI oil spot price was $80.54 per Bbl and the NYMEX-Henry Hub natural gas spot price was $3.78 per MMBtu.

Table of Contents

General and Administrative Expenses. Our general and administrative expenses were $2.6 million, or $4.53 per Boe, for the three months ended September 30, 2014 compared to $2.7 million, or $4.39 per Boe, for the three months ended September 30, 2013.

Interest Expense. Our interest expense is comprised of interest on our credit facility and term loan and amortization of debt issuance costs. Interest expense was $2.6 million and $2.3 million for the three months ended September 30, 2014 and 2013, respectively.

Effects of Interest Rate Derivatives. Gain on interest rate derivative contracts, net, was $0.5 million for the three months ended September 30, 2014, including $0.2 million in negative cash settlements and $0.7 million in positive fluctuations in fair value of the derivatives. Loss on interest rate derivative contracts, net, was $1.4 million for the three months ended September 30, 2013, including $0.2 million in negative cash settlements and $1.2 million in declines in fair value of the derivatives.

Our Results for the Nine Months Ended September 30, 2014 Compared to the Nine Months Ended September 30, 2013

We recorded a net income of $21.6 million for the nine months ended September 30, 2014 compared to net income of $13.8 million during the nine months ended September 30, 2013, primarily related to increased revenues, gains on commodity derivative instruments, net, lower depletion and depreciation expense, offset by higher operating expenses and interest expense. The following discussion summarizes key components of the changes between periods.

Sales Revenues. A summary of increases (decreases) in our oil, natural gas and NGL revenues between the nine months ended September 30, 2013 and September 30, 2014 follows (in thousands):

Oil, natural gas and NGL revenues-prior period	$	84,243
Increase (decrease)		
Price realization		
Oil		(516)
Natural gas		4,569
NGLs		440
Sales volumes		
Oil		3,570
Natural gas		(2,732)
NGLs		1,295
Oil, natural gas and NGL revenues-current period	$	90,869

Sales revenues increased from $84.2 million for the nine months ended September 30, 2013 to $90.9 million for the nine months ended September 30, 2014, primarily due to higher natural gas price realizations and oil and NGL sales volumes offset by lower natural gas volumes. Sales revenues for the nine months ended September 30, 2014 consisted of oil sales of $59.8 million, natural gas sales of $22.2 million and NGL sales of $8.9 million. Sales revenues for the nine months ended September 30, 2013 consisted of oil sales of $56.7 million, natural gas sales of $20.3 million and NGL sales of $7.2 million.

Our production volumes for the nine months ended September 30, 2014 included 921 MBbls of oil and NGLs and 4,897 MMcf of natural gas, or 3,373 Bbl/d of oil and NGLs and 17,938 Mcf/d of natural gas. On an equivalent basis, production for the period was 1,737 MBoe, or 6,363 Boe/d. Our average net production for the nine months ended September 30, 2014 was impacted by flaring at our Red Lake field of approximately 40 Boe/d. Our production volumes for the nine months ended September 30, 2013 included 843 MBbls of oil and NGLs and 5,500 MMcf of natural gas, or 3,088 Bbl/d of oil and NGLs and 20,147 Mcf/d of natural gas. On an equivalent basis, production for the period was 1,760 MBoe, or 6,447 Boe/d. The increase in oil and NGL sales volumes was primarily driven by the continued drilling at our Red Lake field. Given our focus on drilling at the Red Lake field, the production at our natural gas properties has decreased due to the natural decline of the wells.

Our average sales price per Bbl for oil and NGLs for the nine months ended September 30, 2014, excluding the effect of commodity derivative contracts, was $91.53 and $33.21, respectively. Our average sales price per Mcf of natural gas for the nine months ended September 30, 2014, excluding the effect of commodity derivative contracts, was $4.53. Our average sales price per Bbl for oil and NGLs for the nine months ended September 30, 2013, excluding the effect of commodity derivative contracts, was $92.37 and $31.29, respectively. Our average sales price per Mcf of natural gas for the nine months ended September 30, 2013, excluding the effect of commodity derivative contracts, was $3.70.

Effects of Commodity Derivative Contracts. Due to changes in oil and natural gas prices, we recorded a net gain from our commodity hedging program for the nine months ended September 30, 2014 of $0.8 million, which was comprised of positive net cash settlements and amortization of approximately $3.2 million and declines in the fair value of derivatives of approximately $2.4 million. For the nine months ended September 30, 2013, we recorded a net gain from our commodity hedging program of less than $0.1 million, which was comprised of positive net cash settlements and amortization of approximately $7.1 million and declines in fair value of derivatives of approximately $7.0 million. Volatility in commodity prices had a significant impact on our gains and losses on commodity derivative contracts.

Lease Operating Expense. Our lease operating expenses were $18.7 million, or $10.76 per Boe, for the nine months ended September 30, 2014 compared to $18.1 million, or $10.27 per Boe, for the nine months ended September 30, 2013.

Production and Ad Valorem Taxes. Our production and ad valorem taxes were $6.8 million, or $3.93 per Boe, for the nine months ended September 30, 2014 compared to $6.5 million, or $3.68 per Boe, for the nine months ended September 30, 2013. Production taxes accounted for approximately $6.4 million and ad valorem taxes for $0.4 million of the total taxes recorded during the nine months ended September 30, 2014. Production taxes accounted for approximately $5.9 million and ad valorem taxes for $0.6 million of the total taxes recorded during the nine months ended September 30, 2013.

Depletion and Depreciation. Our depletion and depreciation expense was $25.9 million, or $14.89 per Boe, for the nine months ended September 30, 2014 compared to $29.8 million, or $16.92 per Boe, for the nine months ended September 30, 2013. The decrease in depletion and depreciation expense and per Boe amounts was primarily related to lower property and equipment balances as of September 30, 2014.

Impairment of Oil and Natural Gas Properties. We did not record an impairment charge in the nine months ended September 30, 2014 and 2013. If future oil or natural gas prices or reserves decline, the estimated undiscounted future cash flows for our oil and natural gas properties may not exceed the net capitalized costs for such properties and a non-cash impairment charge may be required to be recognized in future periods. As of October 31, 2014, the NYMEX-WTI oil spot price was $80.54 per Bbl and the NYMEX-Henry Hub natural gas spot price was $3.78 per MMBtu.

General and Administrative Expenses. Our general and administrative expenses were $8.5 million, or $4.90 per Boe, for the nine months ended September 30, 2014 compared to $8.9 million, or $5.04 per Boe, for the nine months ended September 30, 2013.

Interest Expense. Our interest expense is comprised of interest on our credit facility and term loan and amortization of debt issuance costs. Interest expense was $7.7 million and $6.9 million for the nine months ended September 30, 2014 and 2013, respectively.

Effects of Interest Rate Derivatives. Loss on interest rate derivative contracts, net, was $0.9 million for the nine months ended September 30, 2014, including $0.6 million in negative cash settlements and $0.3 million in declines in fair value of the derivatives. Gain on interest rate derivative contracts, net, was $1.4 million for the nine months ended September 30, 2013, including $0.5 million in negative cash settlements and $1.9 million in positive fluctuations in fair value of the derivatives.

Non-GAAP Financial Measures

Below we disclose the non-GAAP financial measures Adjusted EBITDA and Distributable Cash Flow for the periods presented and provide reconciliations of these items to net income (loss), our most directly comparable financial performance measure calculated and presented in accordance with GAAP. We define Adjusted EBITDA as net income (loss) plus or minus:

- Income tax expense;
- Interest expense-net, including loss (gain) on interest rate derivative instruments, net;
- Depletion and depreciation;
- Accretion of asset retirement obligations;
- Amortization of equity awards;
- Loss (gain) on settlement of asset retirement obligations;
- Loss (gain) on commodity derivative instruments, net;
- Commodity derivative instrument net cash settlements;
- Impairment of oil and natural gas properties; and
- Other non-recurring items that we deem appropriate.

Adjusted EBITDA is used as a supplemental financial measure by our management and by external users of our financial statements, such as investors, commercial banks, research analysts and others, to assess our financial performance as compared to that of other companies and partnerships in our industry, without regard to financing methods, capital structure or historical cost basis.

We define Distributable Cash Flow as Adjusted EBITDA less cash income tax expense, cash interest expense and estimated maintenance capital.

Distributable Cash Flow is a supplemental financial measure used by our management and by external users of our financial statements, such as investors, commercial banks, research analysts and others to compare basic cash flows generated by us (prior to the establishment of any retained cash reserve by our general partner) to the cash distributions we expect to pay our unitholders. Distributable Cash Flow is also an important financial measure for our unitholders as it serves as an indicator of our success in providing a cash return on investment. Specifically, distributable cash flow indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our quarterly distribution rates. Distributable Cash Flow is a quantitative standard used throughout the investment community with respect to publicly-traded partnerships and limited liability companies because the yield is based on the amount of cash distributions the entity pays to a unitholder compared to the unit price.

Our management believes that both Adjusted EBITDA and Distributable Cash Flow are useful to investors because these measures are used by many partnerships in the industry as measures of operating and financial performance and are commonly employed by financial analysts and others to evaluate the operating and financial performance from period to period and to compare it with the performance of other publicly traded partnerships within the industry. Adjusted EBITDA and Distributable Cash Flow should not be considered alternatives to net income (loss), operating income (loss), or any other measures of financial performance presented in accordance with GAAP. Our Adjusted EBITDA and Distributable Cash Flow may not be comparable to similarly titled measures of another company because all companies may not calculate Adjusted EBITDA and Distributable Cash Flow in the same manner.

Our Adjusted EBITDA for the three months ended September 30, 2014 and 2013 was $20.8 million and $21.5 million, respectively. The decrease was primarily driven by lower revenues. Our Adjusted EBITDA for the nine months ended September 30, 2014 and 2013 was $61.5 million and $59.1 million, respectively. The increase was primarily driven by higher revenues.

Our Distributable Cash Flow for the three months ended September 30, 2014 and 2013 was $13.1 million and $14.0 million, respectively. The decrease in Distributable Cash Flow was driven by the decreased Adjusted EBITDA as discussed above and increased cash interest expense. Our Distributable Cash Flow for the nine months ended September 30, 2014 and 2013 was $38.3 million and $36.7 million, respectively. The increase in Distributable Cash Flow was driven by the increased Adjusted EBITDA as discussed above offset by increased cash interest expense.

Table of Contents

Reconciliation of Adjusted EBITDA and Distributable Cash Flow to Net Income (Loss)

The following table presents a reconciliation of Adjusted EBITDA and Distributable Cash Flow to net income (loss), our most directly comparable GAAP financial performance measure, for each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2014**	**2013**	**2014**	**2013**
Net income (loss)	$ 26,232	$ 284	$ 21,589	$ 13,805
Income tax expense	26	35	138	102
Interest expense-net, including loss (gain) on interest rate derivative instruments, net	2,059	3,750	8,597	5,492
Depletion and depreciation	8,711	9,533	25,856	29,772
Accretion of asset retirement obligations	519	486	1,532	1,433
Amortization of equity awards	285	138	819	391
Loss (gain) on settlement of asset retirement obligations	10	(1)	71	334
Loss (gain) on commodity derivative instruments, net	(19,771)	6,282	(821)	(5)
Commodity derivative instrument net cash settlements	2,774	1,039	3,741	7,795
Impairment of oil and natural gas properties				
Adjusted EBITDA	$ 20,845	$ 21,546	$ 61,522	$ 59,119
Adjusted EBITDA	20,845	21,546	61,522	59,119
Income tax expense	(9)	(35)	(97)	(108)
Cash interest expense	(2,717)	(2,438)	(8,118)	(7,054)
Estimated maintenance capital (1)	(5,000)	(5,075)	(15,000)	(15,225)
Distributable cash flow	$ 13,119	$ 13,998	$ 38,307	$ 36,732

(1) Amount represents pro-rated capital for the period. Estimated maintenance capital expenditures as defined by our partnership agreement represent our estimate of the amount of capital required on average per year to maintain our production over the long term.

Liquidity and Capital Resources

Our ability to finance our operations, including funding capital expenditures and acquisitions, to meet our indebtedness obligations, to refinance our indebtedness or to meet our collateral requirements depends on our ability to generate cash. Our ability to generate cash is subject to a number of factors, some of which are beyond our control, including commodity prices, particularly for oil and natural gas, weather and our ongoing efforts to manage operating costs and maintenance capital expenditures, as well as general economic, financial, competitive, legislative, regulatory and other factors.

Our primary sources of liquidity and capital resources are cash flows generated by operating activities and borrowings under our credit facility and term loan and equity offerings under our recently established at-the-market offering program (the ATM Program), described below. We may issue additional equity and debt as needed.

On February 4, 2014, we launched the ATM Program with MLV & Co. LLC (MLV) as sales agent. We may sell from time to time through MLV our common units representing limited partner interests having an aggregate offering amount of up to $75.0 million. Any sales of common units under the ATM Program may be made by any method permitted by law deemed to be an at-the-market offering defined by Rule 415 of the Securities Act, including, without limitation, sales made directly on the New York Stock Exchange, on any other existing trading market for our common units or to or through a market maker. During the nine months ended September 30, 2014, we received net proceeds from the sale of 1,375,239 newly issued common units of $23.4 million, after deducting underwriting discounts and commissions and offering expenses of $0.7 million, and used the proceeds for general partnership purposes. During the nine months ended September 30, 2014, we paid approximately $0.5 million of aggregate compensation to MLV for sales under the ATM Program.

Table of Contents

Our second lien term loan requires that 50% of the net cash proceeds from any equity offering be used to repay borrowings outstanding under the term loan. In October 2014, we entered into an amendment to our term loan to waive this requirement for certain sales of common units through March 31, 2015.

We enter into hedging arrangements to reduce the impact of commodity price volatility on our cash flow from operations. Under this strategy, we enter into commodity derivative contracts at times and on terms desired to maintain a portfolio of commodity derivative contracts covering approximately 65% to 85% of our estimated production from total proved developed producing reserves over a three-to-five year period at a given point in time, although we may from time to time hedge more or less than this approximate range.

Our partnership agreement requires that we distribute all of our available cash (as defined in the partnership agreement) to our unitholders and our general partner. In making cash distributions, our general partner attempts to avoid large variations in the amount we distribute from quarter to quarter. In order to facilitate this, our partnership agreement permits our general partner to establish cash reserves to be used to pay distributions for any one or more of the next four quarters. In addition, our partnership agreement allows our general partner to borrow funds to make distributions.

We intend to make cash distributions to our unitholders and our general partner at least at the minimum quarterly distribution rate of $0.4750 per unit per quarter ($1.90 per unit on an annualized basis). Based on the number of common units, subordinated units and general partner units outstanding as of October 31, 2014, quarterly distributions to all of our unitholders at our current quarterly distribution rate would total $13.8 million.

We may borrow to make distributions to our unitholders, for example, in circumstances where we believe that the distribution level is sustainable over the long-term, but short-term factors have caused available cash from operations to be insufficient to sustain our level of distributions. In addition, a significant portion of our production is hedged. We are generally required to settle our commodity hedge derivatives within five days of the end of the month. As is typical in the oil and gas industry, we generally do not receive the proceeds from the sale of our hedged production until 45 to 60 days following the end of the month. As a result, when commodity prices increase above the fixed price in the derivative contracts, we are required to pay the derivative counterparty the difference between the fixed price in the derivative contract and the market price before we receive the proceeds from the sale of the hedged production. If this occurs, we may make working capital borrowings to fund our distributions. Because we distribute all of our available cash, we will not have those amounts available to reinvest in our business to increase our proved reserves and production and as a result, we may not grow as quickly as other oil and gas entities or at all.

We are committed to reinvesting a sufficient amount of our cash flow to fund our exploitation and development capital expenditures in order to maintain our production, and we intend to use primarily external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, rather than cash reserves established by our general partner, to make acquisitions to further increase our production and proved reserves. Because our proved reserves and production decline continually over time and because we do not own any undeveloped properties or leasehold acreage, we will need to make acquisitions to sustain our level of distributions to unitholders over time.

If cash flow from operations does not meet our expectations, we may reduce our expected level of capital expenditures, reduce distributions to unitholders, and/or fund a portion of our capital expenditures using borrowings under our credit facility or term loan, issuances of debt and equity securities or from other sources, such as asset sales. Our ability to raise funds through the incurrence of additional indebtedness could be limited by the covenants in our credit facility and term loan. If we are unable to obtain funds when needed or on acceptable terms, we may not be able to complete acquisitions that may be favorable to us or finance the capital expenditures necessary to maintain our production or proved reserves.

Based upon current oil and natural gas price expectations and our commodity derivatives positions at September 30, 2014, which cover 74% of our estimated production from total proved developed producing reserves, we anticipate that our cash on hand, cash flow from operations, proceeds from our ATM Program and available borrowing capacity under our revolving credit facility will provide us sufficient working capital to fund our total planned 2014 capital expenditures and annualized cash distributions as described above.

We expect to spend $35.0 million in total capital expenditures in 2014, of which $20.3 million represents maintenance capital expenditures on the development of our existing oil and natural gas properties.

We intend to pursue acquisitions of long-lived, low-risk producing oil and natural gas properties with reserve exploitation potential. We would expect to finance any significant acquisition of oil and natural gas properties in 2014 through external financing sources, including borrowings under our revolving credit facility and the issuance of debt and equity securities, including through our ATM Program.

Credit Agreement

In July 2011, subject to consummation of our initial public offering, we, as guarantor, and our wholly owned subsidiary, LRE Operating, LLC (OLLC), as borrower, entered into a five-year, $500.0 million senior secured revolving credit facility, as amended (the Credit Agreement), that matures in July 2016. The Credit Agreement is reserve-based and we are permitted to borrow under our credit facility an amount up to the borrowing base, which was $235.0 million as of September 30, 2014. Our borrowing base, which is primarily based on the estimated value of our oil and natural gas properties and our commodity derivative contracts, is subject to redetermination semi-annually by our lenders and once during the interim periods at their sole discretion.

A future decline in commodity prices could result in a redetermination that lowers our borrowing base in the future and, in such case, we could be required to repay any indebtedness in excess of the borrowing base, or we could be required to pledge other oil and natural gas properties as additional collateral. We do not anticipate having any substantial unpledged properties, and we may not have the financial resources in the future to make any mandatory principal prepayments required under our Credit Agreement. Additionally, we will not be able to pay distributions to our unitholders in any such quarter in the event there exists a borrowing base deficiency or an event of default either before or after giving effect to such distribution or we are not in pro forma compliance with the Credit Agreement after giving effect to such distribution.

If we fail to perform our obligations under the covenants described in our 2013 Annual Report, the revolving credit commitments could be terminated and any outstanding indebtedness under the Credit Agreement, together with accrued interest, could be declared immediately due and payable. As of September 30, 2014, we were in compliance with our covenants contained in the Credit Agreement.

On October 1, 2014, we entered into the Fourth Amendment (Fourth Credit Agreement Amendment) to the Credit Agreement. The Fourth Credit Agreement Amendment, among other things, (i) reduced the interest rate margins applicable to the loans and other obligations thereunder, with margins ranging from 1.50% to 2.50% for eurodollar loans, and from 0.50% to 1.50% for base rate loans, in each case based on utilization of the credit facility, (ii) extended the maturity date to October 1, 2019, (iii) increased the maximum credit amount to $750,000,000, (iv) increased the borrowing base to $260,000,000 and (v) confirmed that, notwithstanding the increase to maximum credit amount, the obligations under Credit Agreement remain subject to a $500,000,000 first lien cap pursuant to the Intercreditor Agreement.

At September 30, 2014, we had $200.0 million of outstanding borrowings under our Credit Agreement and available borrowing capacity of $35.0 million. As of October 30, 2014, we had approximately $233.0 million of outstanding borrowings under our Credit Agreement and available borrowing capacity of approximately $27.0 million.

Term Loan Agreement

On June 28, 2012, we, as parent guarantor, and our wholly owned subsidiary, OLLC, as borrower, entered into a Second Lien Credit Agreement (the Term Loan Agreement). The Term Loan Agreement provides for a $50.0 million senior secured second lien term loan to OLLC. OLLC borrowed $50.0 million under the Term Loan Agreement and used the borrowings to repay outstanding borrowings under the Credit Agreement.

The Term Loan Agreement contains various covenants and restrictive provisions as described in our 2013 Annual Report. As of September 30, 2014, we were in compliance with all covenants contained in the Term Loan Agreement.

Table of Contents

On October 1, 2014, we entered into the Fourth Amendment (Fourth Term Loan Agreement Amendment) to the Term Loan Agreement. The Fourth Term Loan Agreement Amendment, among other things, amended the Term Loan Agreement to exclude certain sales of common units representing limited partner interests in us made on and after October 1, 2014 and on and before March 31, 2015 from compliance with the mandatory prepayment provision under the Term Loan Agreement that requires us to use 50% of the net cash proceeds from any equity offering to repay borrowings outstanding under the Term Loan Agreement. The Fourth Term Loan Agreement Amendment also extended the maturity date of the Term Loan Agreement to April 1, 2020.

At September 30, 2014, we had $50.0 million of outstanding borrowings under our Term Loan Agreement and no available borrowing capacity.

Commodity Derivative Contracts

The following table summarizes, for the periods presented, the weighted average price and notional volumes of our oil, NGL and natural gas swaps and collars in place as of September 30, 2014. The weighted average price is based on the swap price for oil, NGL and natural gas swaps and the floor price of oil and natural gas collars. We use swaps and collars as a mechanism for managing commodity price risks whereby we pay the counterparty floating prices and receive fixed prices from the counterparty. By entering into the hedge agreements, we mitigate the effect on our cash flows of changes in the prices we receive for our oil, NGL and natural gas production.

	Oil (NYMEX-WTI) Weighted Average		NGL (Mount Belvieu) Weighted Average		Natural Gas (NYMEX-Henry Hub) Weighted Average	
Term	**$/Bbl**	**Bbls/d**	**$/Bbl**	**Bbls/d**	**$/Mmbtu**	**Mmbtu/d**
2014	$ 96.14	2,224	$ 34.71	724	$ 5.61	15,898
2015	$ 93.16	2,075	$ 34.46	647	$ 5.72	15,069
2016	$ 87.27	1,672	$		$ 4.29	14,887
2017	$ 86.06	730	$		$ 4.61	13,824
2018	$ 86.45	179	$		$ 4.28	6,506

The following table summarizes, for the periods presented, our natural gas basis swaps in place as of September 30, 2014. These contracts are designed to effectively fix a price differential between the NYMEX-Henry Hub price and the index price at which the physical natural gas is sold.

	Centerpoint East		Houston Ship Channel		WAHA		TEXOK	
Term	**$/Mmbtu**	**Mmbtu/d**	**$/Mmbtu**	**Mmbtu/d**	**$/Mmbtu**	**Mmbtu/d**	**$/Mmbtu**	**Mmbtu/d**
2014	$ (0.2137)	6,202	$ (0.0841)	3,260	$ (0.1292)	5,008	$ (0.1233)	883
2015	$ (0.2291)	5,939	$ (0.0959)	3,031	$ (0.1380)	4,777	$ (0.1334)	846
2016	$		$ (0.0810)	2,691	$ (0.1326)	4,408	$ (0.0975)	784

The following table summarizes, for the periods presented, our oil basis swaps in place as of September 30, 2014. These contracts are designed to effectively fix a price differential between the NYMEX-WTI price and the index price at which the physical oil is sold.

Term		Argus Midland-Cushing $/Bbl	Bbl/d
2014	$	(1.00)	1,039
2015	$	(3.41)	1,088

Table of Contents

Cash Flows

Cash flows provided by (used in) operating, investing and financing activities were as follows for the periods indicated (in thousands):

	Nine Months Ended September 30, 2014	2013
Net cash provided by (used in):		
Operating activities	$ 48,294	$ 47,709
Investing activities	(25,790)	(24,857)
Financing activities	(16,170)	(21,018)

Operating Activities.

Net cash provided by operating activities was $48.3 million and $47.7 million for the nine months ended September 30, 2014 and 2013, respectively. Revenues fluctuate due to the volatility of commodity prices, and therefore our cash provided by operating activities is impacted by the prices received for oil and natural gas sales, as well as levels of production volumes and operating expenses.

Our working capital totaled $31.7 million and $17.1 million at September 30, 2014 and December 31, 2013, respectively. Our collection of receivables has historically been timely, and losses associated with uncollectible receivables have historically not been significant. Our cash balances totaled $10.8 million and $4.4 million at September 30, 2014 and December 31, 2013, respectively.

Investing Activities.

Net cash used in investing activities was $25.8 million and $24.9 million for the nine months ended September 30, 2014 and 2013, respectively, which primarily represented additions to our property and equipment balances during the periods.

Financing Activities.

Cash flows used in financing activities was $16.2 million for the nine months ended September 30, 2014, and consisted of net proceeds received from an equity offering of $23.4 million offset by distributions to unitholders of $39.6 million.

Cash flows used in financing activities was approximately $21.0 million for the nine months ended September 30, 2013, which consisted of net proceeds from the March 2013 equity offering of $59.5 million and net borrowings of $17.0 million offset by distributions paid to our unitholders of $36.1 million and contributions and distributions to Lime Rock Resources of $61.4 million.

Off-Balance Sheet Arrangements

As of September 30, 2014, we had no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies from those described in our 2013 Annual Report.

Recently Issued Accounting Pronouncements

Refer to Note 2 of the consolidated condensed financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to the commodity price risk, interest rate risk and counterparty and customer credit risk discussed in our 2013 Annual Report under the caption Management s Discussion and

Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosure About Market Risk.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act, as amended (the Exchange Act), we have evaluated, under the supervision and with the participation of our management, including our principal executive officers and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Our principal executive officers and principal financial officer, with the participation of management, have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2014.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, neither we nor our general partner is currently a party to any material legal proceedings. In addition, we are not aware of any significant legal or governmental proceedings against us or our general partner, or contemplated to be brought against us or our general partner, under the various environmental protection statues to which we or our general partner is subject.

Item 1A. Risk Factors.

There have been no material changes to the risk factors described in our 2013 Annual Report.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Table of Contents

Item 6. Exhibits.

Exhibit Number	Description
3.1	Certificate of Limited Partnership of LRR Energy, L.P. dated as of April 28, 2011 (incorporated by reference to Exhibit 3.1 to the Partnership s Registration Statement on Form S-1 (SEC File No. 333-174017), filed on May 6, 2011).
3.2	First Amended and Restated Agreement of Limited Partnership of LRR Energy, L.P. dated as of November 16, 2011 (incorporated by reference to Exhibit 3.2 to the Partnership s Annual Report on Form 10-K (SEC File No. 001-35344), filed on March 27, 2012).
3.3	Certificate of Formation of LRE GP, LLC dated as of April 28, 2011 (incorporated by reference to Exhibit 3.4 to the Partnership s Registration Statement on Form S-1 (SEC File No. 333-174017), filed on May 6, 2011).
3.4	Amended and Restated Limited Liability Company Agreement of LRE GP, LLC dated as of November 16, 2011 (incorporated by reference to Exhibit 3.2 to the Partnership s Current Report on Form 8-K (SEC File No. 001-35344), filed on November 22, 2011).
31.1*	Certification by Co-Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.
31.2*	Certification by Co-Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.
31.3*	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.
32.1*	Certification by Co-Chief Executive Officers and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith

** Submitted electronically herewith

Table of Contents

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.

	LRR Energy, L.P.	
	By:	**LRE GP, LLC,** its General Partner
Date: November 5, 2014	By:	/s/ Eric Mullins Eric Mullins Co-Chief Executive Officer
Date: November 5, 2014		
	By:	/s/ Jaime R. Casas Jaime R. Casas Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
3.1	Certificate of Limited Partnership of LRR Energy, L.P. dated as of April 28, 2011 (incorporated by reference to Exhibit 3.1 to the Partnership s Registration Statement on Form S-1 (SEC File No. 333-174017), filed on May 6, 2011).
3.2	First Amended and Restated Agreement of Limited Partnership of LRR Energy, L.P. dated as of November 16, 2011 (incorporated by reference to Exhibit 3.2 to the Partnership s Annual Report on Form 10-K (SEC File No. 001-35344), filed on March 27, 2012).
3.3	Certificate of Formation of LRE GP, LLC dated as of April 28, 2011 (incorporated by reference to Exhibit 3.4 to the Partnership s Registration Statement on Form S-1 (SEC File No. 333-174017), filed on May 6, 2011).
3.4	Amended and Restated Limited Liability Company Agreement of LRE GP, LLC dated as of November 16, 2011 (incorporated by reference to Exhibit 3.2 to the Partnership s Current Report on Form 8-K (SEC File No. 001-35344), filed on November 22, 2011).
31.1*	Certification by Co-Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.
31.2*	Certification by Co-Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.
31.3*	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.
32.1*	Certification by Co-Chief Executive Officers and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith

** Submitted electronically herewith