

Akeena Solar, Inc.
Form 424B3
September 13, 2007

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-139087

PROSPECTUS

AKEENA SOLAR, INC. 3,279,000 Shares of Common Stock

- The shares of common stock offered by this prospectus are being sold by the selling stockholders.
- These shares consist of 3,217,500 shares issued in a private placement, 27,675 shares issued upon the exercise of warrants, and 33,825 shares issuable upon the exercise of outstanding warrants.
- We will not receive any of the proceeds from the sale of the shares by the selling stockholders; however, we will receive proceeds from the exercise of warrants by certain of the selling stockholders.
- We will bear all costs relating to the registration of the common stock, other than any selling stockholder's legal or accounting costs or commissions.

Our common stock is quoted on the regulated quotation service of the OTC Bulletin Board under the symbol "AKNS.OB."

The last sale price of our common stock on September 6, 2007 was \$4.97 per share.

Investing in our common stock involves a high degree of risk. You should read this entire prospectus carefully, including the section entitled "Risk Factors" beginning on page 2, which describes some factors you should consider before investing.

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

The date of this prospectus is September 6, 2007

TABLE OF CONTENTS

| | Page |
|---|-------------|
| PROSPECTUS SUMMARY | 1 |
| RISK FACTORS | 2 |
| FORWARD-LOOKING STATEMENTS | 10 |
| USE OF PROCEEDS | 10 |
| MARKET FOR OUR COMMON STOCK AND RELATED STOCKHOLDER MATTERS | 10 |
| DIVIDEND POLICY | 11 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION | 11 |
| BUSINESS | 20 |
| MANAGEMENT | 28 |
| EXECUTIVE COMPENSATION | 31 |
| RELATED PARTY TRANSACTIONS | 32 |
| VOTING SECURITIES AND PRINCIPAL HOLDERS | 32 |
| SELLING STOCKHOLDERS | 34 |
| DESCRIPTION OF SECURITIES | 35 |
| PLAN OF DISTRIBUTION | 38 |
| LEGAL MATTERS | 40 |
| EXPERTS | 40 |
| WHERE YOU CAN FIND MORE INFORMATION | 40 |
| INDEX TO FINANCIAL STATEMENTS | 41 |

References in this prospectus to “we,” “us,” “our,” “the company,” “Akeena” and “Akeena Solar” refer to Akeena Solar, Inc. Akeena is a trademark of Akeena Solar, Inc. Trademarks, service marks and trade names of other companies appearing in this prospectus are the property of their respective holders. You should rely only on the information contained in this prospectus and in any prospectus supplement we may file after the date of this prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. These securities will not be offered in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus or any supplement is accurate only as of the date on the front cover of this prospectus or any supplement. Our business, financial condition, results of operations and prospects may have changed since that date.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus but might not contain all of the information that is important to you. Before investing in our common stock, you should read the entire prospectus carefully, including the “Risk Factors” section and the financial statements, related notes and the other more detailed information appearing elsewhere in this prospectus before making an investment decision.

Overview

Akeena Solar is a leading designer and integrator of solar power systems. We market, sell, design and install systems for residential and small commercial customers, sourcing components (such as solar modules and inverters) from manufacturers such as Sharp, Kyocera, SunPower and Fronius. We currently serve customers in California, New York, New Jersey, Pennsylvania and Connecticut. According to data compiled by the California Energy Commission and the New Jersey Clean Energy Program, over the past three years we have been one of the largest national integrators of residential and small commercial solar electric power systems in the United States. We are a member of the Solar Energy Industry Association, the California Solar Energy Industries Association, the Northern California Solar Energy Association, the Independent Power Providers, the Solar Energy Business Association of New England, and the New York Solar Energy Industries Association. Since the commencement of our operations in 2001, our sales have steadily grown to approximately \$7.2 million in 2005, \$13.4 million in 2006 and \$13.8 million in the first two quarters of 2007.

Corporate History

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

Our corporate headquarters are located at 16005 Los Gatos Boulevard, Los Gatos, California 95032. In addition, we maintain installation offices at our Los Gatos facility and at our Fresno (Clovis), Orange County, Bakersfield, Manteca and Santa Rosa, California offices, as well as at our Fairfield New Jersey office. Our telephone number is (408) 402-9400.

The Offering

Common stock offered by the selling stockholders

3,279,000 shares, consisting of 3,217,500 shares issued to investors in a private placement, 27,675 shares issued upon the exercise of warrants, and 33,825 shares issuable upon the exercise of outstanding warrants.

1

| | |
|--|--|
| Common stock outstanding after this offering | 23,625,941 shares |
| Use of proceeds | <i>We will not receive any proceeds from the sale of shares in this offering by the selling stockholders; however, we will receive proceeds from the exercise of the warrants.</i> |
| OTC Bulletin Board symbol | AKNS.OB |
| <i>Risk factors</i> | <i>You should carefully consider the information set forth in this prospectus and, in particular, the specific factors set forth in the “Risk Factors” section before deciding whether or not to invest in shares of our common stock.</i> |

The number of shares of our common stock outstanding after this offering is based on shares outstanding as of August 31, 2007, and excludes the following:

- 1,625,173 shares issuable upon the exercise of outstanding warrants (including warrants whose underlying shares may be sold under this prospectus) and up to 192,402 additional shares reserved for issuance under our 2006 Stock Incentive Plan.

RISK FACTORS

Investing in our common stock involves a high degree of risk. Prospective investors should carefully consider the risks described below and other information contained in this prospectus, including our financial statements and related notes before purchasing shares of our common stock. There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. If any of these risks actually occurs, our business, financial condition or results of operations may be materially adversely affected. In that case, the trading price of our common stock could decline and investors in our common stock could lose all or part of their investment.

Risks Relating To Our Business

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

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

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

The components used in our systems are purchased from a limited number of manufacturers. In particular, Sharp, Kyocera and SunPower account for over 90% of our purchases of photovoltaic modules. We do not manufacture any of the components used in our solar installations. We are subject to market prices for the components that we purchase

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

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

As part of our business strategy, we may seek to expand by acquiring competing businesses or customer contracts in our current or other geographic markets. We face challenges in managing expanding product and service offerings and in integrating acquired businesses with our own. Most recently we opened offices in Bakersfield, Manteca and Orange County, California. We recently commenced operations in Santa Rosa, California, through acquiring certain assets of another company. We currently intend to seek additional locations for expansion. We cannot accurately predict the timing, size and success of our expansion efforts and the associated capital commitments that might be required. We expect to face competition for expansion candidates, which may limit the number of expansion opportunities available to us and may lead to higher expansion costs. There can be no assurance that we will be able to identify, acquire or profitably manage additional businesses/contracts or successfully integrate acquired businesses/contracts, if any, into our company, without substantial costs, delays or other operational or financial difficulties. In addition, expansion efforts involve a number of other risks, including:

- Failure of the expansion efforts to achieve expected results;
- Diversion of management's attention and resources to expansion efforts;
- Failure to retain key customers or personnel of the acquired businesses; and
- Risks associated with unanticipated events, liabilities or contingencies.

Client dissatisfaction or performance problems at a single acquired business could negatively affect our reputation. The inability to acquire businesses on reasonable terms or successfully integrate and manage acquired companies, or the occurrence of performance problems at acquired companies, could result in dilution, unfavorable accounting charges and difficulties in successfully managing our business.

Our limited operating history, including the uncertainty of our future performance and ability to maintain or improve our financial and operating systems, makes it difficult to evaluate our business.

We were organized in February 2001. Our limited operating history makes it difficult to evaluate our business. In addition, the limited performance history of our management and sales team and the uncertainty of our future performance and ability to maintain or improve our financial, sales and operating systems, procedures and controls increase the risk that we may be unable to continue to successfully operate our business. In the event that we are not able to manage our growth and operate as a public company due to our limited experience, our business may suffer uncertainty and failures, which makes it difficult to evaluate our business.

We may be unable to attain profitability or increase net sales, expand the range of our services or enter new markets.

Various factors, including demand for our solar module systems and services and our ability to expand the range of our product and service offerings and to successfully enter new markets, may affect our ability to maintain or increase the net sales of our business or any subsequently acquired businesses. There can be no assurance that we will be able to attain profitability and/or expand the sales of our business or any subsequently acquired businesses.

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

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

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

- the ability of our competitors to hire, retain and motivate qualified technical personnel;
- the ownership by competitors of proprietary tools to customize systems to the needs of a particular customer;
- the price at which others offer comparable services and equipment;
- the extent of our competitors' responsiveness to client needs; and
- installation technology.

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

Our failure to meet a client's expectations in the performance of our services, and the risks and liabilities associated with placing our employees and technicians in our customers' homes and businesses, could give rise to claims against us.

Our engagements involve projects that are critical to our customers' business or home. Our failure or inability to meet a customer's expectations in the provision of our products and services could damage or result in a material adverse change to their premises or property and therefore could give rise to claims against us or damage our reputation. In addition, we are exposed to various risks and liabilities associated with placing our employees and technicians in the homes and workplaces of others, including possible claims of errors and omissions, including harassment, theft of client property, criminal activity and other claims.

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

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

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

Our success depends in large part upon our ability to continue to attract, train, motivate and retain highly skilled and experienced employees, including technical personnel. Qualified technical employees periodically are in great demand and may be unavailable in the time frame required to satisfy our customers' requirements. While we currently have available technical expertise sufficient for the requirements of our business, expansion of our business could require us to employ additional highly skilled technical personnel. We expect competition for such personnel to increase as the market for solar power systems expands. There can be no assurance that we will be able to attract and retain sufficient numbers of highly skilled technical employees in the future. The loss of personnel or our inability to hire or retain sufficient personnel at competitive rates of compensation could impair our ability to secure and complete customer engagements and could harm our business.

Unexpected warranty expenses or service claims could reduce our profits.

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

Our Module technology is untested and may not be effective or patentable or may encounter other unexpected problems, which could adversely affect our business and results of operations.

Our Module technology is new and has not been tested in installation settings for a sufficient period of time to prove its long-term effectiveness and benefits. The Module technology may not be effective or other problems may occur that are unexpected and could have a material adverse effect on our business or results of operations. While patent applications have been filed for the Module technology, a patent may not be issued on such technology or we may not be able to realize the benefits from any patent that is issued.

Our inability to obtain capital, use internally generated cash, or use shares of our common stock or debt to finance future expansion efforts could impair the growth and expansion of our business.

Reliance on internally generated cash or debt to finance our operations or complete business expansion efforts could substantially limit our operational and financial flexibility. The extent to which we will be able or willing to use shares of common stock to consummate expansions will depend on our market value from time to time and the willingness of potential sellers to accept it as full or partial payment. Using shares of common stock for this purpose also may result in significant dilution to our then existing stockholders. To the extent that we are unable to use common stock to make future expansions, our ability to grow through expansions may be limited by the extent to which we are able to raise capital for this purpose through debt or equity financings. No assurance can be given that we will be able to obtain the necessary capital to finance a successful expansion program or our other cash needs. If we are unable to obtain additional capital on acceptable terms, we may be required to reduce the scope of any expansion. In addition to requiring funding for expansions, we may need additional funds to implement our internal growth and operating strategies or to finance other aspects of our operations. Our failure to (i) obtain additional capital on acceptable terms, (ii) use internally generated cash or debt to complete expansions because it significantly limits our operational or financial flexibility, or (iii) use shares of common stock to make future expansions may hinder our ability to actively pursue our expansion program.

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

Our obligations under the 2007 loan and security agreement with Comerica Bank are secured by all of our assets. (See “Management’s Discussion and Analysis or Plan of Operation — Liquidity and Capital Resources”). If we default under the credit facility we could be required to repay all of our borrowings thereunder. In addition, Comerica could foreclose its security interest and liquidate some or all of our assets, which could cause us to cease operations.

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

The terms of the 2007 credit facility with Comerica may limit our ability, without Comerica's consent, to, among other things, enter into certain transactions and create additional liens on our assets and could adversely affect our liquidity and our ability to attract additional funding if required for our business.

Risks Relating To Our Industry

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

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

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

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

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

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

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

Many states, including California and New Jersey, offer substantial incentives to offset the cost of solar power systems. These systems can take many forms, including direct rebates, state tax credits, system performance payments and Renewable Energy Credits (RECs). Moreover, the Federal government currently offers (only through 2007) a 30% tax credit for the installation of solar power systems (unlimited for businesses, capped at \$2,000 for residences). This Federal Tax Credit may increase from approximately \$2,000 per residential system to \$2,000 per kw of residential system (effectively a \$6,000 tax credit for a typical 3 kw residential system). The duration of the Federal

Tax Credit may also be extended. Businesses may also elect to accelerate the depreciation on their system over five years. Reduction in or elimination of such incentives or delays or interruptions in the implementation of favorable federal or state laws could substantially increase the cost of our systems to our customers, resulting in significant reductions in demand for our services, which would negatively impact our sales.

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

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

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

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

Risks Relating To Our Common Stock

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

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

- technological innovations or new products and services by us or our competitors;
- announcements or press releases relating to the energy sector or to our business or prospects;
- additions or departures of key personnel;
- regulatory, legislative or other developments affecting us or the solar power industry generally;
- limited availability of freely-tradable “unrestricted” shares of our common stock to satisfy purchase orders and demand;
- our ability to execute our business plan;
- operating results that fall below expectations;
- volume and timing of customer orders;
- industry developments;
- economic and other external factors; and

- period-to-period fluctuations in our financial results.

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

There may be a limited market for our securities and we may fail to qualify for a Nasdaq or other listing.

Although we have applied for listing of our common stock on the Nasdaq Capital Market, there can be no assurance that we will be determined to meet the listing criteria or when, or if, our application will be granted. Thereafter, there can be no assurance that trading of our common stock on such market will be sustained or desirable. In the event that our common stock fails to qualify for initial or continued inclusion on the Nasdaq Capital Market, our common stock would remain quoted on the OTC Bulletin Board or become quoted in what are commonly referred to as the “pink sheets.” Under such circumstances, it may be more difficult to dispose of, or to obtain accurate quotations, for our common stock, and our common stock would become substantially less attractive to certain investors, such as financial institutions and hedge funds.

We have raised substantial amounts of capital in private placements and if we inadvertently failed to comply with the applicable securities laws, ensuing rescission rights or lawsuits would severely damage our financial position.

The securities offered in our private placements were not registered under the Securities Act or any state “blue sky” law in reliance upon exemptions from such registration requirements. Such exemptions are highly technical in nature and if we inadvertently failed to comply with the requirements or any of such exemptive provisions, investors would have the right to rescind their purchase of our securities or sue for damages. If one or more investors were to successfully seek such rescission or prevail in any such suit, we would face severe financial demands that could materially and adversely affect our financial position. Financings that may be available to us under current market conditions frequently involve sales at prices below the prices at which our common stock currently is reported on the OTC Bulletin Board or exchange on which our common stock may in the future be listed, as well as the issuance of warrants or convertible securities at a discount to market price.

Our common stock may be deemed a “penny stock”, which would make it more difficult for our investors to sell their shares.

Our common stock may be subject to the “penny stock” rules adopted under Section 15(g) of the Securities Exchange Act of 1934, which we refer to as the “Exchange Act.” The penny stock rules apply to non-Nasdaq listed companies whose common stock trades at less than \$5.00 per share or that have tangible net worth of less than \$5,000,000 (\$2,000,000 if the company has been operating for three or more years). These rules require, among other things, that brokers who trade penny stock to persons other than “established customers” complete specified documentation, make suitability inquiries of investors and provide investors with specified information concerning trading in the security, including a risk disclosure document and quote information under some circumstances. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in these securities is limited. If we remain subject to the penny stock rules for any significant period, that could have an adverse effect on the market for our securities. If our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

Risks Relating To Our Company

Our Chief Executive Officer, Barry Cinnamon, beneficially owns a significant number of shares of our common stock, which will have an impact on all major decisions on which our stockholders may vote and which may discourage an acquisition of the Company.

Barry Cinnamon, our Chief Executive Officer, beneficially owns, in the aggregate, approximately 33.9% of our outstanding common stock. The interests and investment objectives of our Chief Executive Officer may differ from the interests of other stockholders. As a result, Mr. Cinnamon will have the ability to significantly impact virtually all corporate actions requiring stockholder approval, including the following actions:

8

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

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

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

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

As a public company, we also expect that these new rules and regulations may make it more difficult and expensive for us to obtain director and officer liability insurance in the future and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

It may be time-consuming, difficult and costly for us to develop and implement the internal controls and reporting procedures required by the Sarbanes-Oxley Act, when applicable to us. Some members of our management team have limited or no experience operating a company whose securities are traded or listed on an exchange, nor with SEC rules and requirements, including SEC reporting practices and requirements that are applicable to a publicly-traded company. We may need to recruit, hire, train and retain additional financial reporting, internal controls and other personnel in order to develop and implement appropriate internal controls and reporting procedures. If we are unable to comply with the internal controls requirements of the Sarbanes-Oxley Act, when applicable, we may not be able to obtain the independent accountant certifications required by the Sarbanes-Oxley Act.

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

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

FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking statements.” To the extent that any statements made in this prospectus contain information that is not historical, these statements are essentially forward-looking. Forward-looking statements can be identified by the use of words such as “expects,” “plans,” “will,” “may,” “anticipates,” “believes,” “should,” “intends,” “estimates” and other words of similar meaning. These statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by these forward-looking statements. Such risks and uncertainties include, without limitation, our ability to raise capital to finance our operations, the effectiveness, profitability and the marketability of our services, our ability to protect our proprietary information, general economic and business conditions, the impact of technological developments and competition, our expectations and estimates concerning future financial performance and financing plans, adverse results of any legal proceedings, the impact of current, pending or future legislation and regulation of the solar power industry, our ability to enter into acceptable relationships with one or more manufacturers for solar module components and the ability of such contract manufacturers to manufacture products or components of an acceptable quality on a cost-effective basis, the volatility of our operating results and financial condition, our ability to attract or retain qualified senior management personnel, including sales and marketing and technical personnel and other risks detailed from time to time in our filings with the SEC. We do not undertake any obligation to publicly update any forward-looking statements. As a result, you should not place undue reliance on these forward-looking statements.

We also use market data and industry forecasts and projections throughout this prospectus, which we have obtained from market research, publicly available information and industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers’ experience in the industry, and the projected amounts may not be achieved. Similarly, although we believe that the surveys and market research others have performed are reliable, we have not independently verified this information. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services.

USE OF PROCEEDS

We will not receive and have not received any proceeds from the resale of shares by the selling stockholders covered by this prospectus. However, we will receive and have received proceeds from the exercise of warrants. All of the 33,825 shares underlying warrants that are covered by this prospectus have an exercise price of \$1.00 per share. Any proceeds we have received and will receive from the exercise of these warrants will be used for working capital and general corporate purposes.

MARKET FOR OUR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Our common stock has been quoted on the OTC Bulletin Board since August 31, 2006 under the symbol “AKNS.OB”. Prior to that date, there was no active market for our common stock. As of August 31, 2007, there were approximately 153 holders of record of our common stock.

The following table sets forth the high and low bid prices for our common stock for the periods indicated, as reported by the OTC Bulletin Board. These quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission, and may not represent actual transactions.

| | High | Low |
|--------------------|------|-----|
| <u>Fiscal 2006</u> | | |

Edgar Filing: Akeena Solar, Inc. - Form 424B3

| | | | | |
|---|----|------|----|------|
| Third Quarter (from August 31, 2006) | \$ | 4.45 | \$ | 2.10 |
| Fourth Quarter | \$ | 3.21 | \$ | 1.95 |
| <u>Fiscal 2007</u> | | | | |
| First Quarter | \$ | 3.07 | \$ | 1.85 |
| Second Quarter | \$ | 3.95 | \$ | 2.44 |
| Third Quarter (through September 6, 2007) | \$ | 6.41 | \$ | 3.87 |

Dividends

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

Equity Compensation Plan Information

On August 8, 2006, Akeena Solar adopted the Akeena Solar, Inc. 2006 Stock Incentive Plan (the "Incentive Stock Plan") pursuant to which 450,000 shares of common stock were available for issuance to employees, directors and consultants under the Stock Plan as restricted stock and/or stock options. On December 20, 2006, the Incentive Stock Plan was amended to increase the number of shares available for issuance under the Incentive Stock Plan from 450,000 shares to 1,000,000 shares. On August 24, 2007, our stockholders approved a proposal to amend the aggregate number of shares available for issuance under the Incentive Stock Plan to 4,000,000.

Restricted stock and stock options may be issued under the Incentive Stock Plan. As of December 31, 2006, we had no outstanding options, warrants or rights under any existing equity compensation plan. The restriction period on the restricted shares granted generally expires at a rate of 25% a year over four years. Upon the lapse of the restriction period, the grantee becomes entitled to receive a stock certificate evidencing the common shares, and the restrictions cease to exist. The following table sets forth a summary of restricted stock activity for the year ended December 31, 2006:

| | Number of Restricted Shares | Weighted Average Fair Value |
|---|-----------------------------------|-----------------------------------|
| Outstanding at January 1, 2006 | | —\$ |
| Granted during 2006 | 407,305 | \$ 1.76 |
| Forfeited/cancelled during 2006 | (48,898) | \$ 1.00 |
| Released/vested during 2006 | (3,785) | \$ 1.00 |
| Outstanding and not vested at December 31, 2006 | 354,622 | |

DIVIDEND POLICY

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion should be read together with the information contained in the consolidated financial statements and related notes included elsewhere in this prospectus.

The following discussion highlights the principal factors that have affected our financial condition and results of operations as well as our liquidity and capital resources for the periods described. This discussion contains forward-looking statements.

Company Overview

Akeena Solar is a leading designer and integrator of solar power systems. We market, sell, design and install systems for residential and small commercial customers. We currently service customers in California, New York, New Jersey, Pennsylvania and Connecticut. According to data compiled by the California Energy Commission and the New Jersey Clean Energy Program, over the past three years Akeena Solar has been one of the largest national integrators of residential and small commercial solar power systems in the United States. To date, we have installed over 800 solar power systems.

Akeena Solar was formed in February 2001 as a California corporation under the name “Akeena, Inc.” and reincorporated as a Delaware corporation in June 2006, at which time its name was changed to “Akeena Solar, Inc.” Our offices are located in Los Gatos, Fresno (Clovis), Orange County, Bakersfield, Manteca and Santa Rosa, California, as well as Fairfield, New Jersey. Our Corporate headquarters are located at 16005 Los Gatos Boulevard, Los Gatos, California 95032. We maintain installation offices at all of our California offices and at our Fairfield, New Jersey facility.

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

On September 29, 2006, Akeena Corp., our wholly-owned subsidiary, purchased certain solar electric energy generation customers contracts, certain fixed assets and a customer list from Jeffrey Brown d/b/a Solahart All Valley Energy Systems, a Fresno-based installer of solar energy systems, solar hot water systems and solar pool heaters (“Solahart”), and hired Mr. Brown to help expand our business in the Fresno, California area. The total assets purchased under the agreement were approximately \$423,000 which consisted of customer contracts valued at approximately \$109,000, fixed assets of approximately \$37,000, and a customer list valued at approximately \$277,000. Solahart customer deposit liabilities of approximately \$51,000 were assumed by us at the time of the purchase of the customer contracts, fixed assets and the customer listing. Upon execution of the Purchase Agreement, Mr. Brown received approximately \$196,000 and during January 2007, received 54,621 shares of our common stock, based upon the weighted average closing price of the shares. During April 2007, we paid \$77,000 to Mr. Brown in accordance with the terms of the Purchase Agreement. We will issue up to an additional 200,000 shares of our common stock to Mr. Brown upon our achieving certain revenue milestones. Mr. Brown has agreed not to compete with us with respect to photovoltaic customers and not to solicit our employees or customers in Fresno, California for 12 months after his employment with us terminates. Solahart remains as an operating entity focusing on solar water heating installations used in swimming pool and residential water heating.

On May 3, 2007, Akeena Corp., purchased certain customer contracts and fixed assets, and assumed certain liabilities, from Alternative Energy, Inc. (“AEI”), a California corporation, pursuant to a business combination under an asset purchase agreement with AEI and its principal shareholders (the “Asset Purchase Agreement”) for \$100,000 cash (\$20,000 of which is payable by December 31, 2007), 100,000 shares of our common stock, and the assumption of three vehicle leases and an operating lease for AEI’s offices located in Santa Rosa, California, which expires in September 2008 and provides for monthly rent payments of approximately \$2,600. Concurrent with the execution of the business combination under the Asset Purchase Agreement, Akeena Corp. entered into a two-year employment agreement with Christopher Frye, as regional sales manager of its Santa Rosa, California office. The employment agreement provides for an annual base salary of \$120,000, performance-based bonus compensation if certain sales goals are achieved payable in shares of the Company’s common stock, and severance payments. Mr. Frye has also agreed not to compete with us in the solar installation business for four years in Marin, Lake and Sonoma counties, and parts of Napa and Mendocino counties, in the State of California.

Results of Operations Year Ended December 31, 2006 as compared to Year Ended December 31, 2005

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

| | Year Ended December 31, | | | |
|---|--------------------------------|---------------|-----------------|-------------|
| | 2006 | % | 2005 | % |
| Net sales | \$ 13,390,139 | 100.0% | \$ 7,191,391 | 100.0% |
| Cost of sales | 10,361,481 | 77.4% | 5,595,475 | 77.8% |
| Gross profit | 3,028,658 | 22.6% | 1,595,916 | 22.2% |
| Operating Expenses | | | | |
| Sales and marketing | 1,550,411 | 11.6% | 547,810 | 7.6% |
| General and administrative | 3,219,833 | 24.0% | 1,034,448 | 14.4% |
| Total operating expenses | 4,770,244 | 35.6% | 1,582,258 | 22.0% |
| (Loss) income from operations | (1,741,586) | -13.0% | 13,658 | 0.2% |
| Other income (expense) | | | | |
| Interest income (expense), net | (67,655) | -0.5% | (11,806) | -0.2% |
| Total other income (expense) | (67,655) | -0.5% | (11,806) | -0.2% |
| (Loss) income before provision for income taxes | (1,809,241) | -13.5% | 1,852 | 0.0% |
| Provision for income taxes | — | 0.0% | — | 0.0% |
| Net (loss) income | \$ (1,809,241) | -13.5% | \$ 1,852 | 0.0% |

Net sales

Net sales totaled \$13.4 million for the year ended December 31, 2006, as compared to \$7.2 million in 2005, or an increase of 86.2%. The increase was due to a higher volume of both residential and commercial installations for the year ended December 31, 2006 as compared to 2005. The increased volume reflects both widening acceptance of photovoltaic technology on the consumer level, and a steadily accelerating pace of installation throughout the year ended December 31, 2006.

Cost of sales

Cost of sales, including all installation expenses, during the year ended December 31, 2006 was 77.4% of sales, as compared to 77.8% in 2005. One-time large purchases were made during the last half of 2006 and the first half of 2006 yielded more favorable component pricing. Gross profit for the year ended December 31, 2006 was 22.6% of net sales, as compared to 22.2% in 2005. This slight improvement over the same period of the prior year is the result of better absorption of engineering and semi-fixed installation expenses and improved component pricing.

Sales and marketing expenses

Sales and marketing expenses for the year ended December 31, 2006 were 11.6% of net sales as compared to 7.6% of net sales during the same period of the prior year. Sales and marketing expenses were approximately \$1.6 million for the year ended December 31, 2006 as compared to approximately \$548,000 for the same period in 2005. This increase is mainly due to higher sales commissions, as well as increased advertising, public relations and internet marketing expenditures. We also added an additional 17 sales and marketing employees during 2006. These expenses were slightly offset by lower trade shows and conferences expenditures.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2006 were 24.0% of net sales as compared to 14.4% of net sales

during the same period of the prior year. General and administrative expenses increased to approximately \$3.2 million in 2006 compared to approximately \$1.0 million for the year ended December 31, 2005. General and administrative expenses for legal, accounting and other professional services increased approximately \$999,000 due primarily to costs associated with the Merger and the additional costs incurred during 2006 as a result of being a public company. We increased our general and administrative headcount by 22 positions during 2006.

Interest expense, net

Interest expense, relating primarily to our Citibank (West) FSB credit facility, was approximately \$68,000 for the year ended December 31, 2006. Interest expense for 2006 also includes approximately \$5,000 in loan costs incurred in connection with our 2006 Credit Facility (as described under Liquidity and Capital Resources below). Interest expense was approximately \$13,000 during the same period in 2005, and was offset by interest income of approximately \$1,000. Prior to September of 2005, we had no credit facility aside from credit lines extended by vendors.

Results of Operations June 2007 as compared to June 2006

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

| | Three Months Ended June 30, | | 2006 | | Six Months Ended June 30, | | 2006 | |
|--|------------------------------------|----------------|---------------------|---------------|----------------------------------|----------------|---------------------|---------------|
| | 2007 | | 2006 | | 2007 | | 2006 | |
| Net sales | \$ 7,510,861 | 100.0% | \$ 2,812,424 | 100.0% | \$ 13,803,291 | 100.0% | \$ 5,302,597 | 100.0% |
| Cost of sales | 5,741,097 | 76.4% | 2,097,742 | 74.6% | 10,533,961 | 76.3% | 4,019,539 | 75.8% |
| Gross profit | 1,769,764 | 23.6% | 714,682 | 25.4% | 3,269,330 | 23.7% | 1,283,058 | 24.2% |
| Operating expenses: | | | | | | | | |
| Sales and marketing | 1,314,285 | 17.5% | 289,613 | 10.3% | 2,082,416 | 15.0% | 441,113 | 8.3% |
| General and administrative | 2,358,374 | 31.4% | 659,702 | 23.4% | 3,996,235 | 29.0% | 1,043,917 | 19.7% |
| Total operating expenses | 3,672,659 | 48.9% | 949,315 | 33.7% | 6,078,651 | 44.0% | 1,485,030 | 28.0% |
| Loss from operations | (1,902,895) | (25.3)% | (234,633) | (8.3)% | (2,809,321) | (20.3)% | (201,972) | (3.8)% |
| Other income (expense): | | | | | | | | |
| Interest income (expense), net | (21,417) | (0.3)% | (13,164) | (0.5)% | (48,395) | (0.4)% | (26,195) | (0.5)% |
| Total other income (expense) | (21,417) | (0.3)% | (13,164) | (0.5)% | (48,395) | (0.4)% | (26,195) | (0.5)% |
| Loss before provision for income taxes | (1,924,312) | (25.6)% | (247,797) | (8.8)% | (2,857,716) | (20.7)% | (228,167) | (4.3)% |
| Provision for income taxes | — | 0.0% | — | 0.0% | — | 0.0% | — | 0.0% |
| Net loss | \$ (1,924,312) | (25.6)% | \$ (247,797) | (8.8)% | \$ (2,857,716) | (20.7)% | \$ (228,167) | (4.3)% |

Three Months Ended June 30, 2007 as compared to Three Months Ended June 30, 2006

Net sales

Net sales totaled \$7.5 million for the three months ended June 30, 2007, as compared to \$2.8 million for the same period in 2006, or an increase of 167.1%. The increase was due to a higher volume of both residential and commercial installations for the three months ended June 30, 2007 as compared to 2006. The increased volume reflects both the widening acceptance of photovoltaic technology on the consumer level, and a steadily accelerating pace of installations during 2007. At June 30, 2007, we were operating six offices in California and one office in New Jersey, as compared to just one office in California and one office in New Jersey at June 30, 2006.

Cost of sales

Cost of sales, including all installation expenses, during the three months ended June 30, 2007 was 76.4% of net sales, as compared to 74.6% in 2006. This is the result of higher equipment costs during the three months ended June 30, 2007 as compared to the same period of the prior year, offset by better absorption of engineering and semi-fixed installation expenses. Gross profit for the three months ended June 30, 2007 was 23.6% of net sales, as compared to 25.4% in 2006.

Sales and marketing expenses

Sales and marketing expenses for the three months ended June 30, 2007 were 17.5% of net sales as compared to 10.3% of net sales during the same period of the prior year. Sales and marketing expenses were approximately \$1.3 million for the three months ended June 30, 2007 as compared to approximately \$290,000 for the same period in 2006. This increase is mainly due to higher sales commissions and higher sales and marketing payroll and employee benefits expenses during the second quarter of 2007. We employed an additional 28 sales and marketing employees as of June 30, 2007, as compared to June 30, 2006. In addition, we incurred increased advertising, public relations and internet marketing expenditures, as well as additional trade shows and conferences expenditures during the three months ended June 30, 2007 as compared to the same period of the prior year.

General and administrative expenses

General and administrative expenses for the quarter ended June 30, 2007 were 31.4% of net sales as compared to 23.4% of net sales during the same period of the prior year. General and administrative expenses increased to approximately \$2.4 million for the three months ended June 30, 2007 compared to approximately \$660,000 for the three months ended June 30, 2006. We employed an additional 39 general and administrative employees as of June 30, 2007 as compared to June 30, 2006. Additionally, we incurred stock-based compensation expense relating to restricted stock granted under our 2006 Stock Incentive Plan during the three months ended June 30, 2007, which was an incremental cost as compared to the same period of the prior year.

Interest expense

A credit line of \$7.5 million is available to us under our credit facility with Comerica Bank (the "2007 Credit Facility"), as evidenced by a loan and security agreement with Comerica Bank, entered into on January 29, 2007 and amended on June 26, 2007. Interest expense was approximately \$21,000 for the three months ended June 30, 2007 and this related primarily to our 2007 Credit Facility, including credit facility loan fees of approximately \$2,000. Interest expense was approximately \$13,000 during the same period in 2006, which related primarily to our previous credit facility with Citibank (West) FSB.

Income taxes

During the three months ended June 30, 2007, there was no income tax expense or benefit for federal and state income taxes in the Company's consolidated statements of operations due to the Company's net loss and a valuation allowance on the resulting deferred tax asset. The Company did not record a provision for income taxes for the three months ended June 30, 2006, as the Company was a Subchapter S corporation until June 2006, and any taxable income or loss of the S corporation is included within the stockholder's income for federal and state income tax purposes through June 2006.

Six Months Ended June 30, 2007 as compared to Six Months Ended June 30, 2006

Net sales

Net sales totaled \$13.8 million for the six months ended June 30, 2007, as compared to \$5.3 million for the same period in 2006, or an increase of 160.3%. The increase was due to a higher volume of both residential and commercial installations for the six months ended June 30, 2007 as compared to 2006. The increased volume reflects both the widening acceptance of photovoltaic technology on the consumer level, and a steadily accelerating pace of installations during 2007. At June 30, 2007, we were operating six offices in California and one office in New Jersey, as compared to just one office in California and one office in New Jersey at June 30, 2006.

Cost of sales

Cost of sales, including all installation expenses, during the six months ended June 30, 2007 was 76.3% of net sales, as compared to 75.8% in 2006. This is the result of higher equipment costs during the six months ended June 30, 2007 as compared to the same period of the prior year, offset by better absorption of engineering and semi-fixed installation expenses. Gross profit for the six months ended June 30, 2007 was 23.7% of net sales, as compared to 24.2% in 2006.

Sales and marketing expenses

Sales and marketing expenses for the six months ended June 30, 2007 were 15.0% of net sales as compared to 8.3% of net sales during the same period of the prior year. Sales and marketing expenses were approximately \$2.1 million for the six months ended June 30, 2007 as compared to approximately \$441,000 for the same period in 2006. This increase is mainly due to higher sales commissions and higher sales and marketing payroll and employee benefits expenses during 2007. We employed an additional 28 sales and marketing employees during the six months ended June 30, 2007 as compared to the same period of the prior year. In addition, we incurred increased advertising, public relations and internet marketing expenditures, as well as additional trade shows and conferences expenditures during the six months ended June 30, 2007 as compared to the same period of the prior year.

General and administrative expenses

General and administrative expenses for the six months ended June 30, 2007 were 29.0% of net sales as compared to 19.7% of net sales during the same period of the prior year. General and administrative expenses increased to approximately \$4.0 million for the six months ended June 30, 2007 compared to approximately \$1.0 million for the six months ended June 30, 2006. General and administrative expenses for legal, accounting and other professional services increased approximately \$485,000 due primarily to costs associated with the additional costs incurred during 2007 as a result of being a public company. We also employed an additional 39 general and administrative employees during the six months ended June 30, 2007 as compared to the same period of the prior year. Additionally, we incurred stock-based compensation expense relating to restricted stock granted under our 2006 Stock Incentive Plan during the six months ended June 30, 2007, which was an incremental cost as compared to the same period of the prior year.

Interest expense

Interest expense was approximately \$48,000 for the six months ended June 30, 2007 and this related primarily to our 2007 Credit Facility, including credit facility loan fees of approximately \$2,000. Interest expense was approximately \$26,000 for the six months ended June 30, 2006, which related primarily to our previous credit facility with Citibank (West) FSB.

Income taxes

During the six months ended June 30, 2007, there was no income tax expense or benefit for federal and state income taxes in the Company's consolidated statements of operations due to the Company's net loss and a valuation allowance on the resulting deferred tax asset. The Company did not record a provision for income taxes for the six months ended June 30, 2006, as the Company was a Subchapter S corporation until June 2006, and any taxable income or loss of the S corporation is included within the stockholder's income for federal and state income tax purposes through June 2006.

Liquidity and capital resources

Prior to the Merger, we funded our operations through our credit facility with Citibank (West) FSB and cash provided by operating activities.

In connection with the Merger, we completed the closing of a private placement of our common stock in which we sold an aggregate of 128.7 units to accredited investors (the "Private Placement"). Each unit consisted of 25,000 shares of our common stock. As a result of the Private Placement, we issued a total of 3,217,500 shares of our common stock. Some units were offered by Westminster Securities Corporation, pursuant to the terms of a placement agent agreement dated July 21, 2006. The placement agent received (i) a cash fee of \$61,500 (representing 6% of the gross proceeds of the units sold by it in the Private Placement) and (ii) three-year warrants to purchase an aggregate of

61,500 shares of our common stock (representing 6% of the shares sold by it in the Private Placement) at an exercise price of \$1.00 per share, of which warrants to purchase 27,675 shares were exercised. We realized gross proceeds of approximately \$3.2 million from the Private Placement before commissions and expenses.

On December 19, 2006, we issued a master revolving note between us and Comerica Bank (the “Master Revolving Note”, or the “2006 Credit Facility”) to replace our previous credit facility with Citibank (West) FSB dated August 31, 2005. On January 29, 2007, we replaced the 2006 Credit Facility with the 2007 Credit Facility. Using proceeds from the 2007 Credit Facility, we satisfied all of our outstanding obligations under the Master Revolving Note resulting in the termination of the Master Revolving Note and related security agreement. The guaranty to Comerica Bank executed on December 19, 2006 by Barry Cinnamon, our President and Chief Executive Officer, in connection with the Master Revolving Note (the “Guaranty”), is no longer in effect with respect to our obligations under the 2007 Credit Facility.

The 2007 Credit Facility is evidenced by a loan and security agreement with Comerica Bank, entered into on January 29, 2007 and amended on June 26, 2007 (the “Security Agreement”). Borrowings under the 2007 Credit Facility bear interest at prime minus 0.5%, payable on the first of each month. The 2007 Credit Facility matures on August 1, 2008, at which time all outstanding amounts will become due and payable. The Security Agreement grants Comerica Bank a first priority security interest in all of our assets, now owned or later acquired, to secure timely repayment of the 2007 Credit Facility. As of June 30, 2007, approximately \$3.5 million was outstanding under the 2007 Credit Facility and no additional borrowing capacity was available at June 30, 2007. Interest on the outstanding balance under the 2007 Credit Facility was calculated based on Prime minus 0.5% (7.75%) at June 30, 2007. The Company is required to achieve certain performance objectives under its 2007 Credit Facility, based upon its forecasted results of operations. While we believe these objectives are reasonable, actual results may differ materially from those projected, which may adversely affect our ability to meet one or more of our financial covenants. If a violation of a financial covenant occurs, we are required to obtain a waiver letter from Comerica Bank. At June 30, 2007, the Company was in violation of a financial covenant and obtained the necessary waiver letter to be in compliance as of June 30, 2007.

On March 8, 2007, we closed a private placement offering to accredited investors (the “March 2007 Private Placement”) in which we realized gross proceeds of approximately \$4.1 million, before commissions and expenses. In connection with the March 2007 Private Placement closing, we issued to investors an aggregate of 2,062,304 shares of common stock and (i) three-year warrants to purchase 206,230 shares of common stock with an exercise price of \$2.75 per share, and (ii) three-year warrants to purchase 206,230 shares of common stock with an exercise price of \$3.00 per share. Empire Financial Group, Inc. acted as placement agent with respect to the offering and received (i) a cash fee of \$124,250 and (ii) a three-year warrant to purchase 53,250 shares of common stock at an exercise price of \$2.75 per share. The Westly Group acted as a finder with respect to the offering and received (i) a cash fee of \$35,000 and (ii) a three-year warrant to purchase 15,000 shares of common stock at an exercise price of \$2.75 per share. Westminster Securities Corporation also received a finder’s fee of \$21,000 and a three-year warrant to purchase 11,726 shares of common stock at an exercise price of \$1.97 per share. On April 6, 2007 we filed a registration statement with the SEC covering the shares of common stock issued in the March 2007 Private Placement and the shares of common stock issuable upon exercise of the warrants issued in the March 2007 Private Placement. Such registration statement became effective on April 16, 2007. If such registration statement ceases for any reason to remain continuously effective for up to two years, or if the holders of the securities covered by the registration statement are otherwise not permitted to utilize the prospectus included in the registration statement to resell any securities covered by the registration statement for more than 15 consecutive calendar days or more than 20 calendar days during any 12-month period (which need not to be consecutive calendar days), then each investor in the March 2007 Private Placement will be entitled to liquidated damages equal to 1% of the aggregate subscription amount paid by that investor in the March 2007 Private Placement, and an additional 1% for each month of delinquency. In no event, however, will liquidated damages exceed 9% of the gross proceeds of the March 2007 Private Placement.

On June 4, 2007, we closed a private placement offering to accredited investors (the “June 2007 Private Placement”) in which we realized gross proceeds of approximately \$12.6 million, before commissions and expenses. In connection with the closing of the June 2007 Private Placement, we issued to investors an aggregate of 4,567,270 shares of common stock and three-year warrants to purchase 913,455 shares of common stock with an exercise price of \$3.95 per share. Empire Financial Group, Inc. acted as placement agent with respect to the June 2007 Private Placement and

received (i) a cash fee of \$633,850 and (ii) a three-year warrant to purchase 376,800 shares of common stock at an exercise price of \$3.95 per share. Westminster Securities Corporation also received a finder's fee of \$21,000 and a three-year warrant to purchase 9,164 shares of common stock at an exercise price of \$2.75 per share. On July 3, 2007, we filed a registration statement with the SEC covering the shares of common stock sold in the June 2007 Private Placement and shares of common stock underlying the warrants issued in the June 2007 Private Placement. Such registration statement was declared effective on July 24, 2007. If such registration statement ceases for any reason to remain continuously effective for up to two years, or the holders of the securities covered by the registration statement are otherwise not permitted to utilize the prospectus included in the registration statement to resell any securities covered by the registration statement for more than 15 consecutive calendar days or more than 20 calendar days during any 12-month period (which need not to be consecutive calendar days), then each investor in the June 2007 Private Placement will be entitled to liquidated damages equal to 1% of the aggregate subscription amount paid by that investor in the June 2007 Private Placement, and an additional 1% for each month of delinquency. In no event, however, will liquidated damages exceed 9% of the gross proceeds of the June 2007 Private Placement.

Cash paid for placement agent fees and finders fees for the March 2007 Private Placement were \$180,250. Cash paid for placement agent fees and finders fees for the June 2007 Private Placement were \$654,850. Cash paid for other direct professional and registration fees incurred relating to the March 2007 Private Placement and the June 2007 Private Placement were \$192,643.

Our primary capital requirement is to fund purchases of solar panels and inverters. Significant sources of liquidity are cash on hand, cash flows from operating activities, working capital, borrowings from our revolving line of credit and equity proceeds raised. As of June 30, 2007 we had approximately \$14.1 million in cash on hand and no additional borrowing capacity was available under our 2007 Credit Facility at June 30, 2007.

Cash flows used in operating activities were approximately \$(5.3) million and approximately \$(196,000) for the six months ended June 30, 2007 and 2006, respectively. Large purchases of solar panel inventory occurred during the first six months of 2007 in preparation for installation on various residential and commercial jobs, in addition to an increase in our overall accounts receivable balances. Similarly, accounts payable rose in response to the increase in inventory purchases as a result of the increase in overall revenue levels. We believe a high level of inventory is a significant benefit in our industry. Panels may be difficult to procure and are generally immediately fungible.

Cash flows used in investing activities were approximately \$(899,000) and \$0, respectively, for the six months ended June 30, 2007 and 2006. During the six months ended June 30, 2007, we acquired vehicles, office equipment, office furniture and other fixed assets primarily for our new corporate office location and for our most recently added Fresno, Orange County, Bakersfield, Manteca and Santa Rosa office locations.

Cash flows provided by (used in) financing activities were approximately \$19.3 million and approximately \$(23,000), respectively, for the six months ended June 30, 2007 and 2006. During the six months ended June 30, 2007, we raised proceeds of approximately \$16.6 million, before cash paid for placement agent fees and registration fees of approximately \$(1.0) million, from the issuance of our common stock under two private placements. In addition, we borrowed approximately \$3.0 million under our 2007 Credit Facility during the six months ended June 30, 2007.

Contractual obligations as of June 30, 2007

| Obligation | Total | Payments Due | | | |
|------------------|--------------|------------------|------------|-----------|-------------------|
| | | Less than 1 year | 1-3 years | 4-5 years | More than 5 years |
| Operating leases | \$ 1,073,014 | \$ 351,145 | \$ 671,171 | \$ 50,698 | \$ — |
| Capital leases | 78,705 | 20,335 | 57,188 | 1,182 | — |
| | \$ 1,151,719 | \$ 371,480 | \$ 728,359 | \$ 51,880 | \$ — |

Application of critical accounting policies and estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires estimates and assumptions that affect the reporting of assets, liabilities, sales and expenses, and the disclosure of contingent assets and liabilities. Note 2 to our consolidated financial statements included in our Annual Report on Form 10-KSB for the years ending December 31, 2006 and 2005 provides a summary of our significant accounting policies, which are all in accordance with generally accepted accounting policies in the United States. Certain of our accounting policies are critical to understanding our consolidated financial statements, because their application requires management to make assumptions about future results and depends to a large extent on management's judgment, because past results have fluctuated and are expected to continue to do so in the future.

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

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

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

Seasonality

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

BUSINESS

Overview

We are a designer and integrator of solar power systems. We market, sell, design and install systems for residential and small commercial customers, sourcing components (such as solar modules and inverters) from manufacturers such as Sharp, Kyocera, SunPower and Fronius. We currently serve customers in California, New York, New Jersey, Pennsylvania and Connecticut. According to data compiled by the California Energy Commission and the New Jersey Clean Energy Program, over the past three years we have been one of the largest national integrators of residential and small commercial solar electric power systems in the United States. We are a member of the Solar Energy Industry Association, the California Solar Energy Industries Association, the Northern California Solar Energy Association, the Independent Power Providers, the Solar Energy Business Association of New England, and the New York Solar Energy Industries Association. To date, we have installed over 800 solar power systems and since the commencement of our operations in 2001, our sales have steadily grown to approximately \$7.2 million in 2005, \$13.4 million in 2006 and \$13.8 million in the first two quarters of 2007.

Our corporate headquarters are located at 16005 Los Gatos Boulevard, Los Gatos, California 95032. In addition, we maintain installation offices at our Los Gatos facility and at our Fresno (Clovis), Orange County, Bakersfield, Manteca and Santa Rosa, California, offices, as well as at our Fairfield, New Jersey office. Our telephone number is (408) 402-9400.

Strategy

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

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

Accordingly, our growth strategy primarily includes:

- Developing and commercializing our proprietary solar module technology optimized for the residential and small commercial markets.
- Reducing installation costs and improving the aesthetics of solar systems compared to standard, commercially available solar equipment.
- Promoting and enhancing the Akeena Solar brand name and reputation.
- Developing and utilizing a process-driven approach to sell and install our solar power systems in diverse geographic markets.

Based on our experience as a solar power designer and integrator over the past six years, we believe we understand certain areas in which costs for installations can be significantly reduced. We have developed a “plug and play” solar module that requires 50% less rooftop labor and 70% fewer parts to install, and we believe offers superior aesthetics.

We anticipate this module technology will reduce the total installed system price by approximately 5%-10%. We have applied for U.S. and international patents for this solar module technology.

We believe the approximately \$12.6 million of proceeds (before commissions and expenses) from our June 2007 Private Placement, together with the proceeds from our March 2007 Private Placement, will enhance our ability to purchase equipment on favorable terms from international manufacturers, accelerating our introduction of this module technology to our customers. We also believe that being a public company will improve our ability to grow both internally and by means of expansions, enhance our reputation in the minds of customers and enhance our ability to attract and retain experienced management.

Industry

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

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

- *Limited Energy Supplies.* The primary fuels that have supplied this industry, fossil fuels in the form of oil, coal and natural gas, are limited. Worldwide demand is increasing at a time that industry experts have concluded that supply is limited. Therefore, the increased demand will probably result in increased prices, making it more likely that long-term average costs for electricity will continue to increase.
- *Generation, Transmission and Distribution Infrastructure Costs.* Historically, electricity has been generated in centralized power plants transmitted over high voltage lines, and distributed locally through lower voltage transmission lines and transformer equipment. As electricity needs increase, these systems will need to be expanded. Without further investments in this infrastructure, the likelihood of power shortages (“brownouts” and “blackouts”) may increase.
- *Stability of Suppliers.* Since many of the major countries who supply fossil fuel are located in unstable regions of the world, purchasing oil and natural gas from these countries may increase the risk of supply shortages and cost increases.
- *Environmental Concerns and Climate Change.* Concerns about global warming and greenhouse gas emissions has resulted in the Kyoto Protocol with various states enacting stricter emissions control laws and utilities in several states being required to comply with Renewable Portfolio Standards, which require the purchase of a certain amount of power from renewable sources.

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

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

concentrating mirror systems and are typically located in remote sites.

According to SolarBuzz, a research and consulting firm, the global solar power market, as defined by solar power system installations, had an estimated \$10.0 billion in revenue in 2005 and is expected to grow to an estimated \$19.0 billion by 2010. According to SolarBuzz, the residential and small commercial market segments represent approximately 65% of the U.S. market and are expected to continue to do so through 2010.

21

Anatomy of a Solar Power System

Solar power systems convert the energy in sunlight directly into electrical energy within solar cells based on the photovoltaic effect. Multiple solar cells, which produce DC power, are electrically interconnected into solar modules. A typical 180 watt solar module may have 72 individual solar cells. Multiple solar modules (also referred to as solar panels) are electrically wired together. The number of solar modules installed on a building are generally selected to meet that building's annual electrical usage, or selected to fill available unshaded roof or ground space. Solar modules are electrically wired to an inverter, which converts the power from DC to AC and interconnects with the utility grid. The following diagram schematically shows a typical solar power system:

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

Solar Modules. Solar electric modules are composed of multiple solar cells, along with the necessary internal wiring, aluminum and glass framework, and external electrical connections. Although modules are usually installed on top of a roof or on an external structure, certain designs include the solar electric cells as part of traditional building materials, such as shingles and rolled out roofing. The technology of integrating solar electric cells with traditional shingles is usually most compatible with masonry roofs and, while it may offset costs for other building materials and be aesthetically appealing, it is generally more expensive than traditional modules.

Inverters. Inverters convert the DC power from solar modules to the AC power used in buildings. Grid-tie inverters synchronize to utility voltage and frequency and only operate when utility power is stable (in the case of a power failure these grid-tie inverters shut down to safeguard utility personnel from possible harm during repairs). Inverters also operate to maximize the power extracted from the solar modules, regulating the voltage and current output of the solar array based on sun intensity.

Monitoring. There are two basic approaches to access information on the performance of a solar power system. We believe that the most accurate and reliable approach is to collect the solar power performance data locally from the inverter with a hard-wired connection and then transmit that data via the internet to a centralized database. Data on the performance of a system can then be accessed from any device with a web browser, including personal computers and cell phones. As an alternative to web-based remote monitoring, most commercial inverters have a digital display on the inverter itself that shows performance data and can also display this data on a nearby personal computer with a hard-wired connection.

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

Solar Power Benefits

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

- *Economic*— Once a solar power system is installed, the cost of generating electricity is fixed over the lifespan of the system. There are no risks that fuel prices will escalate or fuel shortages will develop. In addition, cash paybacks for systems range from 5 to 25 years, depending on the level of state and federal incentives, electric rates, annualized sun intensity and installation costs. Solar power systems at customer sites generally qualify for net metering to offset a customer's highest electric rate tiers, at the retail, as opposed to the wholesale, electric rate.
- *Convenience*— Solar power systems can be installed on a wide range of sites, including small residential roofs, the ground, covered parking structures and large industrial buildings. Solar power systems also have few, if any, moving parts and are generally guaranteed to operate for 25 years resulting, we believe, in low maintenance and operating costs and reliability compared to other forms of power generation.
- *Environmental*— We believe solar power systems are one of the most environmentally friendly way of generating electricity. There are no harmful greenhouse gas emissions, no wasted water, no noise, no waste generation and no particulates. Such benefits continue for the life of the system.
- *Security*— Producing solar power improves energy security both on an international level (by reducing fossil energy purchases from hostile countries) and a local level (by reducing power strains on local electrical transmission and distribution systems).
- *Infrastructure*— Solar power systems can be installed at the site where the power is to be used, thereby reducing electrical transmission and distribution costs. Solar power systems installed and operating at customer sites may also save the cost of construction of additional energy infrastructure including power plants, transmission lines, distribution systems and operating costs.

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

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

- *Tax Credits*— federal and state income tax offsets, directly reducing ordinary income tax. New York and California currently offer state tax credits. There is currently a 10% federal tax credit up to \$2,000 for residential systems, and a 30% federal tax credit (with no cap) for business systems. There is currently a proposed increase in the federal tax credit for residential systems to \$2,000 per kw (a typical residential system is about 5 kw).

- *Accelerated Depreciation*— solar power systems installed for businesses (including applicable home offices) are generally eligible for accelerated depreciation.
- *Net Metering*— provides a full retail credit for energy generated.
- *Feed-in Tariffs*— are additional credits to consumers based on how much energy their solar power system generates.
- *Renewable Portfolio Standards*— require utilities to deliver a certain percentage of power generated from renewable energy sources.
- *Renewable Energy Credits (RECs)*— are additional credits provided to customers based on the amount of renewable energy they produce.
- *Solar Rights Acts*— state laws to prevent unreasonable restrictions on solar power systems. California's Solar Rights Act has been updated several times in past years to make it easier for customers of all types and in all locations to install a solar power system.

According to PV News, California and New Jersey currently account for 90% of the U.S. residential market. We believe this is largely attributable to the fact that they currently have the most attractive incentive programs. The California Solar Initiative provides \$3.2 billion of incentives toward solar development over 11 years. In addition, recently approved regulations in New Jersey require solar photovoltaic power to provide 2% of New Jersey's electricity needs by 2020, requiring the installation of 1,500 megawatts of solar electric power. According to DSIRE (the Database of State Incentives for Renewable Energy) at least 18 other states also have incentive programs. We expect that such programs, as well as Federal tax rebates and other incentives, will continue to drive growth in the solar power market for the near future.

Challenges Facing The Solar Power Industry

We believe the solar power industry faces three key challenges:

- *Improve Customer Economics*— In most cases, the cost to customers for electricity produced by a solar power system is comparable to conventional, utility-generated power. We believe lower equipment (primarily solar modules) and installation costs would reduce the total cost of a system and increase the potential market for solar power.
- *Increase Systems Efficiency*— In many residential and commercial applications, available roof space is insufficient at current average solar module efficiencies to generate all of a building's needs. Manufacturing solar modules that have higher efficiencies (more watts per square foot) will allow design/integration companies to install higher capacity systems that we believe would generally be more cost effective.
- *Improve Aesthetics*— We believe that customers prefer solar modules that blend into existing roof surfaces with fewer shiny parts, mounted closely to the roof surface and have more of a "skylight" appearance than the traditional rooftop metal framed solar modules raised off the roof.

Competition

The solar power design and integration industry is in its early stages of development and is highly fragmented, consisting of many small privately-held companies with limited operating histories and information available to us.

We believe our major competitors in the California market include, REC Solar, SPG&E (formerly SunPower and Geothermal), ReGrid, Borrego and Solar City. Several companies have expanded their market share in the California market by opening multiple offices within the state. In addition to expanding within California, we decided in 2003 to expand into New Jersey. We believe our major competitors in the New Jersey market include: Trinity Heating and Air, NJ Solar Power, The Solar Center, Energy Enterprises, 1st Light Energy, GeoGenix, SunFarm, and Advanced Solar Products. We believe our major national competitors include Renewable Energy Concepts, Suntechnics and PowerLight.

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

- responsiveness to customer needs;
- availability of technical personnel;
- availability and prices of system components;
- speed of system design and installation;
- quality of service;
- price;
- project management capabilities;
- technical expertise;
- company reputation; and
- installation technology

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

- *Reduced System Installation Costs* . Our proprietary module technology enables us to simplify and reduce the cost of installation.
- *Brand Recognition* . According to a Solar Electric Dealer study conducted in 2004, we ranked as the best known installation brand in northern California. In addition, we now conduct sales, marketing and installation activities in several geographic locations, which we believe will strengthen our brand recognition.
- *Customer Convenience* . We offer customers a single point of contact for their system design and engineering, permit and rebate approval, utility hookup and maintenance needs. We believe that our ability to offer such “one-stop shopping” simplifies the purchasing process and saves customers time and money and helps ensure a reliable, worry-free system.
- *Experienced Management Team* . Our management has been involved in solar power development since the 1970s and has been in the solar power industry since its infancy. We believe this experience enables us to anticipate trends and identify superior products and technologies for our customers.

Our Services and Products

A solar power system generally includes companies specializing in the following:

- *Silicon Refiners*— companies that produce refined silicon, a material that has historically been used as the primary ingredient for solar panels. In light of the current shortage of silicon, it is possible that other materials may be used as the primary ingredient in the future.

- *Wafer and Cell Manufacturers*— companies that manufacture the electricity generating solar cells.
- *Module Manufacturers*— companies that assemble solar cells into solar modules, generally laminating the cells between glass and plastic film, and attaching the wires and module frame.
- *Distributors*— companies that purchase from manufacturers and resell to designers/ integrators and other equipment resellers.
- *Designer/Integrator*— companies that sell products to end user customers.

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

Solar Power System Design and Installation

We provide marketing, sales, design, construction, installation, maintenance, support and related solar power system services to residential and small commercial customers in the United States in locations in which the economics are favorable to solar power. We provide our customers with a single point of contact for their system design, engineering work, building permit, rebate approval, utility hookup and subsequent maintenance. We use our own crews or carefully supervised contractors, and perform engineering and design work with in-house staff, as well as selected outside engineering firms. Although we concentrate on solar power systems, we occasionally work on solar thermal or solar pool systems as an accommodation to special customers (this non-solar power work is generally subcontracted).

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

Proprietary Solar Module Technology

Based on our experience as a solar power designer and integrator over the past six years, we believe we understand certain areas in which costs for installations can be significantly reduced. We have developed a "plug and play" solar module that requires 50% less rooftop labor and 70% fewer parts to install, and we believe offers superior aesthetics. We anticipate this module technology will reduce the total installed system price by approximately 5%-10%. We have applied for U.S. and international patents for this solar module technology.

Installation costs for a solar power system are generally proportional to the area of modules installed. Thin film and amorphous solar cell technologies, although less expensive on a cost per watt basis, are generally less efficient (producing fewer watts per square foot) and more expensive to install. Therefore, we believe that our module technology becomes even more useful for the new generation of less expensive but lower efficiency solar modules. Our module technology is generally applicable to all framed rooftop solar cell technologies, including silicon, amorphous, thin film and concentrators.

Customers

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

Our current commercial customers are schools, affordable housing and owner occupied businesses, including wineries and small commercial offices in the San Francisco Bay Area. We have or are in the process of installing commercial systems ranging in size from 10 kW to 125 kW.

Suppliers

The components used in our systems are purchased from a limited number of manufacturers. Sharp, Kyocera and SunPower account for over 90% of our purchases of photovoltaic modules. We do not manufacture any of the major components used in our solar installations. We are subject to market prices fluctuations for the components that we purchase for our installations.

Sales and Marketing

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

We provide five-year and ten-year warranties, depending on the local requirements, covering on the installation of a system and all equipment and incidental supplies other than solar panels and inverters, which are covered under the manufacturer's warranty (generally 25 years and 10 years, respectively).

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

Intellectual Property

"Plug and Play" Solar Module

We have applied for patent protection for our integrated solar module technology. Our application is currently pending with the United States Patent and Trademark Office.

Trademarks

We have registered the trademark "Akeena" with the United States Patent and Trademark Office for providing technical information via a global computer network in the field of renewable energy systems. We have applied for trademark protection for the phrases "Run Your Electric Meter Backwards" and "Double Your Power," which we have used in conjunction with our logo since we established our business. Additionally, we have applied to expand our trademark protection for "Akeena" by adding additional goods/services, including the installation of renewable energy systems. Our application is currently pending with the United States Patent and Trademark Office.

Proprietary Design Software

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

27

Employees

As of July 13, 2007, we had 165 employees: 59 full-time installers, 1 part-time installer, 48 full-time sales and marketing personnel, 2 part-time sales and marketing personnel, 7 full-time finance personnel, 11 full-time administrative employees, 1 part-time administration employee, 3 research and development employees, 32 full-time operations employees and 1 part-time operations employee.

Property

Our offices are located in Los Gatos, Fresno (Clovis), Orange County, Bakersfield, Manteca and Santa Rosa, California, as well as Fairfield, New Jersey. We maintain installation offices at all of our California offices and at our Fairfield, New Jersey office. Until July 2007 when the lease expired, we leased approximately 3,415 square feet of office space at 605 University Avenue in Los Gatos, California, at a monthly cost of \$5,123. Such lease was not renewed after expiration. On June 21, 2007, we relocated to 16005 Los Gatos Boulevard, Los Gatos, California where we lease approximately 27,000 square feet at a monthly cost of \$30,000. Such lease expires in November 2009. In Fresno, we lease approximately 10,300 square feet at a monthly cost of \$5,831, which lease expires in February 2012. In Orange County, we rent approximately 2,400 square feet at a monthly cost of \$1,999, which lease expires in December 2008. In Bakersfield, we lease approximately 1,500 square feet at a monthly cost of \$2,475, which lease expires in March 2010. In Manteca, we lease approximately 3,070 square feet at a monthly cost of \$4,083, which lease expires in May 2010. In Santa Rosa, we lease approximately 2,896 square feet at a monthly cost of \$2,600, which lease expires in September 2008. Our lease in Fairfield is for approximately 3,000 square feet at a monthly cost of \$1,965 and is on a month-to-month basis. We believe our current facilities are adequate for our immediate and near-term needs. Additional space may be required as we expand our activities. We do not currently foresee any significant difficulties in obtaining any required additional facilities.

Legal Proceedings

We are not presently a party to any pending material litigation nor, to the knowledge of our management, is any litigation threatened against us.

MANAGEMENT

The following sets forth the names, ages and positions of our current directors and executive officers. All directors hold office for one-year terms until the election and qualification of their successors. Our officers and directors were appointed in August 2006 and in July 2007. Officers are elected annually by the board of directors and serve at the discretion of the board.

| Name | Age | Position |
|----------------|------------|---|
| Barry Cinnamon | 49 | President, Chief Executive Officer, Secretary, Treasurer and Director |
| David Wallace | 54 | Chief Financial Officer |
| Edward Roffman | 57 | Director |
| George Lauro | 48 | Director |
| Jon Witkin | 53 | Director |

Barry Cinnamon, President, Chief Executive Officer, Secretary, Treasurer and Director . Our founder, Barry Cinnamon, is a long-time advocate of solar energy and widely recognized solar energy expert. He started his career in solar energy in the late 1970s as a researcher into new flat plate and concentrating collector designs at the Massachusetts Institute of Technology (MIT). During the late 1970s and early 1980s, Mr. Cinnamon designed and installed active solar, passive solar and ground coupled heat pump systems. Mr. Cinnamon’s work in solar energy computer modeling led him into the software industry, where he served as Chief Executive Officer of Software

Publishing Corporation, and founded Allegro New Media, a multimedia software publisher, which he led to an IPO in 1995. Mr. Cinnamon earned a BS Degree in Mechanical Engineering from MIT and a MBA degree in Marketing from Wharton School of the University of Pennsylvania. Mr. Cinnamon is a NABCEP-Certified Solar Installer, a licensed California C-46 Solar Contractor and an active member of the Silicon Valley Leadership Group. In December 2005, Mr. Cinnamon was elected President of the California Solar Energy Industries Association, the largest state solar organization in the country.

David “Lad” Wallace, Chief Financial Officer . David “Lad” Wallace was a part-time consulting Chief Financial Officer for us from January 2005 to February 2006, at which time Mr. Wallace left to become the Controller of the Santa Cruz Sentinel, a newspaper publishing company. Mr. Wallace returned in August 2006 to become our full-time Chief Financial Officer. Mr. Wallace has an extensive history as senior financial manager in a number of industries, including micro-electronics manufacturing, winery, liquor and soft drink production, bottling and distribution, oil refining, sporting goods and clothing manufacturing. Mr. Wallace has broad experience in development of financial systems, from creation of accounting systems to detailed financial reporting, and has helped develop Sarbanes Oxley and ISO 900X procedures. Prior to joining us full-time, Mr. Wallace had been an independent financial management consultant since 2004. Prior to that, he was Chief Financial Officer of Bonny Doon Winery form 2002 to 2004. Prior to that, Mr. Wallace held contract positions as consulting CFO to Golden Vineyards LLC and as Business Development Consultant to Emcresal, a Spanish company, from 2000 to 2002. From 1997 to 2000, Mr. Wallace was Business Manager subcontracting to Jacobs Engineering. Mr. Wallace earned a B.A. from Linfield College and an MBA (International) from the Monterey Institute of International Studies.

Edward Roffman, Director . Edward Roffman joined our company as a director in September 2006 after serving as Chief Financial Officer of Red Mile Entertainment, Inc. from January 2005 until April 2006 and at Fluent Entertainment, Inc. from February 2003 to December 2004. Both companies are consumer software developers and publishers. Mr. Roffman has also been a principal of Creekside, LLC, a consulting firm which specializes in the software, internet and consumer products industries. From August 1995 to January 1999, Mr. Roffman served as Chief Financial Officer and Chief Operating Officer at Palladium Interactive, Inc., a consumer software company. Mr. Roffman is a CPA with over 25 years’ experience in accounting and finance. Mr. Roffman earned his BBA in accounting from Temple University.

George Lauro, Director . George Lauro joined our company as a director in July 2007. Mr. Lauro has been a senior partner at Alteon Capital Partners since January 2007, a Silicon Valley firm that provides direct venture investment and advisory services to private companies in the semiconductors, nanotech and photonics sectors. From May 2006 to January 2007, Mr. Lauro was Managing Director at Techfarm Ventures, a Silicon Valley venture capital firm with approximately \$250 million under management. Mr. Lauro was also Managing Director at Wasserstein Venture Capital from May 1999 to May 2005 and was one of two partners managing over \$300 million across two venture funds. Before joining Wasserstein, Mr. Lauro was Director of Rapid Commercialization at IBM Headquarters from September 1995 to May 1999. At Motorola (NASDAQ: MOT), Mr. Lauro conceived the world’s first consumer handheld Global Positioning Product (Traxar GPS), invented new classes of transponders, and launched Motorola’s businesses in these spaces. Mr. Lauro completed a Bachelors degree in Electrical Engineering from Brown University, a Master of Business Administration from Wharton, and graduate work in Astronautics at MIT. Mr. Lauro currently serves as a Director on ChipX and Pinyon Technologies.

Jon Witkin, Director . Jon Witkin joined our company as a director in July 2007. Mr. Witkin is a co-owner of Western States Glass, one of the largest independent flat glass distributors in Northern California, which he co-founded in 1991. Mr. Witkin oversees Western States Glass’ operations, including its fleet of delivery vehicles and remote offices throughout California. Prior to founding Western States Glass, Mr. Witkin was a Partner at Bay Mirror and an Area Sales Manager at ACI Glass Distribution (“ACI”). Mr. Witkin also served in various sales and management roles at the Havlin Witkin Corporation, which was sold to ACI. Mr. Witkin earned a Bachelors of Science degree in 1976 from the University of Utah.

There are no family relationships between any of our directors and executive officers.

Director Independence and Other Matters

The Board of Directors is presently comprised of Barry Cinnamon, Ed Roffman, George Lauro and Jon Witkin. Of such directors, Ed Roffman, George Lauro and Jon Witkin are each an “independent director” as such term is defined in Marketplace Rule 4200(a)(15) of the listing standards of the NASDAQ Stock Market. The Company was not a party to any transaction, relationship or other arrangement with any of its “independent directors” that was considered by our Board of Directors under Marketplace Rule 4200(a)(15) in the determination of such director’s independence.

The Nominating Committee is comprised of Messrs. Witkin and Lauro. The Audit Committee is comprised of Messrs. Roffman, Lauro and Witkin. Our Board has designated Mr. Roffman our audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-B. The Compensation Committee is comprised of Messrs. Lauro and Witkin.

Each member of the Nominating, Compensation and Audit committees of the Board of Directors meets the independence requirements applicable to those committees prescribed by the NASDAQ Stock Market and, for purposes of the Audit Committee, Section 10A of The Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Director Compensation

In addition to reimbursement for reasonable expenses incurred in the performance of their duties as directors, including participation on the Board of Directors and its committees, as of July 18, 2007, the Company now compensates its non-employee directors as follows:

- 10,000 shares of restricted stock under the Company’s Incentive Stock Plan, which restriction lapses as to approximately 833 shares monthly for twelve months commencing on the date of grant. Directors are entitled to vote such restricted stock, subject to forfeiture, in accordance with the terms of the grant; and
- travel and lodging expenses for any activities related to the performance of their duties on the Board of Directors.

Prior to July 18, 2007, members of the Board of Directors included only Barry Cinnamon and Ed Roffman. Mr. Cinnamon received no remuneration for his services as a director. On August 29, 2006, Mr. Roffman was granted 20,000 shares of restricted stock under our Incentive Stock Plan, which restrictions lapse as to 5,000 shares, on each of the first four anniversaries of the date of grant, commencing on August 30, 2007, subject to Mr. Roffman serving on our board of directors on each such anniversary date. This grant of 20,000 shares received by Mr. Roffman includes the 10,000 shares of restricted stock the Company now awards to non-employee directors. On April 2, 2007, Mr. Roffman received 48,000 shares of the Company’s restricted common stock under our Incentive Stock Plan, which restrictions lapse as to 4,000 shares monthly for twelve months commencing on the date of grant, subject to Mr. Roffman serving as the Board’s Audit Committee Expert. Mr. Roffman is entitled to vote such restricted shares, subject to forfeiture in accordance with the terms of the grant.

The following table sets forth certain information concerning compensation earned by the Directors who were not Named Executive Officers during the year ended December 31, 2006.

| Name | Stock Awarded (1) | Option Awards | Total (\$) |
|------------|----------------------|---------------|---------------|
| Ed Roffman | \$ 20,000(2) | \$ — | 20,000 |

(1) Based upon the aggregate grant date fair value calculated in accordance with Statement of Financing Account Standards (“SFAS”) No. 123R, Share Based Payments. The Company’s policy and assumptions made in the valuation of share based payments are contained in Note 12 to the Company’s December 31, 2006 financial statements.

(2) On August 30, 2006, Mr. Roffman was granted 20,000 shares of restricted stock, which restriction lapses as to 5,000 shares, on each anniversary of the date of grant commencing on August 30, 2007, subject to Mr. Roffman serving on the Company’s board of directors on each such anniversary. At December 31, 2006, 20,000 shares of restricted stock were held by Mr. Roffman.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3, 4 and amendments to Forms 3 and 4 furnished to us during our most recent fiscal year and Forms 5 and amendments to Forms 5 furnished to us with respect to our most recent fiscal year, we are not aware of any director, officer, or beneficial owner of more than 10% of any class of our registered securities that failed to file on a timely basis, as disclosed in such forms, reports required under Section 16(a) of the Exchange Act of 1934 during our most recent fiscal year, except for Edward Roffman who filed his initial Form 3 late.

Code of Ethics and Business Conduct

We recently adopted a code of ethics and business conduct that applies to our officers, directors and employees, including our Chief Executive Officer and Chief Financial Officer. This code of ethics and business conduct provides guidelines for ethical and professional conduct, and is intended to help ensure business is conducted in accordance with applicable laws and that the highest ethical standards are observed in business dealings.

EXECUTIVE COMPENSATION

The following Summary Compensation Table sets forth certain information about compensation paid, earned or accrued for services by persons serving as our Chief Executive Officers during fiscal year ended December 31, 2006 (“Named Executive Officers”). No other executive officer earned in excess of \$100,000 during the fiscal year ended December 31, 2006.

Summary Compensation Table

| Name and Principal Position | Year | Salary | Bonus | All Other Compensation | Total |
|---|------|------------|-------|------------------------|---------------|
| Barry Cinnamon, Chairman, Chief Executive Officer, President, Treasurer, Secretary and Director | 2006 | \$ 132,392 | \$ — | —\$ 11,000(1) | \$ 143,392(2) |
| Bruce Velestuk, former Chief Executive Officer, President, Treasurer and Secretary and Director | 2006 | — | — | — | —(3) |

(1) Represents distributions on Mr. Cinnamon’s common stock paid by Akeena Solar, Inc. prior to the Merger.

(2) Represents compensation paid by Akeena Solar, Inc. prior to the Merger and by the Company to Mr. Cinnamon after the Merger. Mr. Cinnamon was not compensated for his service on the Board of Directors of the Company.

(3) No compensation was paid by the Company to Mr. Velestuk prior to the Merger. Mr. Velestuk resigned from the Company on August 11, 2006, in connection with the Merger.

Outstanding Equity Awards at Fiscal Year-End

There were no stock awards held by the Named Executive Officers as of December 31, 2006.

Option Grants

We have not granted any stock options to our Named Executive Officers or our directors.

Employment Agreements

We currently do not have employment agreements with any of our executive officers.

Stock Incentive Plan

As of August 31, 2007, there have been no grants of stock options under the Stock Plan, and an aggregate of 807,598 shares of restricted stock have been issued under the Stock Plan.

Directors' and Officers' Liability Insurance

We currently have insurance insuring directors and officers against liability.

RELATED PARTY TRANSACTIONS

On March 30, 2001, Akeena, Inc. (the former name of Akeena Corp.) purchased certain infrastructure and harvester technology from Akeena Wireless, Inc. (formerly known as Andalay, Inc.), a Delaware corporation ("AWI"), of which Barry Cinnamon, our President and Chief Executive Officer, is a director, principal stockholder and chief executive officer, in exchange for warrants to purchase an aggregate of 1,000,000 shares of Akeena, Inc.'s common stock at an exercise price of \$0.01 per share. In July 2006, AWI sold warrants to purchase 750,000 shares of Akeena, Inc.'s common stock to The Cinnamon 2006 Irrevocable Children's Trust, warrants to purchase 90,000 shares of Akeena, Inc.'s common stock to Mr. Cinnamon, and warrants to purchase 80,000 shares of Akeena, Inc.'s common stock to each of two consultants, for an aggregate price of \$30,000. On August 11, 2006, we assumed the obligations of Akeena, Inc. under the warrants in the Merger, so that each warrant was converted into a warrant to purchase one share of our common stock. On November 30, 2006, Mr. Cinnamon gifted his warrants to purchase 90,000 shares to various adult family members, all of which warrants were exercised by December 31, 2006.

VOTING SECURITIES AND PRINCIPAL HOLDERS

The following table sets forth information concerning ownership of the Company's Shares, as of August 22, 2007, by (i) each person known by the Company to be the beneficial owner of more than five percent of the outstanding Shares, (ii) each director and nominee for election as a director, (iii) each of the Named Executive Officers listed in the Summary Compensation Table included in our Annual Report on Form 10-KSB and (iv) all directors and executive officers of the Company as a group. Unless otherwise indicated, the Company believes that each stockholder has sole voting power and sole dispositive power with respect to the Shares beneficially owned by him.

| Name of Beneficial Owner (1) | Amount and Nature of Beneficial Owner (2) | Percent of Class (2) |
|---|---|----------------------|
| Barry Cinnamon | 8,000,000 | 33.9% |
| Ed Roffman | 68,000(3) | *% |
| David "Lad" Wallace | 52,847(4) | *% |
| George Lauro | 10,000 | *% |
| Jon Witkin | 10,000 | *% |
| Bruce Velestuk (5) | 0 | N/A% |
| 5% holders: | | |
| Angeleno Investors II L.P. (6) | 1,272,727 | 5.4% |
| BB Trust (7) | 1,344,716 | 5.7% |
| All directors and executive officers as a group (5 persons) | 8,140,847 | 34.5% |

* Less than 1%

32

- (1) Unless otherwise indicated the address for each of the stockholders is c/o Akeena Solar, Inc. 16005 Los Gatos Blvd., Los Gatos, CA 95032.
- (2) The applicable percentage of ownership for each beneficial owner is based on 23,625,941 shares of Common Stock outstanding as of August 22, 2007. In calculating the number of Shares beneficially owned by a stockholder and the percentage of ownership of that stockholder, shares of Common Stock issuable upon the exercise of options, warrants or the conversion of other securities held by that stockholder that are exercisable within 60 days, are deemed outstanding for these Shares, however, are not deemed outstanding for computing the percentage ownership of any other stockholder.
- (3) Includes 20,000 shares of restricted common stock granted to Mr. Roffman on August 30, 2006, under Akeena's Incentive Stock Plan. Restrictions on the 20,000 shares lapse as to 5,000 shares on each anniversary of the date of grant, commencing August 30, 2007. Also includes 48,000 shares of restricted common stock granted to Mr. Roffman on April 2, 2007, under the Incentive Stock Plan. Restrictions on the 48,000 shares lapse as to 4,000 shares monthly for twelve months commencing on the date of grant. Mr. Roffman is entitled to vote such restricted shares, subject to forfeiture in accordance with the terms of the grant.
- (4) Includes 33,304, 5,000 and 11,696 shares of restricted common stock granted to Mr. Wallace on August 30, 2006, December 15, 2006 and April 27, 2007, respectively. Restrictions on Mr. Wallace's shares lapse as to one-fourth of such shares subject to each grant on each anniversary of the date of grant, commencing one year from the date of grant. Mr. Wallace is entitled to vote such restricted shares, subject to forfeiture in accordance with the terms of the grant. In addition, includes 2,847 unrestricted shares of common stock beneficially owned by Mr. Wallace.
- (5) Mr. Velestuk resigned from all positions held in the Company and as a director on August 11, 2006, in connection with the Merger.
- (6) Yaniv Tepper, a managing member, has voting and dispositive power over these securities. Mr. Tepper disclaims beneficial ownership of such securities.
- (7) Richard Rock, as trustee, has voting and dispositive power over these securities. Mr. Rock disclaims beneficial ownership of such securities.

DESCRIPTION OF THE TRANSACTIONS

In connection with a reverse merger between Akeena Solar, Inc., a private Delaware corporation, and a wholly-owned subsidiary of ours, we completed the closing of a private placement of our common stock in which, through September 7, 2006, we sold an aggregate of 128.7 units to accredited investors. Each unit consisted of 25,000 shares of our common stock. As a result of the private placement, we issued a total of 3,217,500 shares of our common stock. Some units were offered by Westminster Securities Corporation, pursuant to the terms of a placement agent agreement dated July 21, 2006. The placement agent received (1) a cash fee of \$61,500 (representing 6% of the gross proceeds of the units sold by it in the private placement) and (2) three-year warrants to purchase 61,500 shares of our common stock (representing 6% of the shares sold by it in the private placement) at an exercise price of \$1.00 per share, of which warrants to purchase 27,675 shares were exercised. We realized gross proceeds of \$3,217,500 from the private placement before commissions and expenses. This prospectus covers the sale of 3,279,000 shares of common stock and shares of common stock underlying the warrants to purchase common stock issued in the offerings occurring through September 7, 2006. A registration statement registering the sale of 3,279,000 shares of common stock was filed on December 1, 2006, amended on December 8, 2006 and declared effective on December 11, 2006.

The common shares issued under the private placement are subject to registration rights pursuant to a registration rights agreement. The registration rights agreement contains a liquidated damages provision whereby liquidated damages may accrue and are payable in cash or common stock at fair market value, at our discretion, at the rate of 1% of the aggregate amount invested by the investors per 30 day period (or pro-rated for partial periods) if (i) a registration statement was not filed within 90 days of September 7, 2006; (ii) such registration statement was not declared effective within 120 days of the initial filing date; (iii) such registration statement is not kept effective until the earlier of (a) 18 months after September 7, 2006 and (b) the date when all registrable securities have been sold; (iv) we did not respond to initial comments of the SEC within 21 days after our receipt of such comments; or (v) if we fail to use our reasonable best efforts to cause the registration statement to be declared effective. The liquidated damages is limited under the registration rights agreement to a 6% maximum amount. As of this date, we have complied with all of the clauses and do not owe any liquidated damages.

SELLING STOCKHOLDERS

The following table sets forth the shares of our common stock beneficially owned, as of the date of this prospectus, by each selling stockholder prior to the offering contemplated by this prospectus, the number of shares each selling stockholder is offering by this prospectus and the number and percentage of shares that each selling stockholder would own beneficially if all of his, her or its offered shares are sold. The selling stockholders acquired their beneficial interests in the shares being offered hereby in transactions described under the heading “Description of the Transactions” above. Except as expressly set forth below, none of the selling stockholders is known to us to be a registered broker-dealer or an affiliate of a registered broker-dealer other than Westminster Securities Corporation, a registered broker-dealer that served as placement agent in connection with the private placement, and each of the selling stockholders acquired his, her or its shares solely for investment and not with a view to or for resale or distribution of those shares. Beneficial ownership is determined in accordance with SEC rules and includes voting or investment power with respect to the shares.

| Name | Shares of Common Stock Owned Prior to the Offering | Shares of Common Stock Offered | Shares of Common Stock Owned After the Offering | Percentage of Common Stock Owned After the Offering |
|--|---|---------------------------------------|--|--|
| Steve Ike | 25,000 | 25,000 | 0 | 0 |
| Dan Tompkins | 100,000 | 100,000 | 0 | 0 |
| Mark S. Litwin Trust DTD 4/9/1997 | 25,000 | 25,000 | 0 | 0 |
| The Montoya 2005 Revocable Trust | 50,000 | 50,000 | 0 | 0 |
| Walter Bilofsky, Trustee of the Eight Family Trust U/T/A DTD 11/8/1999 | 37,500 | 37,500 | 0 | 0 |
| Eugene Park | 50,000 | 50,000 | 0 | 0 |
| Philip M. Fiore | 25,000 | 25,000 | 0 | 0 |
| Mara Gateway Associates, L.P. | 450,000 | 450,000 | 0 | 0 |
| Leslie T. Altavilla Revocable Trust DTD 3/28/03 | 50,000 | 50,000 | 0 | 0 |
| Harry Fox | 75,000 | 75,000 | 0 | 0 |
| Will K. Weinstein Revocable Trust DTD 2/27/90 | 25,000 | 25,000 | 0 | 0 |
| Paul H. Kim | 25,000 | 25,000 | 0 | 0 |
| Andrew J. Chang | 25,000 | 25,000 | 0 | 0 |
| Hyun S. Park | 50,000 | 50,000 | 0 | 0 |
| Sun Young Choi | 25,000 | 25,000 | 0 | 0 |
| Michael S. Moon | 50,000 | 50,000 | 0 | 0 |
| Michael Katz | 100,000 | 100,000 | 0 | 0 |
| Paul and Mary Jo Fahey | 25,000 | 25,000 | 0 | 0 |
| Kent A. Rasmussen and Celia E. Ramsey Revocable Trust U/A/D 12/28/93 | 50,000 | 50,000 | 0 | 0 |
| Atlas Capital Investments | 50,000 | 50,000 | 0 | 0 |
| Marc Rayfield | 25,000 | 25,000 | 0 | 0 |
| Somerset Consulting Group, Inc. 401-K Profit Sharing Plan | 50,000 | 50,000 | 0 | 0 |
| Serpentine Group Defined Benefit Pension Plan | 50,000 | 50,000 | 0 | 0 |
| Alan Horwitz | 100,000 | 100,000 | 0 | 0 |
| David Adelman | 50,000 | 50,000 | 0 | 0 |

Edgar Filing: Akeena Solar, Inc. - Form 424B3

| | | | | |
|---------------------------------|---------|---------|---|---|
| Lichtensteinische Landesbank AG | 500,000 | 500,000 | 0 | 0 |
| Chase Mortgage, Inc. | 150,000 | 150,000 | 0 | 0 |
| New Energy Fund, LP | 200,000 | 200,000 | 0 | 0 |

34

| Name | Shares of Common Stock Owned Prior to the Offering | Shares of Common Stock Offered | Shares of Common Stock Owned After the Offering | Percentage of Common Stock Owned After the Offering |
|--------------------------------------|---|--------------------------------------|---|--|
| Gerald M. Chatel | 50,000 | 50,000 | 0 | 0 |
| Merriman Curhan Ford & Co | 25,000 | 25,000 | 0 | 0 |
| Tiger Special Situations Fund, LLC | 25,000 | 25,000 | 0 | 0 |
| Pensco Trust Co. FBO Mark Litwin IRA | 50,000 | 50,000 | 0 | 0 |
| Sunny Yoon | 25,000 | 25,000 | 0 | 0 |
| Robert Coleman Trust UTD 3/13/1985 | 250,000 | 250,000 | 0 | 0 |
| Alexandre Zyngier | 25,000 | 25,000 | 0 | 0 |
| Robert Garff | 200,000 | 200,000 | 0 | 0 |
| Jeffrey D. Oscodar | 25,000 | 25,000 | 0 | 0 |
| Bush Family Trust dated 1/1/2006 | 25,000 | 25,000 | 0 | 0 |
| Jensen Children Trust | 80,000 | 80,000 | 0 | 0 |
| Westminster Securities Corporation | 61,500 ⁽¹⁾ | 61,500 ⁽¹⁾ | 0 | 0 |

(1) Includes currently exercisable warrants to purchase 33,825 shares of common stock.

None of the selling stockholders has held any position or office or has had any other material relationship with us or any of our predecessors or affiliates during the past three years, except Westminster Securities Corporation, a registered broker-dealer, served as the placement agent in connection with our private placement. Pursuant to the terms of a placement agent agreement dated July 21, 2006, the Westminster Securities Corporation received (1) a cash fee of \$61,500 (representing 6% of the gross proceeds of the units sold by it in the private placement) and (2) three-year warrants to purchase 61,500 shares of our common stock (representing 6% of the shares sold by it in the private placement) at an exercise price of \$1.00 per share, of which warrants to purchase 27,675 shares were exercised.

DESCRIPTION OF SECURITIES

We are authorized to issue 50,000,000 shares of common stock, and 1,000,000 shares of preferred stock. As of August 31, 2007, there were 23,625,941 shares of our common stock issued and outstanding and no shares of our preferred stock issued and outstanding.

Common Stock

The holders of our common stock are entitled to one vote per share. Our Certificate of Incorporation does not provide for cumulative voting. The holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared by our board of directors out of legally available funds; however, the current policy of our board of directors is to retain earnings, if any, for operations and growth. Upon liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all assets that are legally available for distribution. The holders of our common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of any series of preferred stock, which may be designated solely by action of our board of directors and issued in the future.

Preferred Stock

Our board of directors is authorized, subject to any limitations prescribed by law, without further vote or action by our stockholders, to issue from time to time shares of preferred stock in one or more series. Each series of preferred stock will have such number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by our board of directors, which may include, among others, dividend rights, voting rights, liquidation preferences, conversion rights and preemptive rights.

Warrants

In connection with our private placement in August 2006 and September 2006, following the Merger, we issued three-year warrants to purchase 49,500 and 12,000 shares of our common stock, respectively, at an exercise price of \$1.00 per share, to a placement agent. Warrants to purchase 27,675 shares of our common stock were exercised by the placement agent on July 30, 2007. The common stock underlying these warrants may be sold under this Prospectus.

On March 8, 2007, in connection with the March 2007 Private Placement, we issued warrants to purchase up to an aggregate of (i) 206,230 shares of our common stock, at an exercise price of \$2.75 per share, to investors, (ii) 206,230 shares of our common stock, at an exercise price of \$3.00 per share, to investors, (iii) 68,250 shares of our common stock, at an exercise price of \$2.75 per share, to our placement agent and finder, and (iv) 11,726 shares of our common stock, at an exercise price of \$1.97 per share, to a finder. Each warrant will expire three years from the date of issuance. As of August 31, 2007, warrants issued in connection with the March 2007 Private Placement to purchase 200,507 shares of our common stock have been exercised.

On June 4, 2007, in connection with the June 2007 Private Placement, we issued warrants to purchase up to an aggregate of (i) 913,455 shares of our common stock, at an exercise price of \$3.95 per share, to investors, (ii) 376,800 shares of our common stock, at an exercise price of \$3.95 per share, to our placement agent and finder, and (iii) 9,164 shares of our common stock, at an exercise price of \$2.75 per share, to a finder. Each warrant will expire three years from the date of issuance.

The warrants contain provisions that protect the holders against dilution by adjustment of the purchase price in certain events such as stock dividends, stock splits and other similar events.

Prior to exercise, the warrants do not confer upon holders any voting or any other rights as a stockholder.

Lock-up Agreements

All shares of common stock held by our Chairman, President and Chief Executive Officer (together with the shares held by his affiliates) are subject to lock-up provisions that provide restrictions on the future sale of our common stock

by the holders and their transferees. These lock-up provisions provide, in general, that their shares may not, directly or indirectly, be offered, sold, offered for sale, contracted for sale, hedged or otherwise transferred or disposed of for a period of 12 months following the closing of the Merger.

Anti-Takeover Effect of Delaware Law, Certain Charter and By-Law Provisions

Our Certificate of Incorporation and By-laws contain provisions that could have the effect of discouraging potential acquisition proposals or tender offers or delaying or preventing a change of control of our company. These provisions have the following effects:

- they provide that special meetings of stockholders may be called only by a resolution adopted by a majority of our board of directors;
- they provide that only business brought before an annual meeting by our board of directors or by a stockholder who complies with the procedures set forth in the By-laws may be transacted at an annual meeting of stockholders;
- they provide for advance notice of specified stockholder actions, such as the nomination of directors and stockholder proposals;
- they do not include a provision for cumulative voting in the election of directors. Under cumulative voting, a minority stockholder holding a sufficient number of shares may be able to ensure the election of one or more directors. The absence of cumulative voting may have the effect of limiting the ability of minority stockholders to effect changes in our board of directors and, as a result, may have the effect of deterring a hostile takeover or delaying or preventing changes in control or management of our company; and
- they allow us to issue, without stockholder approval, up to 1,000,000 shares of preferred stock that could adversely affect the rights and powers of the holders of our common stock. In some circumstances, this issuance could have the effect of decreasing the market price of our common stock, as well.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law, which we refer to as the “DGCL,” an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a “business combination” includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an “interested stockholder” is a person who, together with affiliates and associates, owns, or within three years prior did own, 15% or more of the voting stock of a corporation.

Indemnification of Directors and Officers

Section 145 of the DGCL, provides, in general, that a corporation incorporated under the laws of the State of Delaware, as we are, may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than a derivative action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person’s conduct was unlawful. In the case of a derivative action, a Delaware corporation may indemnify any such person against expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not

opposed to the best interests of the corporation, except that no indemnification will be made in respect of any claim, issue or matter as to which such person will have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or any other court in which such action was brought determines such person is fairly and reasonably entitled to indemnity for such expenses.

Our Certificate of Incorporation and By-laws provide that we will indemnify our directors, officers, employees and agents to the extent and in the manner permitted by the provisions of the DGCL, as amended from time to time, subject to any permissible expansion or limitation of such indemnification, as may be set forth in any stockholders' or directors' resolution or by contract. Any repeal or modification of these provisions approved by our stockholders will be prospective only and will not adversely affect any limitation on the liability of any of our directors or officers existing as of the time of such repeal or modification.

We are also permitted to apply for insurance on behalf of any director, officer, employee or other agent for liability arising out of his actions, whether or not the DGCL would permit indemnification.

Disclosure of Commission Position on Indemnification for Securities Act Liabilities

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and persons controlling us, we have been advised that it is the SEC's opinion that such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

PLAN OF DISTRIBUTION

We are updating the registration of 3,279,000 shares of common stock for resale by the selling stockholders from time to time after the date of this prospectus. We will not receive any of the proceeds from the sale by the selling stockholders of their shares of common stock, but will receive proceeds from the exercise of warrants to purchase 33,825 of the shares being offered. We will bear all fees and expenses incident to our obligation to register the shares of common stock.

The selling stockholders may sell all or a portion of the shares of common stock beneficially owned by them and offered hereby from time to time directly or through one or more underwriters, broker-dealers or agents. If the shares of common stock are sold through underwriters or broker-dealers, the selling stockholders will be responsible for underwriting discounts or commissions or agent's commissions. The shares of common stock may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of the sale, at varying prices determined at the time of sale or at negotiated prices. These sales may be effected in transactions, which may involve crosses or block transactions,

- on any national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale;
- in the over-the-counter market;
- in transactions otherwise than on these exchanges or systems or in the over-the-counter market;
- through the writing of options, whether such options are listed on an options exchange or otherwise;
- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;

- privately negotiated transactions;
- short sales;
- sales pursuant to Rule 144 under the Securities Act;

- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted by applicable law.

If the selling stockholders effect such transactions by selling shares of common stock to or through underwriters, broker-dealers or agents, such underwriters, broker-dealers or agents may receive commissions in the form of discounts, concessions or commissions from the selling stockholders or commissions from purchasers of the shares of common stock for whom they may act as agent or to whom they may sell as principal. These discounts, concessions or commissions as to particular underwriters, broker-dealers or agents may be in excess of those customary in the types of transactions involved. In connection with sales of the shares of common stock or otherwise, the selling stockholders may enter into hedging transactions with broker-dealers who may, in turn, engage in short sales of the shares of common stock in the course of hedging in positions they assume. The selling stockholders may also sell shares of common stock short and deliver shares of common stock covered by this prospectus to close out short positions and to return borrowed shares in connection with such short sales. The selling stockholders may also loan or pledge shares of common stock to broker-dealers that in turn may sell such shares.

The selling stockholders may pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time pursuant to this prospectus or any amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act, amending, if necessary, the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus. The selling stockholders also may transfer and donate the shares of common stock in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The selling stockholders and any broker-dealer participating in the distribution of the shares of common stock may be deemed to be “underwriters” within the meaning of the Securities Act, and any commission paid, or any discounts or concessions allowed to, any such broker-dealer may be deemed to be underwriting commissions or discounts under the Securities Act. At the time a particular offering of the shares of common stock is made, a prospectus supplement, if required, will be distributed which will set forth the aggregate amount of shares of common stock being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling stockholders and any discounts, commissions or concessions allowed or re-allowed or paid to broker-dealers.

Under the securities laws of some states, the shares of common stock may be sold in such states only through registered or licensed brokers or dealers. In addition, in some states the shares of common stock may not be sold unless such shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

There can be no assurance that any selling stockholder will sell any or all of the shares of common stock registered by the registration statement of which this prospectus forms a part.

The selling stockholders and any other person participating in such distribution will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including, without limitation, Regulation M of the Exchange Act, which may limit the timing of purchases and sales of any of the shares of common stock by the selling stockholders and any other participating person. Regulation M may also restrict the ability of any person engaged in the distribution of the shares of common stock to engage in market-making activities with respect to the

shares of common stock. All of the foregoing may affect the marketability of the shares of common stock and the ability of any person or entity to engage in market-making activities with respect to the shares of common stock.

We will pay all expenses of the registration of the shares of common stock pursuant to the registration rights agreement that we entered into with the selling stockholders; however, the selling stockholders will pay all underwriting discounts and selling commissions, if any.

We will indemnify the selling stockholders against liabilities, including liabilities under the Securities Act, in accordance with the registration rights agreement, or the selling stockholders will be entitled to contribution. We may be indemnified by the selling stockholders against liabilities, including liabilities under the Securities Act, that may arise from any written information furnished to us by the selling stockholder specifically for use in this prospectus, in accordance with the registration rights agreement, or we may be entitled to contribution.

LEGAL MATTERS

DLA Piper US LLP, passed on the validity of the securities being offered in this prospectus.

EXPERTS

Our Balance Sheet as of December 31, 2006, and the related Statements of Operations, Changes in Stockholders' Equity and Cash Flows for the year ended December 31, 2006 have been included in this prospectus in reliance upon the report of Burr, Pilger & Mayer LLP, independent registered public accounting firm, included herein, given on the authority of said firm as experts in accounting and auditing.

Our Statements of Operations, Changes in Stockholders' Equity and Cash Flows for the year ended December 31, 2005 has been included in this prospectus in reliance upon the report of Marcum & Kliegman LLP, independent registered public accounting firm, included herein, given on the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports and other information with the SEC. Our filings are available to the public at the SEC's website at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Further information on the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

We have filed a registration statement on Form SB-2 under the Securities Act for the Common Stock offered by this prospectus. This prospectus does not contain all of the information set forth in the registration statement, parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information, reference is made to the registration statement and its exhibits. Whenever we make references in this prospectus to any of our contracts, agreements or other documents, the references are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document.

AKEENA SOLAR, INC.

INDEX TO FINANCIAL STATEMENTS

| | |
|--|----|
| Fiscal Year Ended December 31, 2006 (Audited) | |
| Reports of Independent Registered Public Accounting Firms | 42 |
| Consolidated Balance Sheet as of December 31, 2006 | 44 |
| Consolidated Statements of Operations for the Years Ended December 31, 2006 and 2005 | 45 |
| Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2006 and 2005 | 46 |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2006 and 2005 | 47 |
| Notes to Consolidated Financial Statements | 48 |
| Quarter and Six Months Ended June 30, 2007 (Unaudited) | |
| Condensed Consolidated Balance Sheet as of June 30, 2007 | 59 |
| Condensed Consolidated Statements of Operations for the Three Months and Six Months Ended June 30, 2007 and 2006 | 60 |
| Condensed Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2007 | 61 |
| Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2007 and 2006 | 62 |
| Notes to Consolidated Financial Statements | 63 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheet of Akeena Solar, Inc. and its subsidiary (the "Company") as of December 31, 2006, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Akeena Solar, Inc. and its subsidiary as of December 31, 2006, and the results of their operations, and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 12 to the consolidated financial statements, on January 1, 2006, the Company changed its method of accounting for stock-based compensation as a result of adopting Statement of Financial Accounting Standards No. 123R (revised 2004), *Share-Based Payment* applying the modified prospective method.

/s/ Burr, Pilger & Mayer LLP

San Francisco, CA
March 27, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
of Akeena Solar, Inc.

We have audited the accompanying statements of operations, changes in stockholders' equity and cash flows for the year ended December 31, 2005 of Akeena Solar, Inc. (the "Company"). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations, changes in stockholders' equity and cash flows of Akeena Solar, Inc. for the year ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum & Kliegman LLP

Marcum & Kliegman LLP
New York, NY
August 1, 2006

AKEENA SOLAR, INC.
Consolidated Balance Sheet
December 31, 2006

| | 2006 |
|---|--------------|
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 992,376 |
| Accounts receivable, net | 3,434,569 |
| Inventory | 1,791,816 |
| Prepaid expenses and other current assets, net | 838,192 |
| Total current assets | 7,056,953 |
| Property and equipment, net | 194,867 |
| Due from related party | 21,825 |
| Customer list, net | 230,988 |
| Other assets | 24,751 |
| Total assets | \$ 7,529,384 |
| Liabilities and Stockholders' Equity | |
| Current liabilities | |
| Accounts payable | \$ 2,053,567 |
| Customer rebate payable | 1,196,363 |
| Accrued liabilities | 622,184 |
| Accrued warranty | 508,655 |
| Common stock issuable | 175,568 |
| Deferred revenue | 981,454 |
| Credit facility | 500,000 |
| Current portion of capital lease obligations | 12,205 |
| Current portion of long-term debt | 17,307 |
| Total current liabilities | 6,067,303 |
| Capital lease obligations, less current portion | 42,678 |
| Long-term debt, less current portion | 28,673 |
| Total liabilities | 6,138,654 |
| Commitments, contingencies and subsequent events (Notes 16 and 18) | |
| Stockholders' equity: | |
| Preferred stock, \$0.001 par value; 1,000,000 shares authorized; none issued and outstanding | — |
| Common stock, \$0.001 par value; 50,000,000 shares authorized; 15,877,751 shares issued and outstanding | 15,878 |
| Additional paid-in capital | 2,955,926 |
| Accumulated deficit | (1,581,074) |
| Total stockholders' equity | 1,390,730 |
| Total liabilities and stockholders' equity | \$ 7,529,384 |

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

AKEENA SOLAR, INC.
Consolidated Statements of Operations
Years Ended December 31, 2006 and 2005

| | 2006 | 2005 |
|---|----------------|--------------|
| Net sales | \$ 13,390,139 | \$ 7,191,391 |
| Cost of sales | 10,361,481 | 5,595,475 |
| Gross profit | 3,028,658 | 1,595,916 |
| Operating expenses | | |
| Sales and marketing | 1,550,411 | 547,810 |
| General and administrative | 3,219,833 | 1,034,448 |
| Total operating expenses | 4,770,244 | 1,582,258 |
| (Loss) income from operations | (1,741,586) | 13,658 |
| Other income (expense) | | |
| Interest income (expense), net | (67,655) | (11,806) |
| Total other income (expense) | (67,655) | (11,806) |
| (Loss) income before provision for income taxes | (1,809,241) | 1,852 |
| Provision for income taxes | — | — |
| Net (loss) income | \$ (1,809,241) | \$ 1,852 |
| (Loss) earnings per common and common equivalent share: | | |
| Basic | \$ (0.16) | \$ 0.00 |
| Diluted | \$ (0.16) | \$ 0.00 |
| Weighted average shares used in computing (loss) earnings per common and common equivalent share: | | |
| Basic | 11,193,143 | 9,000,000 |
| Diluted | 11,193,143 | 9,000,000 |
| Pro forma (unaudited) financial information: | | |
| Net (loss) income — (actual) | \$ (1,809,241) | \$ 1,852 |
| Charge in lieu of income taxes — (unaudited) | — | 630 |
| Pro forma net (loss) income — (unaudited) | \$ (1,809,241) | \$ 1,222 |
| Pro forma (loss) earnings per common and common equivalent share: | | |
| Basic | \$ (0.16) | \$ 0.00 |
| Diluted | \$ (0.16) | \$ 0.00 |

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

AKEENA SOLAR, INC.
Consolidated Statements of Changes in Stockholders' Equity

| | Common Stock | | Additional | | Accumulated | Stockholders' |
|---|--------------|----------|------------|-----------|-------------|---------------|
| | Number | Amount | Paid-in | Capital | Deficit | Equity |
| | of Shares | | | | | |
| Balance at January 1, 2005 | 8,000,000 | \$ 8,000 | \$ (7,000) | \$ 57,951 | \$ 58,951 | |
| Distribution to Stockholder | — | — | — | (60,322) | (60,322) | |
| Net income | — | — | — | 1,852 | 1,852 | |
| Balance at December 31, 2005 | 8,000,000 | 8,000 | (7,000) | (519) | 481 | |
| Net equity of Fairview Energy Corporation, Inc. at date of reverse merger | 3,656,466 | 3,656 | 3,015 | — | 6,671 | |
| Proceeds from issuance of common stock at \$1.00 under private placement, \$0.001 par value | 3,217,500 | 3,218 | 3,214,282 | — | 3,217,500 | |
| Total placement agent fees | — | — | (131,539) | — | (131,539) | |
| Warrants issued to placement agent | — | — | 70,039 | — | 70,039 | |
| Stock-based compensation expense | 3,785 | 4 | 37,815 | — | 37,819 | |
| Distribution to stockholder | — | — | — | — | — | |