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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

or

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

For the transition period from _____ to _____
Commission File Number: 001-35480

Enphase Energy, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1420 N. McDowell Blvd.
Petaluma, California
(Address of principal executive offices)

20-4645388
(I.R.S. Employer
Identification No.)

94954
(Zip Code)

(707) 774-7000
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|-------------------------|--|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company | <input type="checkbox"/> |

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

As of October 31, 2014, there were 43,624,571 shares of the registrant's common stock outstanding, \$0.00001 par value per share.

ENPHASE ENERGY, INC.

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

ENPHASE ENERGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Unaudited)

| | September 30, 2014 | December 31, 2013 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 44,537 | \$ 38,190 |
| Accounts receivable, net of allowances of \$2,241 and \$2,000 at September 30, 2014 and December 31, 2013, respectively | 49,270 | 32,084 |
| Inventory | 15,488 | 16,580 |
| Prepaid expenses and other | 5,194 | 3,655 |
| Total current assets | 114,489 | 90,509 |
| Property and equipment, net | 28,825 | 24,853 |
| Other assets | 1,410 | 1,307 |
| Total assets | \$ 144,724 | \$ 116,669 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 21,992 | \$ 7,363 |
| Accrued liabilities | 22,906 | 14,780 |
| Deferred revenues | 2,418 | 2,773 |
| Warranty obligations, current portion (includes \$978 and \$0 measured at fair value at September 30, 2014 and December 31, 2013, respectively) | 7,749 | 4,942 |
| Term loans, current portion | 2,888 | 3,507 |
| Total current liabilities | 57,953 | 33,365 |
| Long-term liabilities: | | |
| Deferred revenues, noncurrent | 15,339 | 11,284 |
| Warranty obligations, noncurrent (includes \$1,983 and \$0 measured at fair value at September 30, 2014 and December 31, 2013, respectively) | 24,558 | 25,490 |
| Other liabilities | 1,439 | 1,154 |
| Term loans, noncurrent | 2,973 | 5,170 |
| Total liabilities | 102,262 | 76,463 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.00001 par value, 10,000 shares authorized; none issued and outstanding | — | — |
| Common stock, \$0.00001 par value, 100,000 shares authorized; 43,378 and 42,123 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively | — | — |
| Additional paid-in capital | 203,911 | 192,916 |
| Accumulated deficit | (161,393) | (152,939) |
| Accumulated other comprehensive (loss) income | (56) | 229 |
| Total stockholders' equity | 42,462 | 40,206 |
| Total liabilities and stockholders' equity | \$ 144,724 | \$ 116,669 |

See notes to condensed consolidated financial statements.

ENPHASE ENERGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------------|-------------------------------------|------------|------------------------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| Net revenues | \$ 99,113 | \$ 62,046 | \$ 238,697 | \$ 165,790 |
| Cost of revenues | 66,592 | 44,611 | 160,689 | 119,870 |
| Gross profit | 32,521 | 17,435 | 78,008 | 45,920 |
| Operating expenses: | | | | |
| Research and development | 12,112 | 8,293 | 32,346 | 25,803 |
| Sales and marketing | 9,884 | 8,550 | 29,205 | 22,765 |
| General and administrative | 8,632 | 5,937 | 22,837 | 17,899 |
| Total operating expenses | 30,628 | 22,780 | 84,388 | 66,467 |
| Income (loss) from operations | 1,893 | (5,345) | (6,380) | (20,547) |
| Other income (expense), net: | | | | |
| Interest expense | (356) | (437) | (1,291) | (1,385) |
| Other expense, net | (597) | (378) | (432) | (724) |
| Total other income (expense), net | (953) | (815) | (1,723) | (2,109) |
| Income (loss) before income taxes | 940 | (6,160) | (8,103) | (22,656) |
| Provision for income taxes | (127) | (141) | (351) | (447) |
| Net income (loss) | \$ 813 | \$ (6,301) | \$ (8,454) | \$ (23,103) |
| Net income (loss) per share: | | | | |
| Basic | \$ 0.02 | \$ (0.15) | \$ (0.20) | \$ (0.56) |
| Diluted | \$ 0.02 | \$ (0.15) | \$ (0.20) | \$ (0.56) |
| Shares used in per share calculation: | | | | |
| Basic | 43,128 | 41,777 | 42,664 | 41,517 |
| Diluted | 48,786 | 41,777 | 42,664 | 41,517 |

See notes to condensed consolidated financial statements.

ENPHASE ENERGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| Net income (loss) | \$ 813 | \$ (6,301) | \$ (8,454) | \$ (23,103) |
| Other comprehensive (loss) income: | | | | |
| Foreign currency translation adjustments | (292) | 104 | (285) | 145 |
| Comprehensive income (loss) | \$ 521 | \$ (6,197) | \$ (8,739) | \$ (22,958) |

See notes to condensed consolidated financial statements.

ENPHASE ENERGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| | Nine Months Ended September 30, | |
|---|------------------------------------|------------------|
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Net loss | \$ (8,454) | \$ (23,103) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 6,004 | 5,122 |
| Provision for doubtful accounts | 711 | 665 |
| Net loss on disposal of assets | 247 | 82 |
| Non-cash interest expense | 256 | 322 |
| Stock-based compensation | 7,037 | 4,955 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (17,897) | (7,666) |
| Inventory | 1,092 | (4,549) |
| Prepaid expenses and other assets | (1,867) | (969) |
| Accounts payable, accrued and other liabilities | 22,638 | 3,827 |
| Warranty obligations | 1,875 | 8,028 |
| Deferred revenues | 3,700 | 4,835 |
| Net cash provided by (used in) operating activities | <u>15,342</u> | <u>(8,451)</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (9,836) | (4,886) |
| Net cash used in investing activities | <u>(9,836)</u> | <u>(4,886)</u> |
| Cash flows from financing activities: | | |
| Repayments of term loans | (2,847) | (1,815) |
| Principal payments under capital leases | — | (40) |
| Proceeds from issuance of common stock under employee stock plans | 3,958 | 1,672 |
| Net cash provided by (used in) financing activities | <u>1,111</u> | <u>(183)</u> |
| Effect of exchange rate changes on cash | (270) | 4 |
| Net increase (decrease) in cash and cash equivalents | 6,347 | (13,516) |
| Cash and cash equivalents—Beginning of period | 38,190 | 45,294 |
| Cash and cash equivalents—End of period | <u>\$ 44,537</u> | <u>\$ 31,778</u> |
| Supplemental disclosures of non-cash investing and financing activities: | | |
| Purchases of property and equipment included in accounts payable | <u>\$ 1,291</u> | <u>\$ 305</u> |

See notes to condensed consolidated financial statements.

ENPHASE ENERGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**1. Overview and Summary of Significant Accounting Policies*****The Company***

Enphase Energy, Inc. (“Enphase” or the “Company”) designs, develops, and sells microinverter systems for the solar photovoltaic industry. The Company’s microinverter system consists of (i) an Enphase microinverter and related accessories that convert direct current (“DC”) power to grid-compliant alternating current (“AC”) power; (ii) an Envoy communications gateway device that collects and transmits performance information from each solar module to the Company’s hosted data center; and (iii) the Enlighten web-based software platform that collects and processes this information to enable customers to monitor and manage their solar power systems. The Company sells microinverter systems primarily to distributors who resell them to solar installers. The Company also sells directly to large installers, original equipment manufacturers (“OEMs”), developers of third party solar financing offerings and strategic partners.

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in the consolidation.

Certain reclassifications of prior year’s balances have been made to conform to current year presentation, including separately presenting balances for “Warranty obligations” in current liabilities on the condensed consolidated balance sheets and under changes in operating assets and liabilities on the condensed consolidated statements of cash flows.

Unaudited Interim Financial Information

These accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting. In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring items, considered necessary to present fairly the Company’s financial condition, results of operations, comprehensive income (loss) and cash flows for the interim periods indicated. The results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the operating results for the full year. Certain information and footnote disclosures typically included in annual consolidated financial statements have been condensed or omitted. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

Other than as described under “Fair Value Option for Microinverters Sold Since January 1, 2014” below, there have been no material changes in the Company’s significant accounting policies since the date of the Company’s Annual Report on Form 10-K for the year ended December 31, 2013. Reference is made to the disclosures therein for a summary of all of the Company’s significant accounting policies.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events and apply judgments that affect the amounts reported in the condensed consolidated financial statements and the accompanying notes. Actual results could differ from these estimates. Significant estimates and assumptions by management affect the timing and amounts of revenue recognition, warranty obligations and expense and the carrying value of inventory.

Fair Value Option for Warranty Obligations Related to Microinverters Sold Since January 1, 2014

The Company’s warranty obligations related to microinverters sold since January 1, 2014 provide the Company the right, but not the requirement, to assign its warranty obligations to a third-party. Under Accounting Standards Codification (“ASC”) 825—*Financial Instruments*, (“fair value option”), an entity may choose to elect the fair value option for such warranties at the time it first recognizes the eligible item. The Company made an irrevocable election to account for all eligible warranty obligations associated with microinverters sold since January 1, 2014 at fair value. This election was made to reflect the

underlying economics of the time value of money for an obligation that will be settled over an extended period of up to 25 years. See Note 4—Fair Value Measurements.

The Company estimates the fair value of warranty obligations by calculating the warranty obligations in the same manner as for sales prior to January 1, 2014 and applying an expected present value technique to that result. The expected present value technique, an income approach, converts future amounts into a single current discounted amount. In addition to the key estimates of failure rates, claim rates and replacement costs, the Company used certain inputs that are unobservable and significant to the overall fair value measurement. Such additional assumptions included a discount rate based on the Company's credit-adjusted risk-free rate and compensation comprised of a profit element and risk premium required of a market participant to assume the obligation. Warranty obligations initially recorded at fair value at the time of sale will be subsequently re-measured to fair value at each reporting date. In addition, the fair value of the liability will be accreted over the corresponding term of the warranty of up to 25 years using the interest method. Any changes in fair value of the liability from period-to-period, including accretion expense, will be recognized in cost of revenues. As of September 30, 2014, warranty obligations associated with sales prior to December 31, 2013 were \$29.2 million and warranty obligations associated with sales subsequent to December 31, 2013 were \$3.1 million, of which \$3.0 million were eligible for fair value accounting. The portion of warranty obligations arising from sales subsequent to December 31, 2013 that was not eligible for fair value accounting relates to sales of non-microinverter products. Periodic adjustments necessitated by actual experience of claims and any future changes in estimates to amounts not eligible for fair value accounting will continue to be accounted for on an undiscounted basis.

Recent Accounting Pronouncements Not Yet Effective

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 (Topic 606), *Revenue from Contracts with Customers*, which will replace most existing revenue recognition guidance under U.S. GAAP. The updated standard's core principle is that revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The standard generally requires an entity to identify performance obligations in its contracts, estimate the amount of variable consideration to be received in the transaction price, allocate the transaction price to each separate performance obligation, and recognize revenue as obligations are satisfied. In addition, the updated standard requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted. Accordingly, the ASU will be effective for the Company beginning in the first quarter of 2017. The Company is currently evaluating the impact of the adoption on its Consolidated Financial Statements.

2. INVENTORY

Inventory is valued at the lower of cost or market, on a first-in, first-out basis and consists of the following as of September 30, 2014 and December 31, 2013 (in thousands):

| | September 30, 2014 | December 31, 2013 |
|-----------------|-----------------------|----------------------|
| Raw materials | \$ 2,924 | \$ 1,428 |
| Finished goods | 12,564 | 15,152 |
| Total inventory | <u>\$ 15,488</u> | <u>\$ 16,580</u> |

3. WARRANTY OBLIGATIONS

The Company's warranty activities during the three and nine months ended September 30, 2014 and 2013 were as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|------------|
| | 2014 | 2013 | 2014 | 2013 |
| Warranty obligations, beginning of period | \$ 32,969 | \$ 26,777 | \$ 30,432 | \$ 21,338 |
| Accruals for warranties issued during period | 1,361 | 1,392 | 3,112 | 4,802 |
| Changes in estimates | 1,146 | 3,823 | 5,506 | 8,537 |
| Settlements | (3,041) | (2,626) | (6,666) | (5,311) |
| Increase due to accretion expense | 47 | — | 87 | — |
| Other | (175) | — | (164) | — |
| Warranty obligations, end of period | \$ 32,307 | \$ 29,366 | \$ 32,307 | \$ 29,366 |
| Less current portion | | | \$ (7,749) | \$ (8,434) |
| Noncurrent | | | \$ 24,558 | \$ 20,932 |

As of September 30, 2014, the \$32.3 million in warranty obligations included \$3.0 million measured at fair value (see Note 4—Fair Value Measurements).

Changes in Estimates

On a quarterly basis, the Company uses the best and most complete underlying information available and follows a consistent, systematic and rational methodology to determine its warranty obligations. The Company considers all available evidence to assess the reasonableness of all key assumptions underlying its estimated warranty obligations for each generation of microinverter. The changes in estimates discussed below arose from new information available to management and subsequent developments, and accordingly, from better insight and improved judgment.

For the three and nine months ended September 30, 2014, incremental charges from changes in estimates, each related to the Company's second generation microinverter, consisted of \$1.1 million and \$4.2 million, respectively, to reflect higher estimated failure rates. The remaining \$1.3 million incremental charge for the nine months ended September 30, 2014 was due to higher projected estimated replacement costs.

For the three and nine months ended September 30, 2013, net incremental charges from changes in estimates were \$3.8 million and \$8.5 million, respectively. During the three and nine months ended September 30, 2013, the Company experienced actual failures of its second generation microinverters that exceeded its then current failure rate estimate. Based on continuing analysis of field performance data and diagnostic root-cause failure analysis performed on returned units, the Company concluded that it was necessary to increase the estimated failure rates for its second generation product and recorded additional warranty expense of \$7.3 million and \$15.9 million for the three and nine months ended September 30, 2013, respectively. In addition, the Company recorded a reduction to warranty expense of \$3.1 million for the three and nine months ended September 30, 2013 related to a decrease in the expected failure rate of the Company's third generation product. During the third quarter of 2013, the Company concluded that there was sufficient historical data of actual field performance of previously sold third generation products to support a lower estimated failure rate. Further decreases to warranty expense were \$0.4 million and \$0.1 million of net decreases in estimated replacement costs for the three and nine months ended September 30, 2013, respectively. In addition, for the nine months ended September 30, 2013, the Company updated its estimated claim rates for all product generations resulting in a decrease to warranty expense of \$4.2 million. The revision to estimated claim rates was based on the Company's observed historical end user behavior and assumptions with respect to expected customer behavior over the warranty term (15 years for first and second generation products, up to 25 years for third and fourth generation products).

4. FAIR VALUE MEASUREMENTS

The accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities recorded at fair value, the Company considers the principal or most advantageous

market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset's or liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company is able to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of such assets or liabilities do not entail a significant degree of judgment.
- Level 2—Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Financial Instruments

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of those instruments. The carrying amounts of the Company's term loans approximate fair value because they are variable interest rate debt.

Derivative Instruments

The Company utilizes foreign currency forward contracts from time to time to reduce the impact of foreign currency fluctuations arising from both sales and purchases denominated in Euros and the British Pound Sterling.

As of September 30, 2014, the aggregate gross notional amounts of outstanding foreign currency forward contracts, all with maturities of less than one year, were \$3.0 million. As of December 31, 2013, the aggregate gross notional amounts of outstanding foreign currency forward contracts were \$12.5 million, all of which matured on January 15, 2014.

The following table presents the Company's financial instruments that were measured at fair value on a recurring basis by level within the fair value hierarchy at September 30, 2014 and December 31, 2013 (in thousands):

| | September 30, 2014 | | December 31, 2013 | |
|--|--------------------|-----------------------|-------------------|-----------------------|
| | Asset Derivatives | Liability Derivatives | Asset Derivatives | Liability Derivatives |
| Foreign currency forward contracts (Level 2) | \$ 107 | \$ — | \$ 325 | \$ 605 |

For both the three and nine months ended September 30, 2014, the Company recorded net gains related to foreign currency forward contracts of \$0.1 million. For both the three and nine months ended September 30, 2013, the Company recognized net losses related to foreign currency forward contracts of \$0.6 million.

Fair Value Option for Warranty Obligations Related to Microinverters Sold Since January 1, 2014

The Company estimates the fair value of warranty obligations by calculating the warranty obligations in the same manner as for sales prior to January 1, 2014 and applying an expected present value technique to that result. The expected present value technique, an income approach, converts future amounts into a single current discounted amount. In addition to the key estimates of failure rates, claim rates and replacement costs, the Company used certain Level 3 inputs which are unobservable and significant to the overall fair value measurement. Such additional assumptions included a discount rate based on the Company's credit-adjusted risk-free rate and compensation comprised of a profit element and risk premium required of a market participant to assume the obligation.

The following table presents the Company's warranty obligations measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended September 30, 2014 (in thousands):

| | Warranty Obligations Measured at Fair Value |
|--|---|
| Balance—December 31, 2013 | \$ — |
| Accruals for warranties issued during period | 2,913 |
| Changes in estimates | 117 |
| Settlements | (15) |
| Increase due to accretion expense | 87 |
| Other | (141) |
| Balance—September 30, 2014 | <u>\$ 2,961</u> |

Quantitative and Qualitative Information about Level 3 Fair Value Measurements

As of September 30, 2014, the significant unobservable inputs used in the fair value measurement of the Company's warranty obligations designated as Level 3 are as follows:

| Item Measured at Fair Value | Valuation Technique | Description of Significant Unobservable Input | Percent Used |
|--|-----------------------|--|--------------|
| Warranty obligations for microinverters sold since January 1, 2014 | Discounted cash flows | Profit element and risk premium | 18% |
| | | Credit-adjusted risk-free rate (discount rate) | 15% |

An increase (decrease) in the profit element and risk premium input in isolation would result in a higher (lower) fair value measurement of the liability. An increase (decrease) in the discount rate in isolation would result in a substantially lower (higher) fair value measurement of the liability.

5. TERM LOANS

The Company's long-term debt at September 30, 2014 and December 31, 2013 consists of the following (in thousands):

| | September 30, 2014 | December 31, 2013 |
|---|-----------------------|----------------------|
| Term loans | \$ 5,861 | \$ 7,400 |
| Equipment financing facility, net of unamortized discount of \$0 and \$31, respectively | — | 1,277 |
| Total term loans | 5,861 | 8,677 |
| Less current portion | (2,888) | (3,507) |
| Term loans, noncurrent | <u>\$ 2,973</u> | <u>\$ 5,170</u> |

During the nine months ended September 30, 2014, the Company was a party to three debt agreements: (i) a \$50.0 million revolving credit facility (the "Revolver") with Wells Fargo Bank, N.A., (ii) a facility with Hercules Technology Growth Capital, Inc. ("Hercules Facility") consisting of an initial draw in the amount of \$7.4 million under the facility and a commitment to provide an incremental line of credit of up to \$15.6 million through March 31, 2014, and (iii) a \$5.0 million equipment financing facility, also with Hercules. Each of these debt agreements is described in greater detail in the consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

On February 14, 2014, the Company entered into an amendment to the Revolver which extended the maturity date from November 7, 2015 to November 7, 2016. In addition, the amendment lowered the minimum liquidity covenant in undrawn availability from \$8.0 million to \$5.0 million in cash while maintaining at least \$15.0 million of liquidity (defined as the sum of cash and the borrowing base) at all times. As of September 30, 2014, the Company has not drawn on the Revolver.

On March 31, 2014, the undrawn \$15.6 million incremental line of credit under the Hercules Facility expired in accordance with its terms as the Company elected not to renew this incremental line of credit.

On June 1, 2014, the \$5.0 million equipment financing facility with Hercules expired in accordance with its terms and all remaining amounts outstanding were repaid in full.

6. COMMITMENTS AND CONTINGENCIES

Contingencies—The Company is not currently involved in any material legal proceedings. The Company may become involved in various legal proceedings and claims that arise in the ordinary course of business. Such matters are subject to uncertainty and there can be no assurance that such legal proceedings will not have a material adverse effect on its business, results of operations, financial position or cash flows.

7. STOCK-BASED COMPENSATION

The Company has adopted certain equity incentive and stock purchase plans as described in the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Equity Awards Activity*Stock Options*

The following is a summary of stock option activity for the nine months ended September 30, 2014 (in thousands, except per share data):

| | Number of Shares Outstanding | Weighted- Average Exercise Price per Share |
|-----------------------------------|------------------------------------|---|
| Outstanding at December 31, 2013 | 8,509 | \$ 3.94 |
| Granted | 1,005 | 10.04 |
| Exercised | (759) | 4.29 |
| Canceled | (257) | 7.50 |
| Outstanding at September 30, 2014 | <u>8,498</u> | <u>4.52</u> |

The intrinsic value of options exercised in the nine months ended September 30, 2014 was \$4.5 million. At September 30, 2014, the intrinsic value of options outstanding was \$89.1 million based on the closing share price of the Company's stock as of September 30, 2014.

Restricted Stock Units

The following is a summary of restricted stock unit activity for the nine months ended September 30, 2014 (in thousands, except per share data):

| | Restricted Stock Units | Weighted Average Fair Value per Share at Grant Date |
|-----------------------------------|------------------------|--|
| Outstanding at December 31, 2013 | 418 | \$ 6.31 |
| Granted | 1,215 | 8.62 |
| Vested | (242) | 7.52 |
| Canceled | (31) | 7.41 |
| Outstanding at September 30, 2014 | <u>1,360</u> | <u>8.13</u> |

The total fair value of restricted stock units that vested in the nine months ended September 30, 2014 was \$2.7 million. At September 30, 2014, the aggregate intrinsic value of restricted stock units outstanding was \$20.4 million based on the closing share price of the Company's stock as of September 30, 2014.

Stock-Based Compensation Expense

Compensation cost for all stock-based awards expected to vest is measured at fair value on the date of grant and recognized ratably over the requisite service period. The following table summarizes the components of total stock-based compensation expense included in the condensed consolidated statements of operations for the periods presented (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------------|-------------------------------------|----------|------------------------------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| Cost of revenues | \$ 229 | \$ 137 | \$ 572 | \$ 309 |
| Research and development | 824 | 625 | 2,215 | 1,541 |
| Sales and marketing | 635 | 542 | 1,816 | 1,317 |
| General and administrative | 842 | 741 | 2,434 | 1,788 |
| Total | \$ 2,530 | \$ 2,045 | \$ 7,037 | \$ 4,955 |

The following table summarizes stock-based compensation expense associated with each type of award for the periods presented (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------|------------------------------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| Stock options and restricted stock units | \$ 2,317 | \$ 1,871 | \$ 6,465 | \$ 4,588 |
| Employee stock purchase plan | 213 | 174 | 572 | 367 |
| Total | \$ 2,530 | \$ 2,045 | \$ 7,037 | \$ 4,955 |

Valuation Assumptions

The fair value of option awards was estimated on the date of the grant using the Black-Scholes option valuation pricing model with the following input assumptions:

- *Expected term*—The expected term of the option awards represents the period of time between the grant date of the option awards and the date the option awards are either exercised, converted or canceled, including an estimate for those option awards still outstanding. The Company used the simplified method, as permitted by the SEC for companies with a limited history of stock option exercise activity, to determine the expected term for its option grants.
- *Expected volatility*—The expected stock price volatility for option awards granted prior to March 31, 2014 was determined based on an average of the historical volatilities of the common stock of several peer companies with characteristics similar to those of the Company. For option awards granted after March 31, 2014, the Company used a blended volatility estimate consisting of its own historical share price volatility (as the Company had at least two years of historical stock price data) augmented with historical volatility of peer companies for periods preceding the Company's initial public offering such that the time period over which historical volatility data used was at least equal to the expected term of the option award.
- *Risk-free interest rate*—The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the time of grant and with a maturity that approximated the Company's expected term.
- *Dividend yield*—The dividend yield was based on the Company's dividend history and the anticipated dividend payout over its expected term.

The following table presents the weighted-average assumptions used to estimate the fair values of the stock options granted in the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------|------------------------------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| Expected term (in years) | 4.6 | 4.4 | 4.5 | 4.4 |
| Expected volatility | 68.3% | 67.2% | 67.3% | 68.7% |
| Annual risk-free rate of return | 1.5% | 1.2% | 1.4% | 1.0% |
| Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% |
| Weighted average grant date fair value | \$ 6.98 | \$ 4.07 | \$ 5.43 | \$ 3.84 |

The fair value of restricted stock units granted was determined based on the price of the Company's common stock on the date of grant.

As of September 30, 2014, there was approximately \$20.7 million of total unrecognized compensation cost related to unvested equity awards expected to be recognized over a weighted-average period of 2.8 years.

8. INCOME TAXES

No provision for U.S. federal or state income taxes has been made due to cumulative losses since the commencement of operations. The Company had a provision for income taxes of \$127,000 and \$141,000 for the three months ended September 30, 2014 and 2013, respectively, and \$351,000 and \$447,000 for the nine months ended September 30, 2014 and 2013, respectively. The provision relates to the Company's subsidiaries located outside of the United States.

9. CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS

Revenue Concentration

Two customers represented approximately 20% and 18% of total net revenues for the three months ended September 30, 2014, and 25% and 16% of total net revenues for the nine months ended September 30, 2014. The same two customers represented approximately 16% and 16% of total net revenues for the three months ended September 30, 2013, and 15% and 13% of total net revenues for the nine months ended September 30, 2013.

Concentration of Credit Risk

At September 30, 2014, two customers accounted for 20% and 12% of net accounts receivable. At December 31, 2013, two customers accounted for 16% and 10% of net accounts receivable, respectively.

10. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted income (loss) per share is computed in a similar manner, but it also includes the effect of potential common shares outstanding during the period, when dilutive. Potential common shares include outstanding in-the-money stock options, restricted stock units, shares to be purchased under the Company's employee stock purchase plan and warrants to purchase common stock. To the extent these potential common shares are antidilutive, they are excluded from the calculation of diluted net income (loss) per share.

The following table presents the computation of basic and diluted net income (loss) per share for the periods presented (in thousands, except per share data):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| Numerator: | | | | |
| Net income (loss) | \$ 813 | \$ (6,301) | \$ (8,454) | \$ (23,103) |
| Denominator: | | | | |
| Weighted average shares outstanding for basic calculation | 43,128 | 41,777 | 42,664 | 41,517 |
| Effect of dilutive securities | | | | |
| Employee stock-based awards | 5,591 | — | — | — |
| Warrants | 67 | — | — | — |
| Weighted average shares used in diluted calculation | 48,786 | 41,777 | 42,664 | 41,517 |
| Net income (loss) per share, basic | \$ 0.02 | \$ (0.15) | \$ (0.20) | \$ (0.56) |
| Net income (loss) per share, diluted | \$ 0.02 | \$ (0.15) | \$ (0.20) | \$ (0.56) |

For the three months ended September 30, 2014, the Company excluded 0.6 million of potential common shares outstanding from the calculation of diluted net income per share because their effect would have been antidilutive. In periods of net loss, all potential common shares were excluded from the diluted calculation because their effect would have been antidilutive. The following table summarizes the potential common shares excluded from the diluted calculation (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------------------|-------------------------------------|-------|------------------------------------|-------|
| | 2014 | 2013 | 2014 | 2013 |
| Stock options | 557 | 8,493 | 8,474 | 8,095 |
| Restricted stock units | 3 | 482 | 1,229 | 363 |
| Warrants to purchase common stock | — | 293 | 223 | 312 |
| Total | 560 | 9,268 | 9,926 | 8,770 |

11. RELATED PARTY TRANSACTIONS

Prior to August 19, 2014, KPCB Holdings, Inc. ("KPCB"), as nominee for certain funds of Kleiner Perkins Caufield & Byers was a related party which has a significant ownership interest in the Company. Entities that are majority-owned by KPCB are customers of the Company. On August 19, 2014, the Company completed a secondary offering of its common shares pursuant to which KPCB's ownership in the Company's common stock dropped to below 10% and, as a result, was no longer deemed to be a related party. Sales of microinverters to entities that are majority-owned by KPCB were \$0.6 million and \$2.7 million in the three and nine months ended September 30, 2013, respectively. There were no sales to these entities for the three and nine months ended September 30, 2014.

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

Forward-Looking Statements

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and the other financial information appearing elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements reflecting our current expectations and involves risks and uncertainties. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "intend," "potential" or "continue" or the negative of these terms or other comparable terminology. For example, statements regarding our expectations as to future financial performance, expense levels and liquidity sources are forward-looking statements. Our actual results and the timing of events may differ materially from those discussed in our forward-looking statements as a result of various factors, including those discussed below and those discussed in the section entitled "Risk Factors" included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2013.

Overview

We deliver microinverter technology for the solar industry that increases energy production, simplifies design and installation, improves system uptime and reliability, reduces fire safety risk and provides a platform for intelligent energy management. We were founded in March 2006 and have grown rapidly to become the market leader in the microinverter category. Since our first commercial shipment in mid-2008, we have sold over 6.4 million microinverters as of September 30, 2014. We currently offer microinverter systems targeting the residential and commercial markets in the United States, Canada, the United Kingdom, France, the Benelux region, certain other European markets, Australia and New Zealand.

We sell our microinverter systems primarily to distributors who resell them to solar installers. We also sell directly to large installers, original equipment manufacturers ("OEMs"), developers of third party solar financing offerings and strategic partners.

Components of Condensed Consolidated Statements of Operations

Net Revenues

We generate revenues from sales of our microinverter systems, which include microinverter units and related accessories, an Envoy communications gateway device, and our Enlighten web-based monitoring service.

Our revenue is affected by changes in the volume and average selling prices of our microinverter systems, driven by supply and demand, sales incentives, and competitive product offerings. Our revenue growth is dependent on our ability to market our products in a manner that increases awareness for microinverter technology, the continual development and introduction of new products to meet the changing technology and performance requirements of our customers, and the expansion of our customer base.

Cost of Revenues and Gross Profit

Cost of revenues is comprised primarily of product costs, warranty, purchasing and production planning personnel and related expenses, logistics costs, depreciation on manufacturing test equipment and hosting services costs. Our product costs are impacted by technological innovations, such as advances in semiconductor integration and new product introductions, economies of scale resulting in lower component costs, and improvements in production processes and automation. Certain costs, primarily personnel and depreciation on manufacturing test equipment, are not directly affected by sales volume.

We outsource our manufacturing to third-party contract manufacturers and generally negotiate product pricing with them on a quarterly basis. In addition, a contract manufacturer also serves as our logistics provider by warehousing and delivering our products. We believe our contract manufacturing partners have sufficient production capacity to meet the growing demand for our products for the foreseeable future. However, shortages in the supply of certain key raw materials could adversely affect our ability to meet customer demand for our products.

Gross profit may vary from quarter to quarter and is primarily affected by our average selling prices, product cost, product mix, warranty costs, changes in estimates to pre-existing warranties and sales volume fluctuations resulting from seasonality.

Operating Expenses

Operating expenses consist of research and development, sales and marketing and general and administrative expenses. Personnel-related costs are the most significant component of each of these expense categories and include salaries and related payroll taxes and benefits, recruiting costs, sales commissions and stock-based compensation.

Research and development expense includes personnel-related expenses such as salaries, incentive cash and stock-based compensation and employee benefits. Research and development employees are engaged in the design and development of power electronics, semiconductors, powerline communications and networking and software functionality. Research and development expense also includes third-party design and development costs, testing and evaluation costs, depreciation on research and development related equipment and other indirect costs.

Sales and marketing expense consists primarily of personnel-related expenses such as salaries, commissions, incentive cash and stock-based compensation, employee benefits and travel. It also includes trade shows, marketing, customer support and other indirect costs.

General and administrative expense consists primarily of salaries, incentive cash and stock-based compensation and employee benefits for personnel related to our executive, finance, human resources, information technology and legal organizations. General and administrative expense also includes facilities costs and fees for professional services. Professional services consist primarily of outside legal, accounting and information technology consulting costs.

Other Income (Expense), Net

Other income (expense), net includes interest income on invested cash balances and interest expense on amounts outstanding under our credit facilities and non-cash interest expense related to the amortization of debt discounts and deferred financing costs. Other income (expense), net also includes gains or losses on the settlement and remeasurement of intercompany balances, intercompany transactions denominated in a currency other than the functional currency of the entity involved and recognized gains or losses related to foreign currency forward contracts.

Provision for Income Taxes

We are subject to income taxes in the countries where we sell our products. Historically, we have primarily been subject to taxation in the United States because we have sold the vast majority of our products to customers in the United States. As we have expanded the sale of products to customers outside the United States, we have become subject to taxation based on the foreign statutory rates in the countries where these sales took place. As sales in foreign jurisdictions increase in the future, our effective tax rate may fluctuate accordingly. We have not recorded any U.S. federal or state income tax provision for any of the periods presented because we have incurred annual operating losses since inception. The provision for income taxes related to our foreign operations was not material for all periods presented. Due to the history of losses we have generated since inception, we have recorded a full valuation allowance on our net deferred tax assets.

Results of Operations for the Three and Nine Months Ended September 30, 2014 and 2013

Net Revenues

| | Three Months Ended September 30, | | Change in | | Nine Months Ended September 30, | | Change in | |
|--------------|-------------------------------------|-----------|-----------|-----|------------------------------------|------------|-----------|-----|
| | 2014 | 2013 | \$ | % | 2014 | 2013 | \$ | % |
| | (dollars in thousands) | | | | (dollars in thousands) | | | |
| Net revenues | \$ 99,113 | \$ 62,046 | \$ 37,067 | 60% | \$ 238,697 | \$ 165,790 | \$ 72,907 | 44% |

Three Months Ended September 30, 2014 and 2013

Net revenues increased by 60% for the three months ended September 30, 2014, as compared to the same period in 2013, due to higher volume of microinverter systems sold. We sold 760,000 microinverter units in the three months ended September 30, 2014, compared to 426,000 units in the same period in 2013. The growth in net revenues was primarily driven by increased demand in the U.S., U.K. and Australian solar markets. The favorable impact of the higher volume was partially offset by a decline in the average selling price of our products.

Nine Months Ended September 30, 2014 and 2013

Net revenues increased by 44% for the nine months ended September 30, 2014, as compared to the same period in 2013, due to higher volume of microinverter systems sold. We sold 1,781,000 microinverter units in the nine months ended September 30, 2014, compared to 1,140,000 units in the same period in 2013. The growth in net revenues was primarily driven by increased demand in the U.S., U.K. and Australian solar markets. The favorable impact of the higher volume was partially offset by a decline in the average selling price of our products.

Cost of Revenues and Gross Profit

| | Three Months Ended September 30, | | Change in | | Nine Months Ended September 30, | | Change in | |
|------------------|-------------------------------------|-----------|-----------|-----|------------------------------------|------------|-----------|-----|
| | 2014 | 2013 | \$ | % | 2014 | 2013 | \$ | % |
| | (dollars in thousands) | | | | (dollars in thousands) | | | |
| Cost of revenues | \$ 66,592 | \$ 44,611 | \$ 21,981 | 49% | \$ 160,689 | \$ 119,870 | \$ 40,819 | 34% |
| Gross profit | 32,521 | 17,435 | 15,086 | 87% | 78,008 | 45,920 | 32,088 | 70% |
| Gross margin | 32.8% | 28.1% | | | 32.7% | 27.7% | | |

Three Months Ended September 30, 2014 and 2013

Cost of revenues for the three months ended September 30, 2014 increased by 49%, or \$22.0 million, as compared to the same period in 2013. Gross margin increased by 4.7 percentage points to 32.8% for the three months ended September 30, 2014, as compared to 28.1% for the same period in 2013. The increase was primarily attributable to a lower per-microinverter unit cost achieved through product cost reductions, higher production efficiencies, a larger sales mix of our fourth generation microinverter and lower warranty expense. Gross margin for the three months ended September 30, 2014 benefited from the favorable impact from measuring our warranty obligations related to microinverters sold since January 1, 2014 at fair value, which improved gross margin by 1.5 percentage points. Costs of revenues for the three months ended September 30, 2014 and 2013 included net changes in estimates to previously recorded warranty obligations of \$1.1 million and \$3.8 million, respectively, which reduced gross margin by 1.2 percentage points and 6.2 percentage points, respectively. See Note 3 to the Condensed Consolidated Financial Statements.

Nine Months Ended September 30, 2014 and 2013

Cost of revenues for the nine months ended September 30, 2014 increased by 34%, or \$40.8 million, as compared to the same period in 2013. Gross margin increased by 5.0 percentage points to 32.7% for the nine months ended September 30, 2014, as compared to 27.7% for the same period in 2013. The increase was primarily attributable to a lower per microinverter-unit cost achieved through product cost reductions, higher production efficiencies, a larger sales mix of our fourth generation microinverter and lower warranty expense. Gross margin for the nine months ended September 30, 2014 benefited from the favorable impact from measuring our warranty obligations related to microinverters sold since January 1, 2014 at fair value, which improved gross margin by 1.4 percentage points. Costs of revenues for the nine months ended September 30, 2014 and 2013 included net changes in estimates to previously recorded warranty obligations of \$5.5 million and \$8.5 million, respectively, which reduced gross margin by 2.3 percentage points and 5.1 percentage points, respectively. See Note 3 to the Condensed Consolidated Financial Statements.

Research and Development

| | Three Months Ended September 30, | | Change in | | Nine Months Ended September 30, | | Change in | |
|----------------------------|-------------------------------------|----------|-----------|-----|------------------------------------|-----------|-----------|-----|
| | 2014 | 2013 | \$ | % | 2014 | 2013 | \$ | % |
| | (dollars in thousands) | | | | (dollars in thousands) | | | |
| Research and development | \$ 12,112 | \$ 8,293 | \$ 3,819 | 46% | \$ 32,346 | \$ 25,803 | \$ 6,543 | 25% |
| Percentage of net revenues | 12% | 13% | | | 14% | 16% | | |

Three Months Ended September 30, 2014 and 2013

Research and development expenses for the three months ended September 30, 2014 increased by 46%, or \$3.8 million, as compared to the same period in 2013. The increase was primarily attributable to a \$2.5 million increase in compensation-related costs resulting from growth in headcount, as well as incentive cash and stock-based compensation. The remaining \$1.3 million increase was primarily attributable to third-party development costs and increased prototype material expense. The

amount of research and development expenses may fluctuate from period to period due to the differing levels and stages of development activity.

Nine Months Ended September 30, 2014 and 2013

Research and development expenses for the nine months ended September 30, 2014 increased by 25%, or \$6.5 million as compared to the same period in 2013. The increase was primarily attributable to a \$4.6 million increase in compensation-related costs resulting from growth in headcount, as well as incentive cash and stock-based compensation. The remaining \$1.9 million increase was primarily attributable to third-party development costs and increased prototype material expense. The amount of research and development expenses may fluctuate from period to period due to the differing levels and stages of development activity.

We intend to continue to commit significant resources to our research and development efforts because we believe they are essential to maintaining our competitive position. As a result, we anticipate that our research and development expenses will increase on a year-over-year basis for the remainder of 2014.

Sales and Marketing

| | Three Months Ended September 30, | | Change in | | Nine Months Ended September 30, | | Change in | |
|----------------------------|-------------------------------------|----------|-----------|-----|------------------------------------|-----------|-----------|-----|
| | 2014 | 2013 | \$ | % | 2014 | 2013 | \$ | % |
| | (dollars in thousands) | | | | (dollars in thousands) | | | |
| Sales and marketing | \$ 9,884 | \$ 8,550 | \$ 1,334 | 16% | \$ 29,205 | \$ 22,765 | \$ 6,440 | 28% |
| Percentage of net revenues | 10% | 14% | | | 12% | 14% | | |

Three Months Ended September 30, 2014 and 2013

Sales and marketing expenses for the three months ended September 30, 2014 increased by 16%, or \$1.3 million, as compared to the same period in 2013. The increase was primarily attributable to a \$2.0 million increase in compensation-related costs resulting from growth in headcount, as well as incentive cash and stock-based compensation, partially offset by a \$0.7 million recovery of bad debt. The increase in headcount was the result of our effort to expand our domestic and international operations including the United Kingdom and Australia.

Nine Months Ended September 30, 2014 and 2013

Sales and marketing expenses for the nine months ended September 30, 2014 increased by 28%, or \$6.4 million, as compared to the same period in 2013. The increase was primarily attributable to a \$6.4 million increase in compensation-related costs resulting from growth in headcount, as well as incentive cash and stock-based compensation. The increase in headcount was the result of our effort to expand our domestic and international operations including the United Kingdom and Australia.

In order to increase the market penetration of our products and grow our business, we intend to continue to commit significant resources to our sales and marketing efforts. As a result, we anticipate that sales and marketing expenses will increase on a year-over-year basis for the remainder of 2014.

General and Administrative

| | Three Months Ended September 30, | | Change in | | Nine Months Ended September 30, | | Change in | |
|----------------------------|-------------------------------------|----------|-----------|-----|------------------------------------|-----------|-----------|-----|
| | 2014 | 2013 | \$ | % | 2014 | 2013 | \$ | % |
| | (dollars in thousands) | | | | (dollars in thousands) | | | |
| General and administrative | \$ 8,632 | \$ 5,937 | \$ 2,695 | 45% | \$ 22,837 | \$ 17,899 | \$ 4,938 | 28% |
| Percentage of net revenues | 9% | 10% | | | 10% | 11% | | |

Three Months Ended September 30, 2014 and 2013

General and administrative expenses for the three months ended September 30, 2014 increased by 45%, or \$2.7 million, as compared to the same period in 2013. The increase was primarily attributable to a \$1.5 million increase in compensation-related costs due to annual salary adjustments, higher incentive cash and stock-based compensation and additions to headcount.

Also contributing to the increase were \$0.6 million of general legal and other professional services costs, \$0.4 million of secondary offering expenses and \$0.2 million from higher equipment and depreciation expenses.

Nine Months Ended September 30, 2014 and 2013

General and administrative expenses for the nine months ended September 30, 2014 increased by 28%, or \$4.9 million, as compared to the same period in 2013. The increase was primarily attributable to a \$3.2 million increase in compensation-related costs due to annual salary adjustments, higher incentive cash and stock-based compensation and additions to headcount. Also contributing to the increase were \$0.8 million of general legal and other professional services costs, \$0.4 million of secondary offering expenses. The remaining increase was primarily due to higher equipment and depreciation expenses as well as corporate-level expenses.

We anticipate that general and administrative expenses will increase on a year-over-year basis for the remainder of 2014 as we continue to build our infrastructure to support our anticipated growth.

Other Income (Expense), Net

| | Three Months Ended September 30, | | Change in | | Nine Months Ended September 30, | | Change in | |
|--------------------|-------------------------------------|----------|-----------|-----|------------------------------------|------------|-----------|-------|
| | 2014 | 2013 | \$ | % | 2014 | 2013 | \$ | % |
| | (dollars in thousands) | | | | (dollars in thousands) | | | |
| Other expense, net | \$ (953) | \$ (815) | \$ (138) | 17% | \$ (1,723) | \$ (2,109) | \$ 386 | (18)% |

Three Months Ended September 30, 2014 and 2013

Other expense, net, for the three months ended September 30, 2014 increased by \$0.1 million, as compared to the same period in 2013. The increase was primarily attributable to an increase in foreign currency transaction losses.

Nine Months Ended September 30, 2014 and 2013

Other expense, net, for the nine months ended September 30, 2014 decreased by \$0.4 million, as compared to the same period in 2013. The decrease was primarily attributable to a reduction in foreign currency transaction losses.

Liquidity and Capital Resources

Historically, we funded our operations with proceeds from sale of our equity securities and borrowings from term loans. Our primary uses of cash are operating costs, working capital needs, capital expenditures and debt service requirements. Our future capital requirements are affected by many factors, including our rate of revenue growth; the expansion of our sales and marketing activities; the timing and extent of spending to support product development efforts; and the timing of introductions of new products and enhancements to existing products.

As of September 30, 2014, we had \$44.5 million in cash and cash equivalents, which is held primarily in non-interest bearing checking accounts, and \$56.5 million in working capital. We believe our current cash and cash equivalents, together with borrowings available under our working capital facility, will be adequate to fund our debt obligations as well as our planned capital expenditures and operations over the next 12 months. If additional sources of liquidity are needed, we may consider new debt or equity offerings, but there is no assurance that such transactions could be consummated on acceptable terms or at all. Failure to raise sufficient capital when needed could have a material adverse effect on our business, results of operations and financial position.

The following table summarizes our cash flows for the periods indicated:

| | Nine Months Ended September 30, | |
|---|------------------------------------|------------|
| | 2014 | 2013 |
| | (In thousands) | |
| Net cash provided by (used in) operating activities | \$ 15,342 | \$ (8,451) |
| Net cash used in investing activities | (9,836) | (4,886) |
| Net cash provided by (used in) financing activities | 1,111 | (183) |

Operating Activities

For the nine months ended September 30, 2014, net cash provided by operating activities was \$15.3 million, primarily resulting from \$8.5 million of net loss adjusted by non-cash charges of \$14.3 million and a net cash inflow from changes in operating assets and liabilities of \$9.5 million. Non-cash charges primarily consisted of stock-based compensation of \$7.0 million, depreciation and amortization of \$6.0 million and a provision for doubtful accounts of \$0.7 million. Changes in operating assets and liabilities was positively impacted by a \$22.6 million increase in accounts payable, accrued and other liabilities, a \$3.7 million increase in deferred revenue related to sales of our Enlighten web-based monitoring service, a \$1.9 million increase in warranty obligations and a \$1.1 million decrease in inventory. Uses of cash include increases in operating assets consisting of a \$17.9 million increase in accounts receivable and a \$1.9 million increase to prepaid expenses and other assets. The increase in accounts payable was the result of higher business volume and the timing of vendor payments. The increase in accrued and other liabilities was attributable to increases in accruals for customer rebate programs as well as employee incentive compensation. The increase in accounts receivable and inventory was reflective of the overall growth in revenues. The increase in other assets includes replacement units on-hand for use in servicing our warranty obligations.

For the nine months ended September 30, 2013, net cash used in operating activities of \$8.5 million was primarily attributable to a net loss of \$23.1 million, offset by non-cash charges of 11.1 million and a net cash inflow from changes in operating assets and liabilities of \$3.5 million. Non-cash charges primarily consisted of depreciation and amortization of 5.1 million, stock-based compensation of \$5.0 million and a provision for doubtful accounts of \$0.7 million. Net change in operating assets and liabilities of \$3.5 million primarily consisted of a \$8.0 million increase in warranty obligations from changes in estimates, \$4.8 million increase in deferred revenue related to sales of our Enlighten web-based monitoring service and a \$3.8 million increase in accounts payable, accrued compensation and accrued liabilities. Uses of cash included a \$7.7 million increase in accounts receivable, a \$4.5 million increase in inventory and a \$1.0 million increase in prepaid expenses and other assets.

Investing Activities

For the nine months ended September 30, 2014, net cash used in investing activities was \$9.8 million, primarily as a result of purchases of test and assembly equipment as well as additions to internally developed software.

For the nine months ended September 30, 2013, net cash used in investing activities was \$4.9 million, primarily as a result of purchases of test and assembly equipment as well as additions to internally developed software.

Financing Activities

For the nine months ended September 30, 2014, net cash provided by financing activities of \$1.1 million and consisted of \$4.0 million in cash received from the exercise of stock options and the issuance of common stock under our employee stock purchase plan. These inflows of cash were offset by principal repayments of term loans of \$2.9 million.

For the nine months ended September 30, 2013, net cash used in financing activities was \$0.2 million and consisted of \$1.7 million in cash received from the exercise of stock options and the issuance of common stock under our employee stock purchase plan. These inflows of cash were offset by principal repayments of term loans of \$1.8 million.

Debt Agreements

During the nine months ended September 30, 2014, we were a party to three debt agreements: (i) a \$50.0 million revolving credit facility (the "Revolver") with Wells Fargo Bank, N.A., (ii) a facility with Hercules Technology Growth Capital, Inc. ("Hercules Facility") consisting of an initial draw in the amount of \$7.4 million under the facility and a commitment to provide an incremental line of credit of up to \$15.6 million through March 31, 2014, and (iii) a \$5.0 million equipment financing facility, also with Hercules. Each of these debt agreements is described in greater detail in the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013.

On February 14, 2014, we entered into an amendment to the Revolver which extended the maturity date from November 7, 2015 to November 7, 2016. In addition, the amendment lowered the minimum liquidity covenant in undrawn availability from \$8.0 million to \$5.0 million in cash while maintaining at least \$15.0 million of liquidity (defined as the sum of cash and the borrowing base) at all times. As of September 30, 2014, we have not drawn on the Revolver.

On March 31, 2014, the undrawn \$15.6 million incremental line of credit under the Hercules Facility expired in accordance with its terms as we elected not to renew the incremental line of credit. As of September 30, 2014, the outstanding principal balance under the Hercules Facility was \$5.9 million.

On June 1, 2014, the \$5.0 million equipment financing facility with Hercules expired in accordance with its terms and all remaining amounts outstanding were repaid in full.

Contractual Obligations

Other than as described under “Debt Agreements” above, our contractual obligations as of September 30, 2014 have not materially changed from the amounts set forth in our Annual Report on Form 10-K for the year ended December 31, 2013.

Off-Balance Sheet Arrangements

As of September 30, 2014, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Critical Accounting Policies and Significant Management Estimates

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U.S., or GAAP. In connection with the preparation of our condensed consolidated financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the amounts reported in the condensed consolidated financial statements and the accompanying notes. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We consider an accounting policy to be critical if it is important to our financial condition and results of operations, and if it entails significant judgment, subjectivity and complexity on the part of management in its application. Other than as described under “Fair Value Option for Warranty Obligations Related to Microinverters Sold Since January 1, 2014” below, there have been no material changes to the items that we disclosed as our critical accounting policies and estimates in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2013.

Fair Value Option for Warranty Obligations Related to Microinverters Sold Since January 1, 2014

Our warranty obligations related to microinverters sold since January 1, 2014 provide us the right, but not the requirement, to assign our warranty obligations to a third-party. Under Accounting Standards Codification (“ASC”) 825—*Financial Instruments*, (“fair value option”), an entity may choose to elect the fair value option for such warranties at the time it first recognizes the eligible item. We made an irrevocable election to account for all eligible warranty obligations associated with microinverters sold since January 1, 2014 at fair value. This election was made to reflect the underlying economics of the time value of money for an obligation that will be settled over an extended period of up to 25 years. See Note 4—Fair Value Measurements.

We estimate the fair value of warranty obligations by calculating the warranty obligations in the same manner as for sales prior to January 1, 2014 and applying an expected present value technique to that result. The expected present value technique, an income approach, converts future amounts into a single current discounted amount. In addition to the key estimates of failure rates, claim rates and replacement costs, we used certain inputs that are unobservable and significant to the overall fair value measurement. Such additional assumptions included a discount rate based on our credit-adjusted risk-free rate and compensation comprised of a profit element and risk premium required of a market participant to assume the obligation. Warranty obligations initially recorded at fair value at the time of sale will be subsequently re-measured to fair value at each reporting date. In addition, the fair value of the liability will be accreted over the corresponding term of the warranty of up to 25 years using the interest method. Any changes in fair value of the liability from period-to-period, including accretion expense, will be recognized in cost of revenues. As of September 30, 2014, warranty obligations associated with sales prior to December 31, 2013 were \$29.2 million and warranty obligations associated with sales subsequent to December 31, 2013 were \$3.1 million, of which \$3.0 million were eligible for fair value accounting. The portion of warranty obligations arising from sales subsequent to December 31, 2013 that was not eligible for fair value accounting relates to sales of non-microinverter products. Periodic adjustments necessitated by actual experience of claims and any future changes in estimates to amounts not eligible for fair value accounting will continue to be accounted for on an undiscounted basis.

Recent Accounting Pronouncements Not Yet Effective

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 (Topic 606), *Revenue from Contracts with Customers*, which will replace most existing revenue recognition guidance under U.S. GAAP. The updated standard’s core principle is that revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The standard generally requires an entity to identify performance obligations in its contracts, estimate the amount of variable consideration to be received in the transaction price, allocate the transaction price to each separate performance obligation, and recognize revenue as obligations are satisfied. In addition, the updated standard requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted. Accordingly, the ASU will be effective for us beginning in the first quarter of 2017. We are currently evaluating the impact of the adoption on our Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risk

We operate and conduct business in foreign countries where our foreign entities use the local currency as their respective functional currency and, as a result, are exposed to movements in foreign currency exchange rates. More specifically, we face foreign currency exposure from the effect of fluctuating exchange rates on payables and receivables denominated in Euro, British Pounds Sterling, New Zealand Dollars and Australian Dollars. These payables and receivables primarily arise from both sales and purchases denominated in foreign currencies, as well as intercompany transactions. We also face currency exposure that arises from translating the results of our European, New Zealand and Australian operations, including sales and marketing and research and development expenses, to the U.S. dollar at exchange rates that have fluctuated from the beginning of a reporting period.

From time to time, we utilize foreign currency forward contracts to reduce the impact of foreign currency fluctuations. The contracts we enter into typically have maturities of less than one year. We do not enter into derivative financial instruments for trading or speculative purposes. The foreign currency forward contracts are accounted for as derivatives whereby the fair value of the contracts is reported as other current assets or current liabilities in the accompanying condensed consolidated balance sheets, and gains and losses resulting from changes in the fair value are reported in other income (expense), net, in the accompanying condensed consolidated statements of operations.

As of September 30, 2014, the aggregate gross notional amounts of outstanding foreign currency forward contracts, all with maturities of less than one year, were \$3.0 million. As of December 31, 2013, the aggregate gross notional amounts of outstanding foreign currency forward contracts were \$12.5 million, all of which matured on January 15, 2014.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2014. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, includes, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of September 30, 2014, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our operations. We are not currently involved in any material legal proceedings. We may, however, be involved in material legal proceedings in the future. Such matters are subject to uncertainty and there can be no assurance that such legal proceedings will not have a material adverse effect on our business, results of operations, financial position or cash flows.

Item 1A. Risk Factors

We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition or results of operations. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently believe are not material may also significantly impair our business operations. Our business could be harmed by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes.

We have marked with an asterisk () those risks described below that reflect substantive changes from, or additions to, the risks described in our Annual Report on Form 10-K for the year ended December 31, 2013.*

****We have a history of losses which may continue in the future, and we cannot be certain that we will achieve or sustain profitability.***

We have incurred significant losses since we began doing business and we may continue to incur additional losses in the future. Our net loss was \$8.5 million for the nine months ended September 30, 2014. As of September 30, 2014, we had an accumulated deficit of \$161.4 million. Our revenue growth may slow or revenue may decline for a number of possible reasons, many of which are outside our control, including a decline in demand for our offerings, increased competition, a decrease in the growth of the solar industry or our market share, or our failure to continue to capitalize on growth opportunities. If we fail to generate sufficient revenue to support our operations, we may not be able to achieve or sustain profitability.

Our limited operating history makes it difficult to evaluate our current business and future prospects.

We have been in existence since 2006 and did not begin shipping our products in commercial quantities until mid-2008. Much of our growth has occurred in recent periods. Our limited operating history makes it difficult to evaluate our current business and future prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including increased expenses as we continue to grow our business. If we do not manage these risks and overcome these difficulties successfully, our business will suffer.

Since we began commercial shipments of our products, our revenue, gross profit and results of operations have varied and are likely to continue to vary from quarter to quarter due to a number of factors, many of which are not within our control. It is difficult for us to accurately forecast our future revenue and gross profit and plan expenses accordingly and, therefore, it is difficult for us to predict our future results of operations.

Further, our efforts to achieve broader market acceptance for our microinverter systems and to expand beyond our existing markets may never succeed, which would adversely impact our ability to generate additional revenue or become profitable.

If demand for solar energy solutions does not continue to grow or grows at a slower rate than we anticipate, our business will suffer.

Our microinverter systems are utilized in solar photovoltaic, or PV, installations, which provide on-site distributed power generation. As a result, our future success depends on continued demand for solar energy solutions and the ability of solar equipment vendors to meet this demand. The solar industry is an evolving industry that has experienced substantial changes in recent years, and we cannot be certain that consumers and businesses will adopt solar PV systems as an alternative energy source at levels sufficient to continue to grow our business. Traditional electricity distribution is based on the regulated industry model whereby businesses and consumers obtain their electricity from a government regulated utility. For alternative methods of distributed power to succeed, businesses and consumers must adopt new purchasing practices. The viability and continued growth in demand for solar energy solutions, and in turn, our products, may be impacted by many factors outside of our control, including:

- market acceptance of solar PV systems based on our product platform;
- cost competitiveness, reliability and performance of solar PV systems compared to conventional and non-solar renewable energy sources and products;
- availability and amount of government subsidies and incentives to support the development and deployment of solar energy solutions;
- the extent to which the electric power industry and broader energy industries are deregulated to permit broader adoption of solar electricity generation;
- the cost and availability of key raw materials and components used in the production of solar PV systems;
- prices of traditional carbon-based energy sources;
- levels of investment by end-users of solar energy products, which tend to decrease when economic growth slows; and
- the emergence, continuance or success of, or increased government support for, other alternative energy generation technologies and products.

If demand for solar energy solutions fails to develop sufficiently, demand for our customers' products as well as demand for our products will decrease, which would have an adverse impact on our ability to increase our revenue and grow our business.

Short-term demand and supply imbalances, especially for solar module technology, have recently caused prices for solar technology solutions to decline rapidly. Furthermore, competition in the solar industry has increased due to the emergence of Asian manufacturers along the entire solar value chain causing further price declines, excess inventory and oversupply. These market disruptions may continue to occur and may increase pressure to reduce prices, which could adversely affect our business and financial results.

The reduction, elimination or expiration of government subsidies and economic incentives for on-grid solar electricity applications could reduce demand for solar PV systems and harm our business.

The market for on-grid applications, where solar power is used to supplement a customer's electricity purchased from the utility network or sold to a utility under tariff, depends in large part on the availability and size of government and economic incentives that vary by geographic market. Because our customers' sales are typically into the on-grid market, the reduction, elimination or expiration of government subsidies and economic incentives for on-grid solar electricity may negatively affect the competitiveness of solar electricity relative to conventional and non-solar renewable sources of electricity, and could harm or halt the growth of the solar electricity industry and our business.

In general, the cost of solar power currently exceeds retail electricity rates, and we believe this tendency will continue in the near term. As a result, national, state and local government bodies in many countries, most notably Australia, Canada, France, Belgium, Germany, Italy, Japan, the People's Republic of China, the United Kingdom, Spain and the United States, have provided incentives in the form of feed-in tariffs, or FiTs, rebates, tax credits and other incentives to system owners, distributors, system integrators and manufacturers of solar PV systems to promote the use of solar electricity in on-grid applications and to reduce dependency on other forms of energy. Many of these government incentives expire, phase out over time, terminate upon the exhaustion of the allocated funding, require renewal by the applicable authority or are being changed by governments due to changing market circumstances or changes to national, state or local energy policy.

Electric utility companies or generators of electricity from other non-solar renewable sources of electricity may successfully lobby for changes in the relevant legislation in their markets that are harmful to the solar industry. Reductions in, or eliminations or expirations of, governmental incentives in regions that we focus our sales efforts could result in decreased demand for and lower revenue from solar PV systems there, which would adversely affect sales of our products. In addition, our ability to successfully penetrate new geographic markets may depend on new countries adopting and maintaining incentives to promote solar electricity, to the extent such incentives are not currently in place. Additionally, electric utility companies may establish pricing structures or interconnection requirements that could adversely affect our sales and be harmful to the solar and distributed rooftop solar generation industry.

Our focus on a limited number of specific markets increases risks associated with the elimination or expiration of governmental subsidies and economic incentives for on-grid solar electricity applications.

To date, we have generated substantially all of our revenues from North America and expect to continue to generate a substantial amount of our revenues from North America in the future. There are a number of important incentives that are

expected to phase-out or terminate in the future, which could adversely affect sales of our products. A substantial majority of our revenues come from the United States, which has both federal and state incentives. The Renewable Energy and Job Creation Act of 2008 provides a 30% federal tax credit for residential and commercial solar installations, which expires on December 31, 2016. The American Recovery and Reinvestment Act of 2009, as amended, created a renewable energy grant program that offered cash payments in lieu of investment tax credits to renewable energy project developers for eligible property placed in service prior to December 31, 2011 or placed in service by the specified credit termination date if construction began prior to December 31, 2011. We believe the tax credit and grant programs have had a positive effect on our sales since inception. However, unless the tax credit program is further extended, the eventual phase-out of this program could adversely affect sales of our products in the future.

California is the largest single solar market in the United States, based on analysis from SEIA data and GTM Research, and a significant portion of our revenues are generated in California. In 2007, the State of California launched its 10-year, \$3 billion “Go Solar California” campaign, which encourages the installation of an aggregate of 3,000 MW of solar energy systems in homes and businesses by the end of 2016. The largest part of the campaign, the “California Solar Initiative,” provides rebates and performance-based incentives which decrease in intervals as installation thresholds are met. The “Go Solar California” program is scheduled to expire on December 31, 2016, but the pace of installations has been high and the program is likely to conclude sooner. Both Pacific Gas and Electric and San Diego Gas and Electric have surpassed all installation thresholds in the residential sector and are no longer accepting applications. Pacific Gas and Electric is placing all new applications for the commercial sector on a waiting list, and these applications may not be able to receive incentives. Programs for other utilities and market segments continue but could conclude prior to December 31, 2016 if installations continue at their current pace.

We also sell our products in Ontario, Canada. The Ontario Power Authority Green Energy and Green Economy Act of 2009 created two separate FiT programs for projects greater than 10kW and for projects less than 10kW. These FiT programs provide participants with a fixed price for electricity produced over a 20-year contract term. Both programs were temporarily suspended for further review. The program for projects less than 10kW was re-opened to new applications in July 2012 with a procurement target of 50 MW. The program for projects between 10kW and 500kW was re-opened for new applications between December 14, 2012 and January 18, 2013 with a procurement target of 200 MW. The Government of Ontario has announced plans for annual procurement targets of 50MW of projects under 10kW and 150MW of projects between 10kW and 500kW through 2017. However, all procurement occurs at the direction of the Government of Ontario, and these plans could change or market conditions could result in procurement targets not being met. Furthermore, the Government of Ontario has the authority to change the FiTs for future contracts at its discretion and has the authority to modify, suspend, or discontinue the program at any time. Suspension of the FiT program in Ontario directly impacted and could continue to impact our business. Furthermore, any future suspension or modification of the program could negatively affect our business, financial condition and results of operations.

In the fourth quarter of 2011, we began selling our products in France, Italy and the Benelux region. During the second quarter of 2012, we opened a sales office in the United Kingdom and began selling our products there at the beginning of the third quarter. A number of European countries, including Germany, Belgium and the United Kingdom, have adopted reductions to their FiTs, Spain announced a suspension of its FiT for new renewable energy projects in January 2012 and Italy concluded its FiT program in July 2013. Certain countries, notably Greece and Spain, have proposed or enacted taxes levied on renewable energy. These and related developments have significantly impacted the solar industry in Europe and may adversely affect the future demand for the solar energy solutions in Europe. The reductions in European tariffs and subsidies and other requirements or incentives, including local content requirements or incentives, have negatively affected and may continue to negatively affect our business, financial condition and results of operations as we seek to increase our sales in Europe.

In the first quarter of 2013, we began selling our products in Australia. In 2012, Australia enacted a national price on carbon emissions intended to increase the cost of traditional energy sources, thereby making renewable energy sources more attractive. Beginning in 2012, several states in Australia began to gradually reduce their FiTs. As of October 2013, all FiT programs in Australia expired. Australia recently elected a new national government. The new leadership has pledged to revise national energy policy, including potentially reducing Australia's renewable energy target and revising certain renewable energy financing mechanisms. In July 2014, the new leadership successfully repealed the tax on carbon emissions. The reductions in incentives and uncertainty around future energy policy may negatively affect our business financial condition, and results of operations as we seek to increase our business in Australia. Additionally, as we further expand to other countries, changes in incentive programs or electricity policies could negatively affect returns on our investments in those countries as well as our business, financial condition, and results of operations.

The threat of continuing global economic, capital markets and credit disruptions, including sovereign debt issues, pose risks for our business.

The threat of continuing global economic, capital markets and credit disruptions, including the sovereign debt issues in Europe, pose risks for our business. These risks include slower economic activity and investment in projects that make use of our products and services. These economic developments, particularly decreased credit availability, have reduced demand for solar products. The European sovereign debt crisis has caused and may continue to cause European governments to reduce, eliminate or allow to expire government subsidies and economic incentives for solar energy, which could limit our growth or cause our net sales to decline and materially and adversely affect our business, financial condition, and results of operations. These conditions, including reduced incentives, continued decreases in credit availability, as well as continued economic instability, have and may continue to adversely impact our business, financial condition and results of operations as we seek to increase our sales in Europe.

Our microinverter systems may not achieve broader market acceptance, which would prevent us from increasing our revenue and market share.

If we fail to achieve broader market acceptance of our products, there would be an adverse impact on our ability to increase our revenue, gain market share and achieve and sustain profitability. Our ability to achieve broader market acceptance for our products will be impacted by a number of factors, including:

- our ability to timely introduce and complete new designs and timely qualify and certify our products;
- whether installers, system owners and solar financing providers will continue to adopt our microinverter systems, which is a relatively new technology with a limited history with respect to reliability and performance;
- whether installers, system owners and solar financing providers will be willing to purchase microinverter systems from us given our limited operating history;
- the ability of prospective system owners to obtain long-term financing for solar PV installations based on our product platform on acceptable terms or at all;
- our ability to produce microinverter systems that compete favorably against other solutions on the basis of price, quality, reliability and performance;
- our ability to develop products that comply with local standards and regulatory requirements, as well as potential in-country manufacturing requirements; and
- our ability to develop and maintain successful relationships with our customers and suppliers.

In addition, our ability to achieve increased market share will depend on our ability to increase sales to established solar installers, who have traditionally sold central inverters. These installers often have made substantial investments in design, installation resources and training in traditional central inverter systems, which may create challenges for us to achieve their adoption of our microinverter systems.

Our gross profit may fluctuate over time, which could impair our ability to achieve or maintain profitability.

Our gross profit has varied in the past and is likely to continue to vary significantly from period to period. Our gross profit may be adversely affected by numerous factors, some of which are beyond our control, including:

- changes in customer, geographic or product mix;
- increased price competition, including the impact of customer discounts and rebates;
- ability to reduce and control product costs;
- warranty costs and reserves, including changes resulting from changes in estimates related to the long-term performance of our products, product replacement costs and warranty claim rates;
- loss of cost savings due to changes in component or raw material pricing or charges incurred due to inventory holding periods if product demand is not correctly anticipated;
- introduction of new products;
- ordering patterns from our distributors;
- price reductions on older products to sell remaining inventory;
- our ability to reduce production costs, such as through technology innovations, in order to offset price declines in older products over time;
- changes in shipment volume;

- changes in distribution channels;
- excess and obsolete inventory and inventory holding charges; and
- expediting costs incurred to meet customer delivery requirements.

Fluctuations in gross profit may adversely affect our ability to manage our business or achieve or maintain profitability.

The inverter industry is highly competitive and we expect to face increased competition as new and existing competitors introduce microinverter products, which could negatively impact our results of operations and market share.

To date, we have competed primarily against central inverter manufacturers and until recently have faced little direct competition in selling our microinverter systems. Marketing and selling our microinverter systems against traditional inverter solutions is highly competitive. Currently, competitors in the inverter market range from large companies such as SMA Solar Technology AG, Fronius International GmbH and Power-One Inc. to emerging companies offering alternative microinverter or other solar electronics products. Several of our existing and potential competitors are significantly larger, have greater financial, marketing, distribution, customer support and other resources, are more established than we are, and have significantly better brand recognition. Some of our competitors have more resources to develop or acquire, and more experience in developing or acquiring, new products and technologies and in creating market awareness for these products and technologies. Further, certain competitors may be able to develop new products more quickly than we can and may be able to develop products that are more reliable or that provide more functionality than ours. In addition, some of our competitors have the financial resources to offer competitive products at aggressive or below-market pricing levels, which could cause us to lose sales or market share or require us to lower prices for our microinverter systems in order to compete effectively. Suppliers of solar products, particularly solar modules, have experienced eroding prices over the last several years and as a result many have faced margin compression and declining revenues. If we have to reduce our prices by more than we anticipated, or if we are unable to offset any future reductions in our average selling prices by increasing our sales volume, reducing our costs and expenses or introducing new products, our revenues and gross profit would suffer.

We expect competition to intensify as new and existing competitors enter the microinverter market and additional add-on components like DC-to-DC optimizers that can be used with central inverters gain traction. We believe that a number of companies have developed or are developing microinverters and other products that will compete directly with our microinverter systems. SMA Solar Technology AG and Power-One Inc. have recently introduced microinverter products. In addition, several new entrants to the microinverter market have recently announced plans to ship or have already shipped products, including some of our OEM customers and partners.

We also may face competition from some of our customers who evaluate our capabilities against the merits of manufacturing products internally. For instance, solar module manufacturers could attempt to develop components that directly perform DC to AC conversion in the module itself. Due to the fact that such customers may not seek to make a profit directly from the manufacture of these products, they may have the ability to manufacture competitive products at a lower cost than we would charge such customers. As a result, these customers may purchase fewer of our microinverter systems or sell products that compete with our microinverters systems, which would negatively impact our revenue and gross profit.

Problems with product quality or product performance may cause us to continue to incur additional warranty expenses and may damage our market reputation and cause our revenue and gross profit to decline.

We have offered 15-year limited warranties for our first and second generation microinverters and offer a limited warranty of up to 25 years on our third and fourth generation microinverters. Our limited warranties cover defects in materials and workmanship of our microinverters under normal use and service conditions for up to 25 years following installation. As a result, we bear the risk of warranty claims long after we have sold the product and recognized revenue. Our estimated costs of warranty for previously sold products may change to the extent future products are not compatible with earlier generation products under warranty.

While we offer warranties of up to 25 years, our microinverters have only been in use since mid-2008, when we first commenced commercial sales of our products. Although we conduct accelerated life cycle testing to measure performance and reliability, our microinverter systems have not been tested over the full warranty cycle and do not have a sufficient operating history to confirm how they will perform over their estimated useful life. In addition, under real-world operating conditions, which may vary by location and design, as well as insolation, soiling and weather conditions, a typical solar PV installation may perform in a different way than under standard test conditions. If our products perform below expectations or have unexpected reliability problems, we may be unable to gain or retain customers and could face substantial warranty expense.

We are required to make assumptions and apply judgments, based on our accelerated life cycle testing and the limited operating history of our products, regarding a number of factors, including the durability and reliability of our products, our

anticipated rate of warranty claims and the costs of replacement of defective products. Our assumptions have proven and could in the future prove to be materially different from the actual performance of our products, which has caused and may in the future cause us to incur substantial expense to repair or replace defective products. Increases in our estimates of future warranty obligations due to actual product failure rates, field service obligations and rework costs incurred in correcting product failures have caused and could in the future cause us to materially increase the amount of warranty obligations, and have had and may have in the future a corresponding negative impact on our results of operations.

We also depend significantly on our reputation for reliability and high-quality products and services, exceptional customer service and our brand name to attract new customers and grow our business. If our products and services do not perform as anticipated or we experience unexpected reliability problems or widespread product failures, our brand and reputation could be significantly impaired and we may lose, or be unable to gain or retain, customers.

Defects and poor performance in our products could result in loss of customers, decreased revenue and unexpected expenses, and we may face warranty, indemnity and product liability claims arising from defective products.

Our products must meet stringent quality requirements and may contain undetected errors or defects, especially when first introduced or when new generations are released. Errors, defects or poor performance can arise due to design flaws, defects in raw materials or components or manufacturing difficulties, which can affect both the quality and the yield of the product. These errors or defects may be dangerous, as defective power components may cause power overloads, potentially resulting in explosion or fire. As we develop new generations of our products and enter new markets, we face higher risk of undetected defects because our testing protocols may not be able to fully test the products under all possible operating conditions. In the past, we have experienced defects in our products due to certain errors in the manufacturing and design process. Any actual or perceived errors, defects or poor performance in our products could result in the replacement or recall of our products, shipment delays, rejection of our products, damage to our reputation, lost revenue, diversion of our engineering personnel from our product development efforts in order to address or remedy any defects and increases in customer service and support costs, all of which could have a material adverse effect on our business and operations.

Furthermore, defective, inefficient or poorly performing power components may give rise to warranty, indemnity or product liability claims against us that exceed any revenue or profit we receive from the affected products. We could incur significant costs and liabilities if we are sued and if damages are awarded against us. We currently maintain a moderate level of product liability insurance, and there can be no assurance that this insurance will provide sufficient coverage in the event of a claim. Also, we cannot predict whether we will be able to maintain this coverage on acceptable terms, if at all, or that a product liability claim would not harm our business or financial condition. Costs or payments we may make in connection with warranty and product liability claims or product recalls may adversely affect our financial condition and results of operations.

Our Enlighten web-based monitoring service, which our customers use to track and monitor the performance of their solar PV systems based on our product platform, may contain undetected errors, failures, or bugs, especially when new versions or enhancements are released. We have from time to time found defects in our service and new errors in our existing service may be detected in the future. Any errors, defects, disruptions in service or other performance problems with our monitoring service could harm our reputation and may damage our customers' businesses.

If we are unable to effectively manage our growth, our business and operating results may suffer.

We have recently experienced, and expect to continue to experience, significant growth in our sales and operations. Our historical growth has placed, and planned future growth is expected to continue to place, significant demands on our management, as well as our financial and operational resources, to:

- manage a larger organization;
- expand third-party manufacturing, testing and distribution capacity;
- build additional custom manufacturing test equipment;
- manage an increasing number of relationships with customers, suppliers and other third parties;
- increase our sales and marketing efforts;
- train and manage a growing employee base;
- broaden our customer support capabilities;
- implement new and upgrade existing operational and financial systems; and
- enhance our financial disclosure controls and procedures.

We cannot assure you that our current and planned operations, personnel, systems, internal procedures and controls will be adequate to support our future growth. If we cannot manage our growth effectively, we may be unable to take advantage of market opportunities, execute our business strategies or respond to competitive pressures, any of which could have a material adverse effect on our financial condition, results of operation, business or prospects.

Our recent and planned expansion into new markets could subject us to additional business, financial and competitive risks.

We currently offer microinverter systems targeting the residential and commercial markets in the United States, Canada, the United Kingdom, France, the Benelux region, certain other European markets and Australia. We also intend to expand into other international markets and to introduce new microinverter systems targeted at larger commercial and utility-scale installations. Our success in these new geographic and product markets will depend on a number of factors, such as:

- acceptance of microinverters in markets in which they have not traditionally been used;
- our ability to compete in new product markets to which we are not accustomed;
- our ability to manage an increasing manufacturing capacity and production;
- willingness of our potential customers to incur a higher upfront capital investment than may be required for competing solutions;
- our ability to develop solutions to address the requirements of the larger commercial and utility-scale markets;
- timely qualification and certification of new products for larger commercial and utility-scale installations;
- our ability to reduce production costs in order to price our products competitively over time;
- availability of government subsidies and economic incentives for solar energy solutions;
- accurate forecasting and effective management of inventory levels in line with anticipated product demand; and
- our customer service capabilities and responsiveness.

Further, new geographic markets and the larger commercial and utility-scale installation markets have different characteristics from the markets in which we currently sell products, and our success will depend on our ability to properly address these differences. These differences may include:

- differing regulatory requirements, including tax laws, trade laws, labor, safety, local content and consumer protection regulations, tariffs, export quotas, customs duties or other trade restrictions;
- limited or unfavorable intellectual property protection;
- risk of change in international political or economic conditions;
- restrictions on the repatriation of earnings;
- fluctuations in the value of foreign currencies and interest rates;
- difficulties and increased expenses in complying with a variety of U.S. and foreign laws, regulations and trade standards, including the Foreign Corrupt Practices Act;
- potentially longer sales cycles;
- higher volume requirements;
- increased customer concentrations;
- warranty expectations and product return policies; and
- cost, performance and compatibility requirements.

Failure to develop and introduce these new products successfully, to generate sufficient revenue from these products to offset associated research and development, marketing and manufacturing costs, or to otherwise effectively anticipate and manage the risks and challenges associated with our potential expansion into new product and geographic markets, could adversely affect our revenues and our ability to achieve or sustain profitability.

A drop in the retail price of electricity derived from the utility grid or from alternative energy sources, or a change in utility pricing structures, may harm our business, financial condition and results of operations.

We believe that a system owner's decision to purchase a solar PV system is strongly influenced by the cost of electricity generated by solar PV installations relative to the retail price of electricity from the utility grid and the cost of other renewable energy sources, including electricity from solar PV installations using central inverters. Decreases in the retail prices of electricity from the utility grid would make it more difficult for all solar PV systems to compete. In particular, growth in unconventional natural gas production and an increase in global liquefied natural gas capacity are expected to keep natural gas prices relatively low for the foreseeable future. Persistent low natural gas prices, lower prices of electricity produced from other energy sources, such as nuclear power, or improvements to the utility infrastructure could reduce the retail price of electricity from the utility grid, making the purchase of solar PV systems less economically attractive and lowering sales of our microinverter systems. In addition, energy conservation technologies and public initiatives to reduce demand for electricity also could cause a fall in the retail price of electricity from the utility grid. Moreover, technological developments by our competitors in the solar components industry, including manufacturers of central inverters, could allow these competitors or their partners to offer electricity at costs lower than those that can be achieved from solar PV installations based on our product platform, which could result in reduced demand for our products. Additionally, as increasing adoption of distributed generation places pressure on traditional utility business models or utility infrastructure, utilities may change their pricing structures to make installation or operation of solar distributed generation more costly. Such measures can include grid access fees, costly or lengthy interconnection studies, limitations on distributed generation penetration levels, or other measures. If the cost of electricity generated by solar PV installations incorporating our microinverter systems is high relative to the cost of electricity from other sources, our business, financial condition and results of operations may be harmed.

If we do not forecast demand for our products accurately, we may experience product shortages, delays in product shipment, excess product inventory, or difficulties in planning expenses, which will adversely affect our business and financial condition.

We manufacture our products according to our estimates of customer demand. This process requires us to make multiple forecasts and assumptions relating to the demand of our distributors, their end customers and general market conditions. Because we sell most of our products to distributors, who in turn sell to their end customers, we have limited visibility as to end-customer demand. We depend significantly on our distributors to provide us visibility into their end-customer demand, and we use these forecasts to make our own forecasts and planning decisions. If the information from our distributors turns out to be incorrect, then our own forecasts may also be inaccurate. Furthermore, we do not have long-term purchase commitments from our distributors or end customers, and our sales are generally made by purchase orders that may be canceled, changed or deferred without notice to us or penalty. As a result, it is difficult to forecast future customer demand to plan our operations.

If we overestimate demand for our products, or if purchase orders are canceled or shipments are delayed, we may have excess inventory that we cannot sell. We may have to make significant provisions for inventory write-downs based on events that are currently not known, and such provisions or any adjustments to such provisions could be material. Conversely, if we underestimate demand, we may not have sufficient inventory to meet end-customer demand, and we may lose market share, damage relationships with our distributors and end customers and forgo potential revenue opportunities. Obtaining additional supply in the face of product shortages may be costly or impossible, particularly in the short term and in light of our outsourced manufacturing processes, which could prevent us from fulfilling orders in a timely and cost efficient manner or at all. In addition, if we overestimate our production requirements, our contract manufacturers may purchase excess components and build excess inventory. If our contract manufacturers, at our request, purchase excess components that are unique to our products and are unable to recoup the costs of such excess through resale or return or build excess products, we could be required to pay for these excess parts or products and recognize related inventory write-downs.

In addition, we plan our operating expenses, including research and development expenses, hiring needs and inventory investments, in part on our estimates of customer demand and future revenue. If customer demand or revenue for a particular period is lower than we expect, we may not be able to proportionately reduce our fixed operating expenses for that period, which would harm our operating results for that period.

Ordering patterns from our distributors may cause our revenue to fluctuate significantly from period to period.

Our distributors place purchase orders with us based on their assessment of end-customer demand and their forecasts. Because these forecasts may not be accurate, channel inventory held at our distributors may fluctuate significantly due to the difference between their forecasts and actual demand. As a result, distributors adjust their purchase orders placed with us in response to changing channel inventory levels, as well as their assessment of the latest market demand trends. We have limited visibility into future end customer demand. A significant decrease in our distributors' channel inventory in one period may lead to a significant rebuilding of channel inventory in subsequent periods, or vice versa, which may cause our quarterly revenue

and operating results to fluctuate significantly. This fluctuation may cause our results to fall short of analyst or investor expectations in a certain period, which may cause our stock price to decline.

Changes in current laws or regulations or the imposition of new laws or regulations, or new interpretations thereof, by federal or state agencies or foreign governments could impair our ability to compete in international markets.

Changes in current laws or regulations applicable to us or the imposition of new laws and regulations in the United States or other jurisdictions in which we do business, such as Australia, Canada, France, Italy, the United Kingdom, the Benelux region and China, could materially and adversely affect our business, financial condition and results of operations. In addition, changes in our products or changes in export and import laws and implementing regulations may create delays in the introduction of new products in international markets, prevent our customers from deploying our products internationally or, in some cases, prevent the export or import of our products to certain countries altogether.

For example, the Italian energy authority (AEEG) enacted a new set of interconnection standards for solar energy installations that became effective in July 2012, which has negatively impacted our sales in Italy. We continue to explore potential solutions to meet these requirements. However, in the event that we cannot implement a solution in the near term the total market available for our microinverter products in Italy, and our business as a result, may continue to be adversely impacted.

In addition, several states, including California, have either implemented or are considering implementing new restrictions on incentives or rules regulating the installation of solar systems that we may not be able to currently comply with. In the event that we cannot comply with these or other new regulations or implement a solution to such noncompliance as they arise, the total market available for our microinverter products in such states, and our business as a result, may be adversely impacted.

While we are not aware of any other current or proposed export or import regulations that would materially restrict our ability to sell our products in countries where we offer our products for sale, any change in export or import regulations or related legislation, shift in approach to the enforcement or scope of existing regulations, or change in the countries, persons or technologies targeted by these regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations. In such event, our business and results of operations could be adversely affected.

We depend upon a small number of outside contract manufacturers. Our operations could be disrupted if we encounter problems with these contract manufacturers.

We do not have internal manufacturing capabilities, and rely upon a small number of contract manufacturers to build our products. In particular, we rely on contract manufacturers for the manufacture of microinverter products, cabling and our communications gateway related to our microinverter systems. Our reliance on a small number of contract manufacturers makes us vulnerable to possible capacity constraints and reduced control over component availability, delivery schedules, manufacturing yields and costs. We do not have long-term supply contracts with our other manufacturing partners. Consequently, these manufacturers are not obligated to supply products to us for any period, in any specified quantity or at any certain price.

The revenues that our contract manufacturers generate from our orders represent a relatively small percentage of their overall revenues. As a result, fulfilling our orders may not be considered a priority in the event of constrained ability to fulfill all of their customer obligations in a timely manner. In addition, the facilities in which our microinverters, related cabling and communications gateway products are manufactured are located outside of the United States. We believe that the location of these facilities outside of the United States increases supply risk, including the risk of supply interruptions or reductions in manufacturing quality or controls.

If any of our contract manufacturers were unable or unwilling to manufacture our products in required volumes and at high quality levels or renew existing terms under supply agreements, we would have to identify, qualify and select acceptable alternative contract manufacturers. An alternative contract manufacturer may not be available to us when needed or may not be in a position to satisfy our quality or production requirements on commercially reasonable terms, including price. Any significant interruption in manufacturing would require us to reduce our supply of products to our customers, which in turn would reduce our revenues, harm our relationships with our customers and damage our relationships with our distributors and end customers and cause us to forgo potential revenue opportunities.

Manufacturing problems could result in delays in product shipments to customers and could adversely affect our revenue, competitive position and reputation.

We may experience delays, disruptions or quality control problems in our manufacturing operations. Our product development, manufacturing and testing processes are complex and require significant technological and production process expertise. Such processes involve a number of precise steps from design to production. Any change in our processes could cause one or more production errors, requiring a temporary suspension or delay in our production line until the errors can be researched, identified and properly addressed and rectified. This may occur particularly as we introduce new products, modify our engineering and production techniques, and expand our capacity. In addition, our failure to maintain appropriate quality assurance processes could result in increased product failures, loss of customers, increased production costs and delays. Any of these developments could have a material adverse effect on our business, financial condition, and results of operations.

A disruption could also occur in our manufacturing partner's fabrication facility due to any number of reasons, such as equipment failure, contaminated materials or process deviations, which could adversely impact manufacturing yields or delay product shipments. As a result, we could incur additional costs that would adversely affect our gross profit, and product shipments to our customers could be delayed beyond the shipment schedules requested by our customers, which would negatively affect our revenue, competitive position and reputation.

Additionally, manufacturing yields depend on a number of factors, including the stability and manufacturability of the product design, manufacturing improvements gained over cumulative production volumes and the quality and consistency of component parts. Capacity constraints, raw materials shortages, logistics issues, labor shortages, changes in customer requirements, manufacturing facilities or processes, or those of some third-party contract manufacturers and suppliers of raw materials and components have historically caused, and may in the future cause, reduced manufacturing yields, negatively impacting the gross profit on, and our production capacity for, those products. Moreover, an increase in the rejection and rework rate of products during the quality control process before, during or after manufacture would result in our experiencing lower yields, gross profit and production capacity.

The risks of these types of manufacturing problems are further increased during the introduction of new product lines, which has from time to time caused, and may in the future cause, temporary suspension of production lines while problems are addressed or corrected. Since our business is substantially dependent on a limited number of product lines, any prolonged or substantial suspension of manufacturing production lines could result in a material adverse effect on our revenue, gross profit, competitive position, and distributor and customer relationships.

We depend on sole source and limited source suppliers for key components and products. If we are unable to source these components on a timely basis, we will not be able to deliver our products to our customers.

We depend on sole source and limited source suppliers for key components of our products. For example, our ASICs are purchased from a sole source supplier or developed for us by sole source suppliers. Any of the sole source and limited source suppliers upon whom we rely could experience quality and reliability issues, could stop producing our components, cease operations or be acquired by, or enter into exclusive arrangements with, our competitors. We generally do not have long-term supply agreements with our suppliers, and our purchase volumes are currently too low for us to be considered a priority customer by most of our suppliers. As a result, most of these suppliers could stop selling to us at commercially reasonable prices, or at all. Any such quality or reliability issue, or interruption or delay may force us to seek similar components or products from alternative sources, which may not be available on commercially reasonable terms, including price, or at all. Switching suppliers may require that we redesign our products to accommodate new components, and may potentially require us to re-qualify our products, which would be costly and time-consuming. Any interruption in the quality or supply of sole source or limited source components for our products would adversely affect our ability to meet scheduled product deliveries to our customers and could result in lost revenue or higher expenses and would harm our business.

If we or our contract manufacturers are unable to obtain raw materials in a timely manner or if the price of raw materials increases significantly, production time and product costs could increase, which may adversely affect our business.

The manufacturing and packaging processes used by our contract manufacturers depend on raw materials such as copper, aluminum, silicon and petroleum-based products. From time to time, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. Certain of our suppliers have the ability to pass along to us directly or through our contract manufacturers any increases in the price of raw materials. If the prices of these raw materials rise significantly, we may be unable to pass on the increased cost to our customers. While we may from time to time enter into hedging transactions to reduce our exposure to wide fluctuations in the cost of raw materials, the availability and effectiveness of these hedging transactions may be limited. Due to all these factors, our results of operations could be adversely affected if we or our contract manufacturers are unable to obtain adequate supplies of raw materials in a timely manner or at reasonable cost. In addition, from time to time, we or our contract manufacturers may need to reject raw materials that do not meet our

specifications, resulting in potential delays or declines in output. Furthermore, problems with our raw materials may give rise to compatibility or performance issues in our products, which could lead to an increase in customer returns or product warranty claims. Errors or defects may arise from raw materials supplied by third parties that are beyond our detection or control, which could lead to additional customer returns or product warranty claims that may adversely affect our business and results of operations.

If potential owners of solar PV systems based on our product platform are unable to secure financing on acceptable terms, we could experience a reduction in the demand for our solar PV systems.

Many owners of solar PV systems depend on financing to purchase their systems. The limited use of microinverters to date, coupled with our limited operating history, could result in lenders refusing to provide the financing necessary to purchase solar PV systems based on our product platform on favorable terms, or at all. Moreover, in the case of debt financed projects, even if lenders are willing to finance the purchase of these systems, an increase in interest rates or a change in tax incentives could make it difficult for owners to secure the financing necessary to purchase a solar PV system on favorable terms, or at all. In addition, we believe that a significant percentage of owners purchase solar PV systems as an investment, funding the initial capital expenditure through a combination of upfront cash and financing. Difficulties in obtaining financing for solar PV installations on favorable terms, or increases in interest rates or changes in tax incentives, could lower an investor's return on investment in a solar PV installation, or make alternative solar PV systems or other investments more attractive relative to solar PV systems based on our product platform. Any of these events could result in reduced demand for our products, which could have a material adverse effect on our financial condition and results of operations. In addition, an increasing share of residential solar installations has been provided through third party financing structures, such as power purchase or lease agreements. Our sales growth therefore increasingly depends on sales to developers of third party solar finance offerings who provide solar as a service via power purchase agreements or leasing structures. The third party finance market for residential solar in the United States and elsewhere is or may become highly concentrated, with a few significant finance companies and several smaller entrants. If we are unable develop relationships and gain a significant share of inverter sales to the major finance companies or new entrants, our overall sales growth will be constrained.

****We rely primarily on distributors, large installers and providers of solar financing to assist in selling our products, and the failure of these customers to perform as expected could reduce our future revenue.***

We sell our microinverter systems primarily through distributors, as well as through direct sales to solar equipment installers and sales to developers of third party solar finance offerings. For the nine months ended September 30, 2014, Vivint Solar, Inc. and CED Greentech accounted for 25% and 16% of total net revenues, respectively. In 2013, Vivint Solar, Inc., CED Greentech and Focused Energy, Inc. accounted for 15%, 14% and 11% of total net revenues, respectively. We do not have exclusive arrangements with these third parties and, as a result, many of our customers also market and sell products from our competitors, which may reduce our sales. Our customers may terminate their relationships with us at any time, or with short notice. Our customers may fail to devote resources necessary to sell our products at the prices, in the volumes and within the time frames that we expect, or may focus their marketing and sales efforts on products of our competitors. In addition, participants in the solar industry are becoming increasingly focused on vertical integration of the solar financing and installation process, which may lead to an overall reduction in the number of potential parties who may purchase and install our products.

Our future performance depends on our ability to effectively manage our relationships with our existing customers, as well as to attract additional customers that will be able to market and support our products effectively, especially in markets in which we have not previously distributed our products. Termination of agreements with current customers, failure by these customers to perform as expected, or failure by us to cultivate new customer relationships, could hinder our ability to expand our operations and harm our revenue and operating results.

Our success in an “AC module” version of our microinverter system may depend in part upon our ability to continue to work closely with leading solar module manufacturers.

We are currently working on variants of our microinverter system that will enable an “AC module” for direct attachment of the microinverter to the solar modules. The market success of such solutions will depend in part on our ability to continue to work closely with solar module manufacturers to design solar modules that are compatible with such direct attachment of our microinverter. We may not be able to encourage solar module manufacturers to work with us on the development of such compatible solutions combining our microinverter system and solar modules for a variety of reasons, including differences in marketing or selling strategy, competitive considerations, lack of competitive pricing, and technological compatibility. In addition, our ability to form effective partnerships with solar module manufacturers may be adversely affected by the substantial changes faced by many of these manufacturers due to declining prices and revenues from sales of solar modules.

If we fail to retain our key personnel or if we fail to attract additional qualified personnel, we may not be able to achieve our anticipated level of growth and our business could suffer.

Our future success and ability to implement our business strategy depends, in part, on our ability to attract and retain key personnel, and on the continued contributions of members of our senior management team and key technical personnel, each of whom would be difficult to replace. All of our employees, including our senior management, are free to terminate their employment relationships with us at any time. Competition for highly skilled technical people is extremely intense, and we face challenges identifying, hiring and retaining qualified personnel in many areas of our business. If we fail to retain our senior management and other key personnel or if we fail to attract additional qualified personnel, we may not be able to achieve our strategic objectives and our business could suffer.

If we fail to protect, or incur significant costs in defending, our intellectual property and other proprietary rights, our business and results of operations could be materially harmed.

Our success depends to a significant degree on our ability to protect our intellectual property and other proprietary rights. We rely on a combination of patent, trademark, copyright, trade secret and unfair competition laws, as well as confidentiality and license agreements and other contractual provisions, to establish and protect our intellectual property and other proprietary rights. We have applied for patent and trademark registrations in the United States and in certain other countries, some of which have been issued. We cannot guarantee that any of our pending applications will be approved or that our existing and future intellectual property rights will be sufficiently broad to protect our proprietary technology, and any failure to obtain such approvals or finding that our intellectual property rights are invalid or unenforceable could force us to, among other things, rebrand or re-design our affected products. In countries where we have not applied for patent protection or where effective intellectual property protection is not available to the same extent as in the United States, we may be at greater risk that our proprietary rights will be misappropriated, infringed or otherwise violated.

To protect our unregistered intellectual property, including our trade secrets and know-how, we rely in part on trade secret laws and confidentiality and invention assignment agreements with our employees and independent consultants. We also require other third parties who may have access to our proprietary technologies and information to enter into non-disclosure agreements. Such measures, however, provide only limited protection, and we cannot assure that our confidentiality and non-disclosure agreements will prevent unauthorized disclosure or use of our confidential information, especially after our employees or third parties end their employment or engagement with us, or provide us with an adequate remedy in the event of such disclosure. Furthermore, competitors or other third parties may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, copy or reverse engineer our products or portions thereof or develop similar technology. If we fail to protect our intellectual property and other proprietary rights, or if such intellectual property and proprietary rights are infringed, misappropriated or otherwise violated, our business, results of operations or financial condition could be materially harmed.

In the future, we may need to take legal action to prevent third parties from infringing upon or misappropriating our intellectual property or from otherwise gaining access to our technology. Protecting and enforcing our intellectual property rights and determining their validity and scope could result in significant litigation costs and require significant time and attention from our technical and management personnel, which could significantly harm our business. In addition, we may not prevail in such proceedings. An adverse outcome of any such proceeding may reduce our competitive advantage or otherwise harm our financial condition and our business.

Third parties may assert that we are infringing upon their intellectual property rights, which could divert management's attention, cause us to incur significant costs and prevent us from selling or using the technology to which such rights relate.

Our competitors and other third parties hold numerous patents related to technology used in our industry, and claims of patent or other intellectual property right infringement or violation have been litigated against certain of our competitors. From time to time we may also be subject to such claims and litigation. Regardless of their merit, responding to such claims can be time consuming, divert management's attention and resources and may cause us to incur significant expenses. While we believe that our products and technology do not infringe in any material respect upon any valid intellectual property rights of third parties, we cannot be certain that we would be successful in defending against any such claims. Furthermore, patent applications in the United States and most other countries are confidential for a period of time before being published, so we cannot be certain that we are not infringing third parties' patent rights or that we were the first to conceive inventions covered by our patents or patent applications. As we become more visible as a publicly traded company, the possibility that third parties may make claims of intellectual property infringement or other violations against us may grow. An adverse outcome with respect to any such claim could invalidate our proprietary rights and force us to do one or more of the following:

- obtain from a third party claiming infringement a license to sell or use the relevant technology, which may not be available on reasonable terms, or at all;

- stop manufacturing, selling, incorporating or using our products that embody the asserted intellectual property;
- pay substantial monetary damages;
- our customers pursuant to indemnification obligations under some of our customer contracts; or expend significant resources to redesign the products that use the infringing technology and to develop or acquire non-infringing technology.

Any of these actions could result in a substantial reduction in our revenue and could result in losses over an extended period of time.

Our failure to obtain the right to use necessary third-party intellectual property rights on reasonable terms, or our failure to maintain, and comply with the terms and conditions applicable to, these rights, could harm our business and prospects.

From time to time we have licensed, and in the future we may choose to or be required to license, technology or intellectual property from third parties in connection with the development of our products. We cannot assure that such licenses will be available to us on commercially reasonable terms, or at all, and our inability to obtain such licenses could require us to substitute technology of lower quality or of greater cost. In addition, we incorporate open source software code in our proprietary software. Use of open source software can lead to greater risks than use of third-party commercial software since open source licensors generally do not provide warranties or controls with respect to origin, functionality or other features of the software. Some open source software licenses require users who distribute open source software as part of their products to publicly disclose all or part of the source code in their software and make any derivative works of the open source code available for limited fees or at no cost. Although we monitor our use of open source software, open source license terms may be ambiguous, and many of the risks associated with the use of open source software cannot be eliminated. If we were found to have inappropriately used open source software, we may be required to release our proprietary source code, re-engineer our software, discontinue the sale of certain products in the event re-engineering cannot be accomplished on a timely basis or take other remedial action. Furthermore, if we are unable to obtain or maintain licenses from third parties or fail to comply with applicable open source licenses, we may be subject to costly third party claims of intellectual property infringement or ownership of our proprietary source code. Any of the foregoing could harm our business and put us at a competitive disadvantage.

Our business has been and could continue to be affected by seasonal trends and construction cycles.

We have been and could continue to be subject to industry-specific seasonal fluctuations in the future, particularly in climates that experience colder weather during the winter months, such as northern Europe, Canada, and the United States. In general, we expect our products in the second, third and fourth quarters will be positively affected by seasonal customer demand trends, including solar economic incentives, weather patterns and construction cycles, preceded by a seasonally softer first quarter. In the United States, customers will sometimes make purchasing decisions towards the end of the year in order to take advantage of tax credits or for budgetary reasons. In addition, construction levels are typically slower in colder months. In European countries with FiTs, the construction of solar PV systems may be concentrated during the second half of the calendar year, largely due to the annual reduction of the applicable minimum FiT and the fact that the coldest winter months are January through March. Accordingly, our business and quarterly results of operations could be affected by seasonal fluctuations in the future.

Covenants in our credit facilities may limit our flexibility in responding to business opportunities and competitive developments and increase our vulnerability to adverse economic or industry conditions.

We have lending arrangements with several financial institutions, including loan and security agreements with Wells Fargo Bank, National Association (“Wells Fargo”) and with Hercules Technology Growth Capital, Inc. (“Hercules”). The loan and security agreements with Wells Fargo and with Hercules restrict our ability to take certain actions such as incurring additional debt, encumbering our tangible or intangible property, paying dividends, or engaging in certain transactions, such as mergers and acquisitions, investments and asset sales. Our loan and security agreement with Wells Fargo also requires us to maintain certain financial covenants, including liquidity ratios. These restrictions may limit our flexibility in responding to business opportunities, competitive developments and adverse economic or industry conditions. In addition, our obligations under our loan and security agreements with Wells Fargo and Hercules are secured by substantially all of our assets (excluding intellectual property), which limits our ability to provide collateral for additional financing. A breach of any of these covenants, or a failure to pay interest or indebtedness when due under any of our credit facilities, could result in a variety of adverse consequences, including the acceleration of our indebtedness and the forfeiture of our assets subject to security interests in favor of the lenders.

We are an “emerging growth company,” and may elect to comply with reduced public company reporting requirements applicable to emerging growth companies, which could make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act enacted in April 2012, or the JOBS Act, and, for as long as we continue to be an “emerging growth company,” we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an “emerging growth company” until December 31, 2017 (the last day of the fiscal year following the fifth anniversary of our initial public offering), although we could cease to be an “emerging growth company” earlier if certain events occur as specified in the JOBS Act, such as our achieving annual revenue of at least \$1 billion or our becoming a “large accelerated filer” as defined in Rule 12b-2 of the Exchange Act. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

If we fail to maintain an effective system of internal controls or are unable to remediate any deficiencies in our internal controls, we might not be able to report our financial results accurately or prevent fraud; in that case, our stockholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our stock.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, the Sarbanes-Oxley Act requires us to establish and maintain internal control over financial reporting and disclosure controls procedures. The process of implementing our internal controls and complying with the Sarbanes-Oxley Act has required, and will continue to require, significant attention of management. Although we are currently not required to provide an auditor’s attestation report on management’s assessment of the effectiveness of our internal control over financial reporting, otherwise required by Section 404(b) of the Sarbanes-Oxley Act, this exemption will no longer be available to us beginning with our first Annual Report on 10-K for the year in which we cease to be an “emerging growth company,” as defined in the JOBS Act. If we or our independent registered public accounting firm discover a material weakness in the future, the disclosure of that fact, even if quickly remedied, could reduce the market’s confidence in our financial statements and harm our stock price. In addition, a delay in compliance with Section 404 of the Sarbanes-Oxley Act could subject us to a variety of administrative sanctions, including SEC action, ineligibility for short form resale registration, the suspension or delisting of our common stock from the stock exchange on which it is listed and the inability of registered broker-dealers to make a market in our common stock, which would further reduce our stock price and could harm our business. To the extent any material weaknesses in our internal control over financial reporting are identified in the future, we could be required to expend significant management time and financial resources to correct such material weaknesses or to respond to any resulting regulatory investigations or proceedings.

Our ability to use net operating losses to reduce future tax payments may be limited by provisions of the Internal Revenue Code, and may be subject to further limitation as a result of future transactions.

Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, contain rules that limit the ability of a company that undergoes an “ownership change,” generally defined as a more than 50 percentage point increase in the percentage of its stock owned by certain stockholders over a three-year period, to utilize its net operating loss and tax credit carryforwards and certain built-in losses recognized in the years after the ownership change. These rules generally operate by focusing on ownership changes involving stockholders who directly or indirectly own 5% or more of the stock of a company and any change in ownership arising from a new issuance of stock by the company. Generally, if an ownership change occurs, the yearly taxable income limitation on the use of net operating loss and tax credit carryforwards is equal to the product of the applicable long-term tax exempt rate and the value of the company’s stock immediately before the ownership change. If these limitations apply, we may be unable to offset our taxable income with net operating losses, or our tax liability with credits, before these losses and credits expire.

In addition, it is possible that future transactions (including issuances of new shares of our common stock and sales of shares of our common stock) will cause us to undergo one or more additional ownership changes. In that event, we generally would not be able to use our net operating losses from periods prior to this ownership change to offset future taxable income in excess of the annual limitations imposed by Sections 382 and 383 and those attributes that are already subject to limitations (as a result of our prior ownership changes) may be subject to more stringent limitations. We have not completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since we became a “loss corporation” under the Code.

The requirements of being a public company may strain our resources and divert management's attention from other aspects of our business.

We are subject to a wide variety of rules and regulations as a public reporting company. The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, the Sarbanes-Oxley Act and the rules implemented by the SEC and the NASDAQ Global Market impose significant regulatory requirements on public companies, including specific corporate governance practices. For example, the listing requirements of the NASDAQ Global Market require that we satisfy certain corporate governance requirements relating to independent directors, audit and compensation committees, distribution of annual and interim reports, stockholder meetings, stockholder approvals, solicitation of proxies, conflicts of interest, stockholder voting rights and codes of conduct. Our management and other personnel are required to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly. As a public company, being subject to these rules and regulations makes it more difficult and more expensive for us to obtain director and officer liability insurance, and in the future, we may be required to accept reduced policy limits and coverage or incur substantial additional costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

These rules and regulations also contain requirements that apply to manufacturers of products incorporating specified minerals. The Dodd-Frank Act requires public companies to report on their use of so-called conflict minerals originating from the Democratic Republic of Congo or its nine immediate neighbors. Certain minerals commonly used in semiconductors are on the list of conflict minerals, and additional minerals may be added to the list in the future. Compliance with these rules, which requires us to disclose our use of these minerals and may require us to obtain an annual audit of our sourcing and the chain of custody of these minerals, may be time-consuming and costly.

We may not be able to raise additional capital to execute on our current or future business opportunities on favorable terms, if at all, or without dilution to our stockholders.

We believe that our existing cash and cash equivalents, available credit facilities and cash flows from our operating activities, will be sufficient to meet our anticipated cash needs for at least the next 12 months. However, we may need to raise additional capital to execute on our current or future business strategies, including to:

- invest in our research and development efforts by hiring additional technical and other personnel;
- expand our operations into new product markets and new geographies;
- acquire complementary businesses, products, services or technologies; or
- otherwise pursue our strategic plans and respond to competitive pressures.

We do not know what forms of financing, if any, will be available to us. If financing is not available on acceptable terms, if and when needed, our ability to fund our operations, expand our research and development, sales and marketing functions, develop and enhance our products, respond to unanticipated events, including unanticipated opportunities, or otherwise respond to competitive pressures would be significantly limited. In any such event, our business, financial condition and results of operations could be materially harmed, and we may be unable to continue our operations. Moreover, if we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted, and these newly issued securities may have rights, preferences or privileges senior to those of existing stockholders.

Natural disasters, terrorist or cyber attacks, or other catastrophic events could harm our operations.

Our worldwide operations could be subject to natural disasters and other business disruptions, which could harm our future revenue and financial condition and increase our costs and expenses. For example, our corporate headquarters in Petaluma, California is located near major earthquake fault lines. Further, a terrorist attack, including one aimed at energy or communications infrastructure suppliers or our web-based monitoring service, could hinder or delay the development and sale or performance of our products. In the event that an earthquake, tsunami, typhoon, terrorist or cyber attack, or other natural, manmade or technical catastrophe were to destroy any part of our facilities or those of our contract manufacturer, destroy or disrupt vital infrastructure systems or interrupt our operations or services for any extended period of time, our business, financial condition and results of operations would be materially adversely affected.

The market price of our common stock may be volatile or may decline regardless of our operating performance.

The market price of our common stock has been and could be subject to wide fluctuations in response to, among other things, the risk factors described in "Part II. Item 1A. Risk Factors" of this Quarterly Report on Form 10-Q, and other factors

beyond our control, such as fluctuations in the valuation of companies perceived by investors to be comparable to us. Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions, such as recessions, interest rate changes or international currency fluctuations, may negatively affect the market price of our common stock. In the past, many companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may become the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

Our financial results may vary significantly from quarter to quarter due to a number of factors, which may lead to volatility in our stock price.

Our quarterly revenue and results of operations have varied in the past and may continue to vary significantly from quarter to quarter. This variability may lead to volatility in our stock price as research analysts and investors respond to these quarterly fluctuations. These fluctuations are due to numerous factors, including:

- fluctuations in demand for our products;
- the timing, volume and product mix of sales of our products, which may have different average selling prices or profit margins;
- changes in our pricing and sales policies or the pricing and sales policies of our competitors;
- our ability to design, manufacture and deliver products to our customers in a timely and cost-effective manner and that meet customer requirements;
- our ability to manage our relationships with our contract manufacturers, customers and suppliers;
- quality control or yield problems in our manufacturing operations;
- the anticipation, announcement or introductions of new or enhanced products by our competitors and ourselves;
- reductions in the retail price of electricity;
- changes in laws, regulations and policies applicable to our business and products, particularly those relating to government incentives for solar energy applications;
- unanticipated increases in costs or expenses;
- the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our business operations;
- the impact of government-sponsored programs on our customers;
- our exposure to the credit risks of our customers, particularly in light of the fact that some of our customers are relatively new entrants to the solar market without long operating or credit histories;
- our ability to estimate future warranty obligations due to product failure rates, claim rates or replacement costs;
- our ability to forecast our customer demand and manufacturing requirements, and manage our inventory;
- fluctuations in our gross profit;
- our ability to predict our revenue and plan our expenses appropriately; and
- fluctuations in foreign currency exchange rates.

The foregoing factors are difficult to forecast, and these, as well as other factors, could materially and adversely affect our quarterly and annual results of operations. Any failure to adjust spending quickly enough to compensate for a revenue shortfall could magnify the adverse impact of this revenue shortfall on our results of operations. Moreover, our results of operations may not meet our announced guidance or the expectations of research analysts or investors, in which case the price of our common stock could decrease significantly. There can be no assurance that we will be able to successfully address these risks.

If research analysts do not publish research about our business or if they issue unfavorable commentary or downgrade our common stock, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that research analysts publish about us and our business. The price of our common stock could decline if one or more research analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business. If one or more of the research analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our common stock could decrease, which could cause our stock price or trading volume to decline.

Our principal stockholders, executive officers and directors own a significant percentage of our stock, and they may take actions that our stockholders may not view as beneficial.

Our principal stockholders, executive officers and directors own more than 50% of our common stock. This significant concentration of share ownership may adversely affect the trading price for our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. Also, as a result, these stockholders, acting together, may be able to control our management and affairs and matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change in control, including a merger, consolidation or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if this change in control would benefit our other stockholders.

Sales of a substantial number of shares of our common stock in the public market by our existing stockholders could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our common stock. All outstanding shares of our common stock are eligible for sale in the public market, subject in some cases to the volume limitations and manner of sale requirements of Rule 144 under the Securities Act. Sales of stock by our stockholders could have a material adverse effect on the trading price of our common stock.

Certain holders of our securities are entitled to rights with respect to the registration of their shares under the Securities Act. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

We currently do not intend to pay dividends on our common stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our common stock appreciates.

We currently do not plan to declare dividends on shares of our common stock in the foreseeable future. In addition, the terms of our bank loan agreements restrict our ability to pay dividends. Consequently, an investor's only opportunity to achieve a return on its investment in our company will be if the market price of our common stock appreciates and the investor sells its shares at a profit.

Our charter documents and Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.

Our certificate of incorporation and our bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to elect directors and take other corporate actions, including effecting changes in our management. These provisions include:

- providing for a classified board of directors with staggered, three-year terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- not providing for cumulative voting in the election of directors, which limits the ability of minority stockholders to elect directory candidates;
- authorizing our board of directors to issue, without stockholder approval, preferred stock rights senior to those of common stock, which could be used to significantly dilute the ownership of a hostile acquiror;
- prohibiting stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;

- requiring the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then outstanding shares of voting stock, voting as a single class, to amend provisions of our certificate of incorporation relating to the management of our business, our board of directors, stockholder action by written consent, advance notification of stockholder nominations and proposals, forum selection and the liability of our directors, or to amend our bylaws, which may inhibit the ability of stockholders or an acquiror to effect such amendments to facilitate changes in management or an unsolicited takeover attempt;
- requiring special meetings of stockholders may only be called by our chairman of the board, if any, our chief executive officer, our president or a majority of our board of directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- requiring advance notification of stockholder nominations and proposals, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

In addition, the provisions of Section 203 of the Delaware General Corporate Law may prohibit large stockholders, in particular those owning 15% or more of our outstanding common stock, from engaging in certain business combinations without approval of substantially all of our stockholders for a certain period of time.

These provisions in our certificate of incorporation, our bylaws and under Delaware law could discourage potential takeover attempts, reduce the price that investors might be willing to pay for shares of our common stock in the future and result in the market price being lower than it would be without these provisions.

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

In July 2014, the Company issued 8,969 shares of common stock upon the net exercise of outstanding warrants by a warrant holder. The Company received no additional consideration in connection with this issuance. The warrants were initially exercisable into 20,333 shares of common stock with an exercise price of \$5.27. The warrants were issued in June and November of 2011 in connection with debt offerings in private placement transactions not involving a public offering pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. The conversion of these warrants into common stock was an exempt exchange under Section 3(a)(9) of the Securities Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See the Exhibit Index which follows the signature page of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 5, 2014

ENPHASE ENERGY, INC.

By: /s/ Kris Sennesael
Kris Sennesael
Vice President and Chief Financial Officer

EXHIBIT INDEX

| Exhibit Number | Description |
|-----------------------|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Enphase Energy, Inc. ⁽¹⁾ |
| 3.2 | Amended and Restated Bylaws of Enphase Energy, Inc. ⁽²⁾ |
| 4.1 | Specimen Common Stock Certificate of Enphase Energy, Inc. ⁽³⁾ |
| 4.2 | 2010 Amended and Restated Investors' Rights Agreement by and between Enphase Energy, Inc. and the investors listed on Exhibit A thereto, dated March 15, 2010, as amended. ⁽³⁾ |
| 4.4 | Warrant to Purchase Shares of Series Preferred Stock, between the Company and Compass Horizon Funding Company LLC, dated March 11, 2010. ⁽³⁾ |
| 4.5 | Warrant to Purchase Shares of Series Preferred Stock, between the Company and Horizon Technology Finance Corporation, dated March 25, 2011. ⁽³⁾ |
| 4.6 | Warrant Agreement to Purchase Stock, between Enphase, Energy, Inc. and Hercules Technology Growth Capital, Inc., dated June 13, 2011. ⁽³⁾ |
| 4.7 | Form of June 2011 Warrant to Purchase Common Stock of Enphase Energy, Inc., pursuant to that certain Amended and Restated Subordinated Convertible Loan Facility and Security Agreement. ⁽³⁾ |
| 4.8 | Form of November 2011 Warrant to Purchase Common Stock of Enphase Energy, Inc., pursuant to that certain Amended and Restated Subordinated Convertible Loan Facility and Security Agreement. ⁽³⁾ |
| 10.1 | Long Term Product Supply Agreement, by and between the Company and Vivint Solar Developer LLC dated August 11, 2014 ⁺ |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a). |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a). |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* |
| 101.INS | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Extension Schema Document. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | XBRL Taxonomy Extension Presentation Document. |

(1) Previously filed as Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-35480), filed with the Securities and Exchange Commission on April 6, 2012, and incorporated by reference herein.

(2) Previously filed as Exhibit 3.5 to Amendment No. 7 to the Registration Statement on Form S-1/A (File No. 333-174925), filed with the Securities and Exchange Commission on March 12, 2012, and incorporated by reference herein.

(3) Previously filed as the like-numbered exhibit to the Registration Statement on Form S-1/A (File No. 333-174925), and incorporated herein by reference.

+ Material in the exhibit marked with three asterisks (***) has been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. Omitted portions have been filed separately with the Securities and Exchange Commission.

* The certifications attached as Exhibit 32.1 accompany this quarterly report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by Enphase Energy, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

LONG TERM PRODUCT SUPPLY AGREEMENT

between

VIVINT SOLAR DEVELOPER, LLC

and

ENPHASE ENERGY, INC.

Dated as of August 11, 2014

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Certain portions of this document have been omitted pursuant to a request for Confidential Treatment and, where applicable, have been marked with three asterisks (***) to indicate where omissions have been made. The confidential material has been filed separately with the Securities and Exchange Commission.

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Schedules and Exhibits

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LONG TERM PRODUCT SUPPLY AGREEMENT

This LONG TERM PRODUCT SUPPLY AGREEMENT (this "**Agreement**") is entered into as of August 11, 2014 ("**Effective Date**"), by and between VIVINT SOLAR DEVELOPER, LLC, a Delaware limited liability company ("**Buyer**") and ENPHASE ENERGY, INC., a Delaware corporation ("**Seller**"). Buyer and Seller are referred to herein individually as a "**Party**", and collectively as the "**Parties**".

RECITALS

A. WHEREAS, Buyer and its affiliates develop photovoltaic solar electric energy generation projects (each, a "**Project**");

B. WHEREAS, in connection with the Projects, Buyer desires to purchase from Seller and Seller desires to sell to Buyer certain Products as defined in Exhibit A and which generally include solar power system devices, components and services, all as more particularly described in this Agreement;

C. WHEREAS, Seller and Buyer's Affiliate and predecessor in interest, Vivint Solar Holdings, Inc. (f/k/a Vivint Solar Inc.), a Delaware corporation, previously entered into that certain Agreement for Sale and Purchase ("**Supply Agreement**") dated May 10, 2011, as amended by (a) Amendment No. 1 to Agreement for Sale and Purchase dated November 7, 2011 ("**Amendment 1**"), (b) Amendment No. 2 to Agreement for Sale and Purchase dated January 1, 2013 ("**Amendment 2**"), and (c) Amendment No. 3 to Agreement for Sale and Purchase dated April 16, 2014 ("**Amendment 3**," and collectively with the Supply Agreement, Amendment 1 and Amendment 2, the "**Original Agreement**"), whereby Vivint Solar Holdings, Inc. purchased Products from Seller;

D. WHEREAS, Buyer is a wholly-owned subsidiary of Vivint Solar Holdings, Inc.;

E. WHEREAS, the Parties and Vivint Solar Holdings, Inc., entered into that certain Assignment and Assumption Agreement dated August 11, 2014, whereby (i) Vivint Solar Holdings, Inc., assigned its right, title and interest in and to the Original Agreement and all purchase orders entered under the Original Agreement to Buyer, (ii) Buyer assumed Vivint Solar Holdings, Inc.'s liabilities and obligations thereunder, and (iii) Seller consented to such assignment and transfer; and

F. WHEREAS, the Parties now desire to supersede the Original Agreement with this Agreement, as further described in Section 1.3.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

ARTICLE 1 DEFINITIONS AND GENERAL PROVISIONS

1.1 Definitions and Rules of Interpretation. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings set forth in Schedule 1, and the Rules of Interpretation set forth in Schedule 1 shall apply to this Agreement, unless in any such case the context requires otherwise.

1.2 Term. Unless earlier terminated pursuant to its terms, the initial term of this Agreement shall commence on the Effective Date and shall continue until the third (3rd) anniversary of the Effective Date ("**Initial Term**"). The Initial Term shall automatically renew for successive one (1) year periods (each, a "**Renewal Term**" and together with the Initial Term, the "**Term**") unless either this Agreement is terminated pursuant to its terms, or a Party receives written notice from the other Party no less than nine (9) months prior to the end of the Initial Term or a Renewal Term, as applicable, specifying that the sending Party is declining to renew this Agreement.

1.3 Effect of this Agreement on the Original Agreement. Seller and Buyer agree that this Agreement (including all Schedules and Exhibits attached hereto), the NDA and all Purchase Orders entered into by the Parties pursuant to this Agreement, constitutes the complete and entire agreement between the Parties and supersedes the Original Agreement and all prior oral and written understandings and all contemporaneous oral negotiations, commitments and understandings between the Parties relating to the subject matter hereof. In entering into this Agreement and consummating the transactions contemplated hereby, except for a Party's statements, representations and warranties expressly set forth in this Agreement (or additional representations and warranties expressly set forth in a Purchase Order and that do not otherwise conflict with or diminish the representations and warranties set forth in this Agreement), the other Party is not relying on any statement, representation or warranty, oral or written, express or implied, made by the other Party or such Party's employees, agents, representatives or legal counsel. The Parties agree that no trade usage, prior course of dealing or course of performance under this Agreement or the Original Agreement shall be a part of this Agreement or shall be used in the interpretation or construction of this Agreement. For clarity, this Agreement shall not affect any orders of Products by Buyer under the Original Agreement that were acknowledged by Seller prior to the Effective Date, and the terms and conditions of the Original Agreement shall continue to apply to such Products.

1.4 No Obligations Until Delivery of a Purchase Order. Prior to Buyer's issuance of a Purchase Order with respect to Products under this Agreement, and except with respect to Original Agreement Products: (a) no Products shall be delivered to Buyer; and (b) Buyer shall have no payment obligations of any nature under this Agreement.

ARTICLE 2 PRODUCT SUPPLY

2.1 Purchase Orders and Scope of Product Supply.

2.1.1 Generally. Subject to this Section 2.1 and the delivery by Buyer to Seller of a Purchase Order, Seller shall: (a) provide all of the Products specified in a Purchase Order in accordance with the provisions of this Agreement and such Purchase Order; (b) provide the Warranties with respect to the Products delivered hereunder; and (c) perform its other obligations set forth in this Agreement and such Purchase Order.

2.1.2 Submission of Purchase Orders. During the Term of this Agreement, and pursuant to the terms and subject to the conditions of this Agreement, Buyer may submit Purchase Orders to Seller for Products by electronic mail sent to Seller's Representative. Seller may change the electronic mail address to which Purchase Orders are sent at any time during the Term upon ten (10) Business Days' prior written notice to Buyer. Each Purchase Order delivered by Buyer to Seller hereunder shall comply with the Required Lead Time (subject to Section 4.1.1(b)) and shall:

(a) specify the model name of each Product, including Seller's Product number for such Product as set forth in Exhibit A, to be purchased by Buyer under such Purchase Order;

(b) set forth the applicable quantity of each type of Product ("**PO Product Quantity**") in compliance with Section 2.2;

(c) set forth the applicable Unit Price for such Products determined in accordance with Section 3.1 and Exhibit A, and the pricing for any other items or services (e.g., Enlighten pricing) on Exhibit A if and as applicable;

(d) include a Delivery Schedule for Products being ordered under such Purchase Order in accordance with Section 2.1.5; and

(e) note the Delivery Month to which the Purchase Order relates and whether the Purchase Order is for deliveries at the Destination Point occurring either (A) between the first (1st) through the fifth (5th) day of the Delivery Month,

or (B) between the fifteenth (15th) through the twentieth (20th) day of the Delivery Month, in each case pursuant to Section 2.1.5.

In the normal course when Products are being ordered for delivery at Destination Points in a given Delivery Month, the Parties acknowledge that Buyer intends to provide two (2) Purchase Orders for each Delivery Month. One Purchase Order will cover Products to be delivered to the applicable Destination Points between the first (1st) through the fifth (5th) day of the Delivery Month and the other Purchase Order will cover Products to be delivered to the applicable Destination Points between the fifteenth (15th) and the twentieth (20th) day of the Delivery Month, in each case pursuant to Section 2.1.5.

2.1.3 Acceptance of Purchase Orders; Obligation to Purchase and Sell. Seller shall use best efforts to accept and acknowledge the Purchase Order using an Order Acknowledgement within two (2) Business Days of receipt of the Purchase Order, but in no event more than five (5) Business Days from such receipt; *however*, Seller may reject a Purchase Order if its terms do not conform to this Agreement. The Order Acknowledgement shall include the Scheduled Ship Dates for the Products based on the Delivery Schedule submitted with a Purchase Order so that, taking into account customary and reasonable transit times for delivery to the Destination Point and subject to the occurrence of Force Majeure Events, such Products ordered under the Purchase Order will arrive at the applicable Destination Points by the Delivery Dates set forth in the Delivery Schedule. Subject to the prior sentence and any other information required of an Order Acknowledgment (as defined), any terms that appear in an Order Acknowledgement and that are either in addition to or conflict with the terms set forth in the Purchase Order or this Agreement shall be considered null and void, not a rejection and counteroffer, and the Order Acknowledgement absent such terms shall constitute acceptance of the Purchase Order. This Agreement may not be amended in a Purchase Order. Should Seller reject a Purchase Order pursuant to this Section 2.1.3, Buyer may submit another Purchase Order addressing any rejected Purchase Order and if submitted within ten (10) days of receipt of Seller's rejection, the date of the accepted Purchase Order shall be the date of the originally rejected Purchase Order for purposes of calculating the Required Lead Time. Upon acceptance of a Purchase Order submitted by Buyer, Buyer agrees to purchase such Products from Seller, and Seller agrees to sell and deliver to Buyer such Products at the Delivery Point and perform its other obligations in this Agreement relating to such Products, all in accordance with the applicable Purchase Order and the terms and conditions of this Agreement.

2.1.4 Cancellation of a Purchase Order; Rescheduling. Buyer may cancel a Purchase Order prior to the receipt of an Order Acknowledgement.

2.1.5 Delivery Schedules. Delivery Schedules submitted by Buyer in connection with each Purchase Order it submits pursuant to Section 2.1.2, and the PO Product Quantities contained in the Purchase Orders covering a Delivery Month, shall generally reflect the allocation requirements of this Section 2.1.5. For each Delivery Month, approximately fifty percent (50%) of the aggregate quantity of Products that Buyer orders for delivery at the Destination Points in such Delivery Month under its Purchase Orders relating to such Delivery Month will be delivered to the applicable Destination Points on Delivery Dates that fall between the first (1st) and the fifth (5th) day of the Delivery Month (excluding Sundays and Federally-observed holidays). The other fifty percent (50%) will be delivered to the applicable Destination Points on Delivery Dates that fall between the fifteenth (15th) and twentieth (20th) day of the Delivery Month (excluding Sundays and Federally-observed holidays). If a Sunday or Federally-observed holiday falls within the applicable five (5) day period, such Sunday or holiday shall not serve to extend such period. Buyer may change Destination Points in a Delivery Schedule no later than fourteen (14) days before the Scheduled Ship Dates for such Products as set forth in Seller's Order Acknowledgement for such Purchase Order; provided, however, that the total quantities set forth in the Delivery Schedule for such Scheduled Ship Date may not be changed without Seller's written consent. Buyer may change the specific Delivery Dates within the five (5) day windows provided in this Section 2.1.5 only with the prior written consent of Seller (not to be unreasonably withheld, conditioned or delayed).

2.2 Rolling Forecasts.

2.2.1 Issuance of Rolling Forecasts; Limitations on PO Product Quantities. As of or promptly following the Effective Date, Buyer has delivered to Seller an initial Rolling Forecast. Buyer shall deliver to Seller an update of the Rolling Forecast on a monthly basis no later than the fifth (5th) Business Day of each following calendar month during the Term. Except as set forth in this Section 2.2, the Rolling Forecasts shall be non-binding and are intended by the Parties solely to assist them in coordinating the manufacture and supply of Products under this Agreement and Purchase Orders. Notwithstanding the foregoing sentence, Buyer's Purchase Orders covering delivery of Products to Destination Points in a Delivery Month shall contain PO Product Quantities that, in the aggregate for such Delivery Month: (a) are at least *** percent (***) of the quantity that was set forth in the Rolling Forecast for such calendar month when such Delivery Month was the first calendar month in the Rolling Forecast Period; and (b) do not exceed *** percent (***) of the quantity that was set forth in the Rolling Forecast for such calendar month when such Delivery Month was the first calendar month in the Rolling Forecast Period.

2.2.2 Limitations on Quantity Adjustments in Rolling Forecasts. In addition to the limitations on the percentage decrease and increase of aggregate monthly PO Product Quantities set forth in Section 2.2.1, Buyer shall not submit Rolling

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Forecasts that are (a) less than *** percent (***) of the quantity that was set forth in the Rolling Forecast for such calendar month when a Delivery Month was the second and third calendar month in the Rolling Forecast Period; or (b) more than *** percent (***) of the quantity that was set forth in the Rolling Forecast for such calendar month when such Delivery Month was the second and third calendar month in the Rolling Forecast Period. For purposes of clarifying the above language, the following table is provided:

| <u>July 1st</u> | <u>Jul</u> | <u>Aug</u> | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> | <u>Dec</u> | |
|----------------------|-------------|-------------|---------------|-------------|-------------|-------------|--------------------|
| <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | |
| <u>PO</u> | <u>PO</u> | <u>PO</u> | <u>New PO</u> | | | | Total Q4'14 |
| <u>Ex-Fcst</u> | <u>***</u> | <u>***</u> | <u>***</u> | <u>***</u> | <u>***</u> | <u>***</u> | <u>***</u> |
| <u>Ex-PO</u> | <u>***</u> | <u>***</u> | <u>***</u> | | | | |
| Low Case | | | | | | | |
| <u>Aug 1st (low)</u> | <u>Aug</u> | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> | <u>Dec</u> | <u>Jan</u> | |
| <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | |
| <u>PO</u> | <u>PO</u> | <u>PO</u> | <u>New PO</u> | | | | Total Q4'14 |
| <u>Fcst</u> | <u>***</u> | <u>***</u> | <u>***</u> | <u>***</u> | <u>***</u> | | <u>***</u> |
| <u>PO</u> | <u>***</u> | <u>***</u> | <u>***</u> | | | | |
| <u>Sep 1st (low)</u> | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> | <u>Dec</u> | <u>Jan</u> | <u>Feb</u> | |
| <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | |
| <u>PO</u> | <u>PO</u> | <u>PO</u> | <u>New PO</u> | | | | Total Q4'14 |
| <u>Fcst</u> | <u>***</u> | <u>***</u> | <u>***</u> | <u>***</u> | | | <u>***</u> |
| <u>PO</u> | <u>***</u> | <u>***</u> | <u>***</u> | | | | |
| <u>Oct 1st (low)</u> | <u>Oct</u> | <u>Nov</u> | <u>Dec</u> | <u>Jan</u> | <u>Feb</u> | <u>Feb</u> | |
| <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | <u>Fcst</u> | |
| <u>PO</u> | <u>PO</u> | <u>PO</u> | <u>New PO</u> | | | | Total Q4'14 |
| <u>Fcst</u> | <u>***</u> | <u>***</u> | <u>***</u> | | | | <u>***</u> |
| <u>PO</u> | <u>***</u> | <u>***</u> | <u>***</u> | | | | <u>***</u> |

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| High Case | | | | | | | |
|-----------------------|-------------|-------------|---------------|-------------|-------------|-------------|--------------------|
| Aug 1st (high) | Aug | Sep | Oct | Nov | Dec | Jan | |
| Fcst | Fcst | Fcst | Fcst | Fcst | Fcst | Fcst | |
| PO | PO | PO | New PO | | | | Total Q4'14 |
| Fcst | *** | *** | *** | *** | *** | | *** |
| PO | *** | *** | *** | | | | |
| Sep 1st (high) | Sep | Oct | Nov | Dec | Jan | Feb | |
| Fcst | Fcst | Fcst | Fcst | Fcst | Fcst | Fcst | |
| PO | PO | PO | New PO | | | | Total Q4'14 |
| Fcst | *** | *** | *** | *** | | | *** |
| PO | *** | *** | *** | | | | |
| Oct 1st (high) | Oct | Nov | Dec | Jan | Feb | Feb | |
| Fcst | Fcst | Fcst | Fcst | Fcst | Fcst | Fcst | |
| PO | PO | PO | New PO | | | | Total Q4'14 |
| Fcst | *** | *** | *** | | | | *** |
| PO | *** | *** | *** | | | | *** |

2.3 Annual Volumes. Buyer shall use commercially reasonable efforts, consistent with past practice, to submit Purchase Orders which shall be binding for the purchase of an aggregate of *** (*** MW DC per year of Products consisting of Microinverters in anticipated quarterly volumes of approximately *** units. Seller agrees that Purchase Orders submitted under the Original Agreement between January 1, 2014, and the Effective Date shall apply when determining if Buyer has satisfied its obligation under this Section 2.3.

2.4 Modification of Product Specifications; New Products. Buyer acknowledges that Seller is continually striving to increase its competitiveness in the marketplace by improving the Products and that doing so may require modifications to the Specifications for the Products, the development of new models of existing Products, or the development of entirely new products.

2.4.1 Reports. Seller shall periodically provide Buyer with reports containing information relating to anticipated material modifications in any current Specifications, the development of new product offerings that would be materially different than the Products, and/or any other material information that Seller reasonably believes would be relevant or useful to Buyer's evaluation with respect to continued purchase of Products; provided however, that in no event shall Seller provide a report to Buyer if in doing so it would be in violation of any applicable Law.

2.4.2 Changes to Existing Product Specifications. Seller shall at all times use best efforts during the Term, maintain the ability to manufacture Products meeting the Specifications set forth in Exhibit A (or the relevant Specifications as otherwise approved by Buyer pursuant to this Section 2.4). During the Term, Seller shall not, without Buyer's prior written consent, which will not be unreasonably withheld, substitute different products for the Products ordered by Buyer under any accepted Purchase Order; *provided, however*, Seller may substitute one or more Products ordered under a Purchase Order with different Products without Buyer's prior written consent if: (a) the Unit Price for the different Products is the same or less than as the Unit Price for the Products ordered by Buyer, the different Products are backwards compatible in all respects, and the different Products have comparable or better Specifications (improved functionality) than the Products ordered by Buyer; or (b) Buyer has not ordered the Products for which Seller is substituting the different Products in the six (6) months prior to the date of the applicable Purchase Order. Without limiting the foregoing, Seller shall use commercially reasonable efforts not to (i) discontinue the production of any Products (unless Seller has a new product that is substantially similar to the Product), or (ii) make any modifications to the Specifications of Products to be sold to Buyer under this Agreement (unless such modifications improve the functionality of the Product). Seller shall give Buyer reasonable written notice of any discontinuation or modification as described in clauses (i) and (ii) above. Buyer shall have the right, pursuant to Section 5.2, to reject any Product that fails to conform to the Specifications or other requirements of this Agreement unless the new Specifications are agreed upon by the Parties or substitution was otherwise permitted by this Section 2.4.2. Once such material modification or revision has received Buyer's written approval, Seller shall cause the Products delivered and sold under Purchase Orders to comply with the modified Specification.

2.4.3 *New Products*. Should Seller manufacture and/or offer to sell new products that are similar to, or provide functionality or features similar to, the Products, Buyer shall have the right to purchase such products in addition to or in lieu of the Products. Prior to purchasing or selling such new product under a Purchase Order, the Parties shall, pursuant to [Section 18.8](#), amend [Exhibit A](#) to include the Product and pricing for such new product. Once [Exhibit A](#) is amended, such product shall become a "Product" for all purposes of this Agreement.

2.5 *No Stand-Alone Product Sales*. Buyer is purchasing the Products for inclusion with Systems that it or its Affiliates intend to sell to its customers, and Buyer is not in the business of reselling or distributing the Products on a stand-alone basis. Except for assignments pursuant to [Section 18.4](#), or sales of the Products by Buyer to an Affiliate or to a consumer host customer in each instance for purposes of inclusion in a System to be installed by such Affiliate, host customer, or their contractors at a Project, Buyer covenants that it will not re-sell or distribute Products on a stand-alone basis to any other Person.

2.6 *Branding*. If Buyer uses the Enphase Trademarks in connection with its advertising, promotion and marketing of Systems which include the Products and the Enlighten Service in the Territory and in related brochures and other materials, Buyer shall comply with Seller's then current trademark usage policies and guidelines available at <http://enphase.com/legal>, subject to the terms and conditions of this Agreement. Buyer shall not alter or remove from the Products or Seller's Documentation any Enphase Trademark or Seller's trade name, patent, copyright or other proprietary notices, or other notices or markings, or add any other notices or markings to the Products or on Seller's Documentation.

ARTICLE 3 UNIT PRICE AND PAYMENT TERMS

3.1 *Unit Price; Favored Customer Pricing*.

3.1.1 *Unit Price and Contract Amount*. The unit price for each Product shall be as set forth in [Exhibit A](#) (the "*Unit Price*"). All Unit Prices are F.C.A. Seller's Facility (INCOTERMS 2010) and are subject to the inclusions and exclusions specified in [Section 3.2](#). The Contract Amount is the complete compensation for the sale and delivery by Seller of all Products to the Delivery Point under this Agreement.

3.1.2 *Annual Unit Price Modification*. No later than November 1 of each year during the Term, Buyer and Seller shall agree upon the Unit Price for each Product to be ordered under Purchase Orders for delivery to the Delivery Points in each calendar quarter of the next calendar year; *provided, however*, subject to [Section 9.2.3](#), under no circumstances shall any increase result in a Unit Price that exceeds those Unit Prices set forth in [Exhibit A](#) as of the Effective Date. The Parties agreement on revised Unit Prices shall be reflected in an amendment to [Exhibit A](#) pursuant to [Section 18.8](#).

3.1.3 *Favored Customer Pricing*. Based on the relationship between Buyer and Seller, Seller agrees to provide favored pricing to Buyer on the terms set forth in this [Section 3.1.3](#). Without limiting [Section 3.1.2](#), throughout the Term, Seller shall provide Buyer with ***.

The foregoing covenant shall not apply to Seller's sales of products to ***. By execution of each Purchase Order, Seller represents and warrants that the Unit Price for each Product being sold thereunder complies with the foregoing covenant. If Seller accepts a *** from any other such customer (other than ***), then (a) Seller shall promptly notify Buyer of the ***, (b) the *** that are functionally equivalent to the products offered or sold to such other customer shall be *** for *** so that the *** by such other customer (the ***), and (c) for Products that Seller has already purchased since the date on which the *** Buyer may *** that become due and owing under Invoices *** by such other customer and the applicable ***. The *** shall apply to all Products then subject to Purchase Orders and to all Products ***. Buyer and Seller shall make an adjustment on the Purchase Order, Order Acknowledgment or pricing information (whichever method is most easily managed by each parties order processing teams) to document such change in Unit Price. Buyer shall have the right to audit Seller's books and records pursuant to [Section 18.1](#) to confirm Seller's compliance with this [Section 3.1.3](#).

3.2 *Inclusions and Exclusions from Unit Prices*. Except as otherwise set forth in this [Section 3.2](#) or in [Exhibit A](#), the Unit Price includes all Taxes (other than U.S., State and local Taxes imposed on the sale or use of the Products), Product packaging, the Warranty, licensing fees, royalties or other similar charges of any and all kinds imposed with respect to the provision of any Products or otherwise with respect to the transactions contemplated hereby, including any increases in any of the same during the term of this Agreement. The Unit Prices and Contract Amount do not include all: (i) U.S. state and local Taxes imposed on the sale or use of the Products; and (ii) freight, transportation, shipping, transit insurance and similar costs and charges to ship the Products from the Delivery Point to the Destination Point. Responsibility for payment of Taxes is described further in [Section 3.9](#).

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3.3 Invoices. Buyer agrees to pay the Contract Amount to Seller in accordance with this Agreement. Upon the delivery of Products to the applicable Delivery Point set forth in the corresponding Purchase Order, Seller shall deliver an invoice to Buyer for that portion of the Purchase Order allocable to such delivered Products, which invoice shall (a) specify the related Purchase Order number pursuant to which the delivery of Products was made, (b) list the model number as set forth on Exhibit A for the Products delivered to the Delivery Point to which such invoice relates, and (c) set forth the applicable Unit Price, the Buyer's Taxes and loading and shipping costs, under the related Purchase Order (each, an "**Invoice**"). Buyer shall review the Invoice and if it determines that any of the information listed above is not set forth in the Invoice, then Buyer shall so notify Seller within five (5) Business Days. Seller's failure to list any amounts due by Buyer pursuant to this Agreement on an Invoice shall not be deemed a waiver of Seller's right to collect such amounts from Buyer. Upon Buyer's written request outlining the reasons for the request, Seller shall deliver to Buyer a waiver and release of liens conditioned only on payment in such form as shall be appropriate and customary under applicable Law, signed by a duly authorized officer or representative of Seller.

3.4 Payment. Payment is due on each Invoice, and shall be paid by Buyer, within *** (***) days following the date that Seller has (a) delivered Products to the Delivery Point, and (b) delivered the corresponding correct Invoice to Buyer in accordance with Section 3.3 (the "**Payment Date**"). All payments by Buyer to Seller hereunder shall be made by wire transfer of immediately available funds in accordance with Seller's wire instructions set forth in Exhibit D.

Seller may update such wire information by prior written notice to Buyer and without amendment to this Agreement.

3.5 Notice of Payment Disputes. On or before the Payment Date, Buyer may, in good faith, dispute such Invoice, including as to whether the delivery of Products has been achieved or the Products meet the requirements of this Agreement and the related Purchase Order, by providing Seller with written notice identifying the basis for such dispute. Thereafter, the payment of such disputed portions of the Invoice shall be deferred until such dispute has been resolved in accordance with the dispute resolution provisions in Article 13. Notwithstanding this Section 3.5, Buyer may not dispute such Invoice on grounds that it is missing information required by Section 3.3 if Buyer did not notify Seller thereof within the five (5) Business Day period set forth in Section 3.3.

3.6 Late Payments. Any undisputed amount not paid by Buyer to Seller when due shall accrue interest at the Late Payment Rate beginning on the date that is five (5) Business Days after Buyer has received Seller's written notice that such undisputed amount has not been paid. If there is a dispute about any amount Invoiced by Seller, the amount not in dispute shall be promptly paid as described in this Article 3. Should any disputed amount be determined to have been properly payable, such amounts shall accrue interest at the Late Payment Rate from the date on which such payment was properly payable until the date such payment is actually made. Late payments of any amounts payable by Seller hereunder shall be paid with interest at the Late Payment Rate from the date due until the date paid.

3.7 Reconciliation. From time-to-time, as reasonably requested by Buyer, Seller shall submit to Buyer (a) a statement summarizing and reconciling all previous invoices, payments relating to any Purchase Order, and (b) any additional information regarding the Products or Seller's performance hereunder with respect to such Purchase Order.

3.8 Payments Not Acceptance of Products. No payment made hereunder shall be considered or deemed to represent that Buyer has inspected the Products or checked the quality or quantity thereof and shall not be deemed or construed as approval or acceptance of any Products, or as a waiver of any claim or right that Buyer may then or thereafter have, including any rejection or warranty right.

3.9 Taxes.

3.9.1 Minimization of Taxes. The Parties shall cooperate with each other to minimize the Taxes owed by each Party to the extent legally permissible, including, without limitation, separately stating taxable charges on Invoices, supplying resale and exemption certificates, if applicable, and providing other information as reasonably requested.

3.9.2 Seller Taxes. Other than the Buyer Taxes, Seller shall be responsible for and pay all other Taxes, as required by applicable Law, incurred or payable in connection with Seller's performance of its obligations under this Agreement or the Products, including, without limitation, payment of all: (a) Taxes based on or related to the income, receipts, capital or net worth of Seller; (b) sales and use taxes assessed against Seller-owned, leased or rented equipment; and (c) all sales and use Tax or related items purchased by Seller in manufacturing the Products (collectively, the "**Seller Taxes**").

3.9.3 Buyer Taxes. Buyer shall, as required by applicable Law: (a) be responsible for and pay all Taxes based on or related to the income, receipts, capital or net worth of Buyer; and (b) be responsible for paying to Seller under Invoices and pursuant to Section 3.9.4, all sales and use Taxes related to Buyer's purchase of the Products (collectively, the "**Buyer Taxes**").

3.9.4 Seller's Payment of Sales and Use Taxes. Buyer shall remain liable at all times for all sales and use Taxes imposed upon the sale of the Products to Buyer (the "**Sales and Use Taxes**"). Provided that Seller has been able to collect the

Sales and Use Taxes from Buyer, then Seller shall pay such Sales and Use Taxes to the appropriate Governmental Authority on Buyer's behalf. If Seller has actually collected Sales and Use Taxes in excess of the amounts required to be paid to a Governmental Authority and has not yet paid such Governmental Authority, then Seller shall, within thirty (30) days of the discovery of such overpayment, refund to Buyer the difference between the amounts collected and the amounts due. If Seller has actually collected Sales and Use Taxes in excess of the amounts required to be paid to a Governmental Authority and has paid such Governmental Authority, then Seller shall, within thirty (30) days of the receipt of a refund from such overpayment from the Governmental Authority, refund to Buyer the difference between the amounts collected and the amounts due. If Seller has not actually collected Sales and Use Taxes in the amounts required to be paid to a Governmental Authority, then Buyer shall, within thirty (30) days of notice from Seller, pay to Seller the difference between the amounts due and the amounts collected and Buyer shall remain liable for all interest and penalties assessed by the applicable Governmental Authority due to such failure or delinquency.

ARTICLE 4 DELIVERY SCHEDULING

4.1 Delivery Scheduling and Coordination.

4.1.1 Delivery and Scheduling.

(a) *Delivery.* Seller shall deliver the Products under a Purchase Order to Buyer at the Delivery Point in accordance with Section 5.1, the Scheduled Ship Dates set forth in the applicable Order Acknowledgement, and the scheduling provisions of this Section 4.1.1. Seller acknowledges and agrees that time is of the essence with respect to each delivery of Products to the Delivery Point by the applicable Scheduled Ship Dates and that the Scheduled Ship Dates are established by Seller in each Order Acknowledgement so that, taking into account customary and reasonable transit times for delivery to the applicable Destination Points and subject to the occurrence of Force Majeure Events, are scheduled such that the Delivery Dates for the Products will fall within the applicable five (5) day period of the applicable Delivery Month pursuant to Section 2.1.5.

(b) *Required Lead Time; Rush Orders.* Unless consented to in writing by Seller, which shall include, without limitation, an Order Acknowledgement, the Delivery Dates in a Delivery Schedule will be no less than sixty (60) days after the date that the applicable Purchase Order is sent by Buyer to Seller pursuant to Section 2.1.2 ("**Required Lead Time**"). If Buyer submits a Purchase Order with a Delivery Schedule that does not allow for the Required Lead Time (each, a "**Rush Order**") and Seller accepts and issues an Order Acknowledgement, Seller shall use commercially reasonable efforts to fill any such Rush Order. Notwithstanding anything to the contrary in this Agreement, Seller shall be under no obligation to accept a Rush Order and shall not be in breach of this Agreement should it accept such Rush Order and fail to deliver the Products at the Delivery Point by the Scheduled Ship Date(s).

(c) *Deliveries Coordination.* Seller and Buyer will each use their commercially reasonable efforts to coordinate logistics related to delivery of the Products at the Delivery Point and shipment of the Products to the Destination Point, including through compliance with the procedures set forth in this Article 4 and Article 5.

4.1.2 Early Delivery. Notwithstanding Section 4.1.1(a), (i) Seller may deliver agreed quantities of Products on dates prior to the Scheduled Ship Dates if agreed to in advance in writing by the Parties, and (ii) the Parties may otherwise agree in writing on a delivery schedule for any Purchase Order different from the Delivery Schedule. Seller shall communicate any impact of such early delivery of the Products at the Delivery Point on the applicable Delivery Dates of such Products at their Destination Point(s). Any change to the Scheduled Ship Dates that would cause the Delivery Date(s) to be outside of the five (5) day periods set forth in Section 2.1.5 shall require Buyer's prior written consent.

4.2 Preferential Deliveries to Buyer. Consistent with the Most Favored Customer status that Seller grants to Buyer pursuant to Section 3.1.3, and without limiting any obligation of Seller or right of Buyer herein, if Seller cannot concurrently satisfy all then-effective Purchase Orders and then-effective binding orders from other customers, Seller shall *** of such Products under then-effective Purchase Orders with Buyer ***. After fulfilling its obligations in the foregoing sentence to Buyer, Seller may *** of its *** and to its *** on a ***; provided, however, Seller shall use its best efforts to ***.

ARTICLE 5 DELIVERY, ACCEPTANCE AND REJECTION, TITLE AND RISK OF LOSS

5.1 Delivery of Products, Shipment Protocol and Packaging.

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5.1.1 Delivery Point. All Products purchased by Buyer and sold by Seller under Purchase Orders entered pursuant to this Agreement shall be delivered by Seller to Buyer or its Carrier F.C.A. Seller's Facility (INCOTERMS® 2010) ("**Delivery Point**"). The Delivery Point may not be changed in a Purchase Order unless each Party indicates its agreement to such change by initialing such change in the Purchase Order, and Seller is not obligated to acknowledge a Purchase Order with a delivery point that is not the Delivery Point.

5.1.2 Transportation Arrangements. Seller, at Buyer's cost and expense, shall be responsible for making all transportation arrangements with Carriers in order to ship such Product from the Delivery Point to the Destination Point, all in accordance with the applicable Delivery Schedule, the Shipment Protocol, and the other provisions of this Section 5.1. If Buyer requires Seller to cancel its transportation arrangements with a Carrier in order to use a different Carrier, then Buyer shall be responsible for cancellation charges incurred by Seller. Seller shall employ the same level of care, diligence, inquiry and effort to minimize transportation costs that it would use if Seller were paying the costs thereof and bore the risk of loss during shipment (but in no event less than reasonable care). All Carriers shall carry liability insurance reasonably acceptable to Buyer, on an occurrence basis, with limits of no less than two million dollars (\$2,000,000) per occurrence and aggregate, covering the loss of the Products while in transit or otherwise in the Carrier's possession.

(a) *Carrier's Inspection*. Seller shall cause the Carrier to inspect the packaging of the Products prior to its loading of the Products, and the Carrier shall have the authority to reject Products on behalf of Buyer if the packaging is damaged or fails to conform to Section 5.1.4.

(b) *Documents of Title*. Seller shall provide the Carrier with a bill of lading, bill of sale or other document of title when the Products are delivered to the Carrier at the Delivery Point. To the extent not included in the foregoing, Seller shall provide an itemized list of all Products delivered to a Carrier for each shipment (which may include multiple trucks) in order to validate the quantity and type of Products delivered.

(c) *Buyer's Assumption of Transportation Arrangements*. At any time during the Term, upon written notice, Buyer may assume responsibility for transportation arrangements. In such case, the Parties will work together to ensure a seamless transition of responsibilities.

(d) *Cooperation with Claims*. Seller shall provide reasonable cooperation and assistance in connection with any claims by Buyer against any Carriers.

5.1.3 Notices. Seller shall provide written notice to Buyer and Carrier at least seven (7) days prior to each delivery of Products to the Delivery Point, which notice shall include an itemized list of Products being delivered. Seller shall notify Buyer, or cause the Carrier to notify Buyer, promptly following the delivery of each shipment of Products to a Carrier for shipment to Buyer. Such notice shall include the anticipated Delivery Dates. Buyer shall, and shall cause its Carrier to, keep Buyer reasonably informed regarding any changes to such anticipated Delivery Dates.

5.1.4 Packaging. Seller shall package, mark and handle all of the Products in accordance with prudent commercial practices in the United States solar industry and Seller's standard practices. All packaging (inner and outer cartons) shall identify the contents by manufacturing model number and serial number for each Product contained in such packaging, and all labeling shall be bar-coded.

5.1.5 Importer of Record. For all purposes hereunder and under applicable Law, Seller shall be the "importer of record" with respect to all Products delivered in the Territory.

5.1.6 Shipment Protocols. All deliveries of Products shall be made by Seller within the five (5) day time periods set forth in Section 2.1.5 and in accordance with the shipment protocols set forth in this Section 5.1.6 (the "**Shipment Protocol**") or as otherwise agreed by the Parties in writing.

(a) *Flow of Delivery Trucks at the Delivery Point*. Seller shall coordinate its Carriers so that they comply with the following requirements, unless such requirements are waived by Buyer's Representative in writing and in advance:

(i) Deliveries of Products to the Destination Point shall only occur on Business Days between the hours of 8:00 a.m. to 4:00 p.m., provided that deliveries at the Destination Point may occur later than 4:00 p.m. with reasonable prior notice to Buyer; and

(ii) No containers owned by Seller or the Carrier shall be left at the Destination Point.

(b) *Type of Delivery Truck*. A Seller's Representative and a Buyer's Representative will, in advance of delivery of the Products to the Delivery Point and in connection with Seller arranging transportation pursuant to Section 5.1.2, coordinate regarding the type of delivery truck to be used and any logistical limitations thereon based on the Destination Point.

(c) *Deliveries to Storage Facilities*. Without limiting anything else herein or in this Agreement, if the Destination Point is a storage facility, such deliveries shall comply with the requirements of the relevant storage facility.

5.2 Rejection of Products; Deemed Acceptance.

5.2.1 Rejection of Products.

(a) *Inspection.* Buyer shall use commercially reasonable efforts to inspect the Products within a reasonable period of time following arrival of the Products at the Destination Point.

(b) *Rejection.* Notwithstanding Section 5.2.1(a) or anything to the contrary in this Agreement or pursuant to applicable Laws (including, without limitation, New York Uniform Commercial Code § 2-602(1) or any state law equivalent to Section 2-602(1) of the Uniform Commercial Code), Buyer or its representatives may, by notice to Seller pursuant to Section 5.2.1(c), reject any non-conforming Product or shipments of Products up to the earlier of: (a) fifteen (15) days following the discovery of any Product that does not conform with the applicable Specification, the applicable Purchase Order, the applicable Warranty, or any other requirement set forth in this Agreement; (b) commencement of installation of the Product; or (c) sixty (60) days following the Delivery Date. Without limiting the generality of the foregoing, Buyer (or the Carrier on Buyer's behalf) may reject any Product if, after visual inspection of the Product or its packaging at the time that such Product is received by the Carrier, it appears that any portion thereof or the containers in which such items were shipped have been damaged. If Buyer rejects any Product, Buyer shall have the right to take the following actions, at Buyer's option: (i) retain the non-conforming Products in whole or in part with an appropriate adjustment in the price as mutually agreed upon by the Parties, in which case, Buyer shall, by its retention of the defective Products, waive all claims or liabilities related to, or resulting from, the failure of the Products to conform to the applicable Warranty, or (ii) require Seller to replace the rejected Product at Seller's sole cost and expense (including shipping and transportation costs to the nominated Destination Point) and promptly deliver the replacement Product to Buyer within thirty (30) days after receiving Buyer's written notice of rejection.

(c) *Notice of Rejection.* Buyer's notice of rejection shall include (i) a detailed description of the reason(s) for the rejection, (ii) if applicable, of the damage or defect to the Product, (iii) the location of the rejected Product, and (iv) the option selected by Buyer under clauses (i) or (ii) of Section 5.2.1(b).

(d) *Responsibilities Following Rejection; Impact of Rejection.* Upon any notice of rejection of any Product, Buyer shall have no further responsibility for the rejected Product other than those obligations set forth in the following sections of the New York Uniform Commercial Code §§ 2-602(2), 2-603, and 2-604, or any other state law equivalent to Sections 2-602(2), 2-603, and 2-604 of the Uniform Commercial Code, Unless Buyer elected to retain the non-conforming Products pursuant to Section 5.2.1(b)(i), Seller shall promptly arrange for the removal of such rejected Product at Seller's sole cost and expense. Title to the Product shall pass from Buyer to Seller at the time that Seller or Seller's agent picks-up the rejected Product from the Destination Point, and the fact that title is held by Buyer between notice of rejection and its passage Seller at such time shall not be deemed a violation by Buyer of New York Uniform Commercial Code § 2-602(2)(a) or any other state law equivalent to Section 2-602(2)(a) of the Uniform Commercial Code.

(e) *Disputes Regarding Buyer's Right to Reject.* If Seller believes that Buyer's rejection of a Product was wrongful, then Seller shall notify Buyer within fourteen (14) days of the date that the rejected Product was recovered by Seller or its agent from Buyer. Any dispute shall be resolved pursuant to Article 13. Should Buyer wrongfully reject a Product, Seller's rights with respect to such Product (but not the entire Agreement or other shipments of Products), shall be those set forth in New York Uniform Commercial Code § 2-703(d) or (e) or the equivalent state law incorporating 2-703(d) and (e) of the Uniform Commercial Code.

5.2.2 Acceptance. Any Products not rejected in accordance with Section 5.2.1 shall be deemed accepted by Buyer; provided, that such deemed acceptance shall not affect any right or remedy available pursuant to the Warranty applicable to the Product regardless of whether such right or remedy is exercised by Buyer or by any assignee or transferee permitted thereunder. Once accepted, any defects discovered in a Product shall be resolved pursuant to the terms and conditions of the applicable Warranty, and Buyer shall follow Seller's standard "**RMA Procedures**" for returning any non-conforming Products using Seller's. Delivery of a Product to the Carrier at the Delivery Point, or receipt by Buyer of a Product at the Destination Point, shall in no event be construed as Buyer's acceptance of the Product.

5.3 Transfer and Warranty of Title. Title to each Product shall pass from Seller to Buyer at the Delivery Point when such Products have been loaded on the Carrier's means of transport. Seller warrants good title to all Products furnished hereunder, and Seller warrants that title and ownership thereto shall pass to and vest in Buyer as described in this Section 5.3 free and clear of any and all Liens. For the avoidance of doubt, transfer of title to Products hereunder shall not affect Buyer's rights or Seller's obligations as set forth in other provisions of this Agreement (including Article 4, Article 7 and Article 8).

5.4 No Liens.

5.4.1 No Seller Liens; Removal. Seller shall not permit or suffer to exist any Lien, including a Lien of any Person claiming by, through or under Seller, its subcontractors, vendors or any Affiliate thereof, upon the Products, any Project incorporating such Products, or other property of Buyer or any Person to whom Buyer has assigned or otherwise transferred Products (each, a "**Seller Lien**"). If any such Lien is imposed or asserted, Seller shall promptly (but in any event within such period as to avoid a default by Buyer under any applicable financing agreement or contracts entered into by Buyer, in each case

as notified by Buyer to Seller) pay or discharge and discharge of record (including by recording a bond in the amount of at least 120% of the amount of such Seller Lien not paid or discharged to the extent permitted by and in accordance with applicable Law) any such Seller Lien or other charges which, if unpaid, might be or become a Seller Lien.

5.4.2 Buyer Right to Remove. Upon the failure of Seller to timely discharge or cause to be released any Seller Lien as required under Section 5.4.1, Buyer may, but shall not be obligated to, pay, discharge or obtain a surety bond for such Seller Lien and, upon such payment, discharge or posting of surety bond, shall be entitled to reimbursement from Seller of the amount equal to one-hundred fifty percent (150%) thereof together with all out-of-pocket expenses reasonably incurred by Buyer in connection with such payment, discharge or posting upon the submission of an invoice thereof to Seller setting forth all such amounts. Seller shall pay any such invoice from Buyer within thirty (30) Business Days from the date of the invoice.

5.4.3 Security Interests Created by Operation of Law. Seller shall be entitled to a Lien against the Products by operation of Law to secure payment for the Products, to the greatest extent permitted by applicable Law; provided however, that any such Lien with respect to one Product shall not apply to any other Product, and payment in full for one Product shall serve to release such Lien therein. There shall be no cross-collateralization of the Products.

5.5 Risk of Loss. Subject to Section 5.2.1, care, custody and control of the Products, and risk of loss to the Products, shall transfer from Seller to Buyer at the Delivery Point when such Products have been loaded on the Carrier's means of transport.

5.6 Serial Defects, Recalls. If at any time during the Term, Seller (a) receives *** regarding Products from Buyer arising out *** relating to *** of the Products that are under Seller's warranty sold to Buyer ***, or (b) recalls any Products sold to Buyer, then Buyer shall notify Seller. Upon such notification, the Parties shall meet to discuss the underlying issues related to problem that resulted in either (a) or (b). If Buyer believes that Seller is not addressing the issue in a manner that is reasonable to Buyer's position, Buyer may, upon written notice and without being in breach or default of its obligations under this Agreement or any Purchase Order: (i) suspend issuances of Purchase Orders for such Product; (ii) direct Seller to suspend deliveries of such Products to Carriers at the Delivery Point; (iii) reject shipments of such Products at the Destination Points and cause the Carriers to return the Products to Seller at Buyer's expense but without further liability to Seller under this Agreement; or (iv) notwithstanding Section 5.2, reject any such Products then in storage at Buyer's facility or any contracted storage facility and return such Products to Seller at Buyer's expense but without further liability to Seller under this Agreement. The foregoing remedies are not exclusive, and Buyer may elect to apply one remedy with respect to certain Products and a different remedy with respect to other Products. Seller shall perform or caused to be performed a root cause analysis with respect to the extensive component failures and provide Buyer with a written report explaining the likely causes of the serial defect and how Seller intends to address the matter. Buyer shall not be obligated to resume performance under this Agreement until Seller has supplied evidence reasonably satisfactory to Buyer to demonstrate the defect has been addressed with respect to manufacturing additional Products. Seller shall, at its sole cost and expense and without the need for Buyer to make a further claim under the Warranty, address the serial defect in each Product sold to Buyer under this Agreement. Seller may address the serial defect through repair, replacement, retrofit, refund or another remedy that Seller reasonably deems appropriate and technically feasible under its Warranty, provided that such solution addresses the defect. Buyer and Seller shall cooperate in good faith to effectuate the remedy elected by Seller. Buyer shall resume performance under this Agreement so long as Seller's efforts to correct the serial defect in Products that have been delivered under this Agreement are ongoing.

ARTICLE 6 INSPECTIONS AND TECHNICAL ASSISTANCE

6.1 Buyer Inspections and Testing.

6.1.1 Manufacturing Facility Inspections. In the event that Buyer experiences an unreasonable amount of failures of the Products, then Buyer (or its representatives) may (i) inspect Seller's Manufacturing Facility, including inspection of the production of the Products at Seller's Manufacturing Facility, in accordance with this Section 6.1 or (ii) perform an inspection of the Products and Seller's manufacturing and packaging procedures of those Products at Seller's Manufacturing Facility or Seller's Facility, either (i) or (ii) to be at a time that is mutually agreed to by the Parties. Seller shall make available to Buyer a representative of Seller to answer questions and demonstrate the quality control procedures at Seller's Manufacturing Facility or Seller's Facility, as applicable. Any representative of Buyer shall be obligated to sign a non-disclosure agreement in favor of Seller.

6.1.2 Costs and Expenses. Any inspection and quality control tests undertaken by Buyer or its representative shall (a) be undertaken at Buyer's cost and expense, and (b) be carried out in accordance with all applicable Laws and in such a manner as will not unreasonably interfere with the operation of Seller's Manufacturing Facility or Seller's Facility, as applicable.

Certain portions of this document have been omitted pursuant to a request for Confidential Treatment and, where applicable, have been marked with three asterisks (***) to indicate where omissions have been made. The confidential material has been filed separately with the Securities and Exchange Commission.

6.1.3 Discovery of Defects; Corrective Actions. In the event that any inspection or testing by Buyer indicates that any of the Products designated for a shipment are defective and/or do not comply with the Specifications, the applicable Purchase Order, the applicable Warranty, or any other requirement set forth herein, Buyer shall notify Seller of such defect or non-compliance, and Seller shall implement all necessary actions to ensure that the Products to be shipped to Buyer in accordance with this Agreement and the Purchase Orders comply with the Specifications, the applicable Purchase Order, the applicable Warranty, or such other applicable requirement set forth herein.

6.1.4 Inspections Not Waiver. Nothing in this Section 6.1 relating to any inspections or quality control tests undertaken with respect to Products, including any required replacement of Products that do not pass such inspection or testing, shall operate to relieve Seller's obligations to deliver the Products on a timely basis in accordance with Article 4 or to limit Buyer's termination rights pursuant to Article 10.

6.2 Seller Technical Assistance.

6.2.1 From time-to-time during the Term, Buyer may, in its discretion, send to Seller (a) requests for clarifications regarding the requirements of the Product Installation Manual and (b) technical drawings and other information relating to Buyer's proposed design or procedures for the installation of the Products into a Project, with the request that Seller confirm that installation in accordance with such technical drawings or other information is consistent with the Product Installation Manual and therefore would not, on its own, constitute the basis for an exclusion under the applicable Warranty. Seller shall promptly respond in writing to any such request. The failure of Buyer to make any requests for clarifications or to send technical drawings or other information to Seller pursuant to this Section 6.2.1 shall not operate to limit Seller's obligations under this Agreement or any Purchase Order, including with respect to the applicable Warranty.

6.2.2 To the extent not otherwise required of Seller under the terms of the applicable Warranty hereunder, Seller will use commercially reasonable efforts to provide Buyer with technical assistance and support with respect to the Products for the Warranty Period of the Products, including notifying Buyer of any (a) newly discovered material design defects or manufacturing defects affecting large quantities of products similar or identical to the Products and any proposed corrective approach; and (b) any software upgrades or other improvements; *provided, however*, except as specified in Section 5.6, the foregoing shall not obligate Seller to preemptively correct any potential defect before it arises under the Warranty or make such improvements or software upgrades available to Buyer without compensation.

ARTICLE 7 WARRANTIES

7.1 Warranty. Seller shall provide the Warranties with respect to the Products supplied pursuant to this Agreement delivered hereunder; provided, that nothing in the Warranties (including, without limitation, the disclaimer) shall be read or deemed to limit Seller's obligations or Buyer's rights as expressly set forth in this Agreement. The "**Warranty Period** for Microinverters purchased under a Purchase Order and Seller's standard limited warranty period is twenty (20) years from the Delivery Date of the applicable Microinverter. Should Buyer desire to extend the Warranty Period for one or more Microinverters from twenty (20) years to twenty-five (25) years from the Delivery Date thereof, Buyer may do so by submitting to Seller a report on a quarterly basis containing the serial numbers of Microinverters to be covered by a twenty-five (25) year Warranty Period; provided however, that Buyer may only make such an election during the first twelve (12) months from the Delivery Date. After receiving the report, Seller shall invoice Buyer for the amount of the additional five (5) years as set forth in Exhibit A (as amended from time to time). Payment terms on such invoices are net *** (***) days. The standard Warranty Period for Envoyos purchased under the Agreement is two (2) years from the date of that the Envoy is installed at the first end user location. Seller may make changes to the Warranties at any time during the Term, provided such changes do not have a material or adverse effect on the warranty rights of Buyer or any transferee of such Warranties.

7.2 Warranty Transferable. The Warranties shall be freely transferable by Buyer, without notice to or consent of Seller, to any subsequent owner of the Products at the original site of installation. Notwithstanding any such transfer, Buyer shall be a joint beneficiary of the Warranties supplied hereunder and shall have the same rights as any transferee, on behalf of such transferee, to make claims and obtain service, recoveries and other remedies under the Warranties with respect to the applicable Products; *provided*, that under no circumstance shall both Buyer and the applicable transferee be entitled to make claims and obtain service, recoveries and other remedies with respect to the same claim, defect or similar issue with respect to such Products.

7.3 Warranty Upgrades. If Seller materially changes the terms and conditions of its standard warranty that is applicable to products that are the same as the Products in a manner that is more favorable to its customers, upon Buyer's request, the Parties shall amend this Agreement to substitute such warranty (but such changes shall apply only for Products purchased after such material changes are made) for that set forth in Exhibit G, as applicable; *provided, however*, the foregoing obligation of Seller

to enter into an amendment shall not apply to extension of the warranty periods, but Seller agrees to negotiate in good faith with Buyer with respect to any such extensions.

ARTICLE 8 INDEMNIFICATION AND INSURANCE

8.1 Seller's General Indemnity. Seller shall defend, indemnify and hold harmless Buyer and its Affiliates, along with each of their respective officers, directors, partners, members, shareholders, agents, employees, successors, and assigns (collectively, the "**Buyer Indemnitees**"), from and against all third-party claims (including, without limitation, product liability claims), losses, damages, expenses and liability (including court costs and reasonable attorneys' fees) (collectively, the "**Losses**") brought against or incurred by any Buyer Indemnitee arising out of or relating to this Agreement or any Purchase Order to the extent such Losses are caused by or are the result of (a) any breach of this Agreement by Seller or its successors and assigns (collectively, the "**Seller-Related Persons**"), (b) breach of the Warranties, including manufacturing defects and design defects, (c) the negligence or willful misconduct of the Seller-Related Persons, (d) any product liability claims or other claims relating to the Products, including, without limitation, Seller's labeling on the Products or Seller's failure to withdraw or recall Products in a timely fashion, and (e) Seller's failure to pay Taxes for which it is responsible under this Agreement.

8.2 Seller's Hazardous Materials Indemnity. Seller shall defend, indemnify and hold harmless each Buyer Indemnitee from and against all claims, losses, fines, costs, penalties or expenses imposed upon any of them (including court costs and reasonable attorneys' fees), regardless of whether or not such claims, losses, fines, costs, penalties or expenses arise from or are incurred by third parties, that they may incur or suffer by reason of: (a) the existence in or any release from a Product of any Hazardous Material; (b) any enforcement or compliance proceeding commenced by or in the name of any Governmental Authority arising from or related to the existence in or any release from a Product of any Hazardous Material; and (c) any action reasonably necessary to abate, remediate or prevent a violation or threatened violation of any Applicable Law by any Buyer Indemnity with respect to the existence in or any release from a Product of any Hazardous Material.

8.3 Seller's Intellectual Property Rights Indemnity. Seller shall defend, indemnify and hold harmless the Buyer Indemnitees from (a) any breach of Seller's representations, warranties, covenants and obligations set forth in Section 16.1 and (b) any claim of any third party that any Product as furnished by Seller to Buyer under this Agreement infringes any Intellectual Property Rights of such third party. Without limiting the generality of the foregoing, Seller shall, at Seller's option and Seller's sole cost and expense, either (i) procure for Buyer the right to continue using the infringing Product or (ii) modify or replace the infringing Product so that it becomes non-infringing, in either case in a manner and time period that does not unreasonably interfere with Buyer's activities or operations. If in connection with any such claim the continued use of any Product is forbidden by any court of competent jurisdiction, and neither of the foregoing remedies under clauses (i) or (ii) are available, and provided that in no event may Seller take any action which adversely affects Buyer's continued use and enjoyment of the Products without the prior written consent of Buyer, Seller shall refund to Buyer the amounts paid by Buyer to Seller for the infringing Products, without reduction or offset, and shall provide any commercially reasonable assistance requested by Buyer in procuring a suitable replacement for the infringing Product.

8.4 Seller's Lien Indemnity. Seller shall defend, indemnify and hold harmless the Buyer Indemnitees from and against all claims, losses, fines, costs, penalties or expenses imposed upon any of them (including court costs and reasonable attorneys' fees) resulting from or related to any Seller Liens, regardless of whether or not such claims, losses, fines, costs, penalties or expenses arise from or are incurred by third parties.

8.5 Seller's Laws, Standards and Codes Indemnity. Seller shall defend, indemnify and hold harmless each of the Buyer Indemnitees from and against all claims, losses, fines, costs, penalties or expenses imposed upon any of them (including court costs and reasonable attorneys' fees) resulting from or related to any violation by the Seller-Related Persons of any applicable Law, Standard or Code, regardless of whether or not such claims, losses, fines, costs, penalties or expenses arise from or are incurred by third parties.

8.6 Buyer's General Indemnity. Buyer shall defend, indemnify and hold harmless Seller and its Affiliates, along with each of their respective officers, directors, partners, members, shareholders, agents, employees, successors, and assigns (collectively, the "**Seller Indemnitees**"), from and against all third-party Losses brought against or incurred by any Seller Indemnitee arising out of or relating to this Agreement or any Purchase Order to the extent such Losses are caused by (a) any breach of this Agreement by Buyer or its successors and assigns (collectively, the "**Buyer-Related Persons**") and (b) the negligence or willful misconduct of the Buyer-Related Persons.

8.7 Notice of Claim. A Buyer Indemnitee or Seller Indemnitee (each, an "**Indemnified Party**") shall, promptly after the receipt of notice of the commencement of any legal action or of any claims against such Indemnified Party in respect of which

indemnification may be sought pursuant to the provisions of this Article 8, notify Seller or Buyer, as the case may be (each, an "**Indemnifying Party**") in writing thereof, provided that the failure of an Indemnified Party promptly to provide any such notice shall only reduce the liability of the Indemnifying Party by the amount of any damages attributable to the failure of the Indemnified Party to give such notice in such manner. In case any such claim or legal action shall be made or brought against an Indemnified Party and such Indemnified Party shall notify the Indemnifying Party thereof, the Indemnifying Party may, or if so requested by the Indemnified Party shall, assume the defense thereof and after notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense thereof with legal counsel reasonably satisfactory to the Indemnified Party, the Indemnifying Party will not be liable to the Indemnified Party under this Article 8 for any legal fees and expenses subsequently incurred by such Indemnified Party in connection with the defense thereof. If the Indemnifying Party does not assume the defense of any such claim or legal action, then the Indemnifying Party shall remain liable to such Indemnified Party for any legal fees and expenses incurred by such Indemnified Party in connection with the defense thereof. No Indemnified Party shall settle any indemnified claim over which the Indemnifying Party has not been afforded the opportunity to assume the defense. The Indemnifying Party shall control the settlement of all claims over which it has assumed the defense; provided, that the Indemnifying Party shall not conclude any settlement which requires any action or forbearance from action by an Indemnified Party, or any payment by an Indemnified Party, without the prior approval of the Indemnified Party. The Indemnified Party shall provide reasonable assistance to the Indemnifying Party as reasonably requested by the Indemnifying Party, at the Indemnifying Party's sole cost and expense, in connection with such legal action or claim. For claims over which the Indemnifying Party has assumed the defense, the Indemnified Party shall have the right to participate in and be represented by counsel of its own choice and at its own expense.

8.8 Term of Indemnities. Notwithstanding any other provision in this Agreement to the contrary, the indemnification obligations and rights set forth in this Article 8 shall survive the expiration or other termination of this Agreement, and Buyer's acceptance of any Products shall not be construed to relieve Seller of any obligation under this Article 8.

8.9 Insurance. Seller shall maintain in effect insurance in accordance with the provisions of Exhibit H throughout the Term. Seller shall comply with the terms of any policy required to be maintained by Seller in connection with this Agreement. Seller shall provide to Buyer an insurance certificate meeting the requirements of Exhibit H by the earlier of (i) ten (10) days after the Effective Date and (ii) within five (5) days of the date of the first Purchase Order delivered by Buyer hereunder.

8.10 Setoff. In the event that Seller owes to Buyer any amounts and only in the event of Seller's breach of Sections 10.1.2(a) or 10.1.2(b), then Buyer may set off such amounts (including any awarded attorney's fees and costs) against any amounts then due and owing (or that become due and owing) to Seller; provided, however, that Buyer has given Seller at least five (5) Business Days' notice of its intent to set off pursuant to the terms of this Section 8.10.

ARTICLE 9

COMPLIANCE WITH LAWS AND STANDARDS AND CODES

9.1 Generally. Seller shall at all times comply, and shall ensure that the Products when delivered comply, with all Laws and Standards and Codes applicable to the design, manufacture and intended use of the Products, the delivery thereof, and the performance by Seller of its other obligations hereunder.

9.2 Changes in Law.

9.2.1 Notices of Changes in Laws or Standards and Codes. In the event that any change in any applicable Law or Standards and Codes applicable to the Products or their manufacturing are enacted or otherwise approved after the Effective Date and such change requires or makes advisable any modifications in the design, manufacturing, delivery, installation, operation or other use of the Products, Buyer or Seller, as the case may be, shall reasonably promptly notify the other thereof in writing upon its discovery of such change in Laws or Standards and Codes.

9.2.2 Modification of Scheduled Ship Dates; Buyer's Rights. If any such modification is required by any such Law or Standards and Codes and Seller has received notice thereof, then the Parties agree to resolve how Seller shall make any such modification, if practicable, at its sole cost and expense, subject to Section 9.2.3. If Seller fails to modify the Products to comply with applicable Laws or Standards and Codes in effect as of the applicable Scheduled Ship Date, or fails to give written assurances that such Products (when delivered at the Delivery Point) will comply with the then-effective Laws or Standards and Codes, then Buyer shall have the right to cancel the applicable Purchase Order. Should Seller tender Products at the Delivery Point that fail to comply with the then-effective Laws or Standards and Codes, Buyer shall have the right to reject such non-conforming Products pursuant to Section 5.2.

9.2.3 Modification of Unit Prices. In the event that a change in any Law or Standards and Codes requires substantial modifications to a Product's design, materials or its manufacturing process (operational expenditures, but not capital expenditures) then the Parties shall promptly meet and work to resolve the cost of any such modifications and how it might impact the overall price for the Product. Any adjustment in the Unit Price pursuant to this Section 9.2.3 shall in all cases be reflected in an amendment to Exhibit A pursuant to Section 18.8 (which, subject to Buyer's right to terminate below, the Parties

shall promptly execute following resolution of any disagreements) and the revised Unit Prices shall only apply to Purchase Orders issued by Buyer after the date of such amendment. Should the Parties fail to agree on an amendment, or if Buyer determines it no longer desires to purchase the Product given the changes in the Product Specifications or manufacturing process, Buyer may, at Buyer's discretion, either (a) terminate this Agreement by notice to Seller, or (b) elect by written notice to Seller to continue with this Agreement, and in such case, (i) Buyer shall be relieved of its obligation to use commercially reasonable efforts to purchase certain quantities of Products as set forth in Section 2.3, and to purchase minimum quantities as set forth in the then-applicable Rolling Forecasts pursuant to Sections 2.2.1 and 2.2.2, (ii) thereafter, Buyer may (but is not required to) submit Purchase Orders to purchase Products at the adjusted Unit Prices established by Seller, and Seller may accept or reject such Purchase Orders on a case-by- case basis depending on Product availability at the time Buyer issues its Purchase Order, and (iii) the provisions of Section 2.2 and 2.3 will no longer apply. If Buyer elects to terminate this Agreement pursuant to clause (a), such termination shall be deemed a "no fault" termination, and neither Party shall have liability to the other Party except to the extent arising prior to the termination date or if a Party fails to comply with its obligations that survive termination of this Agreement. Nothing in this Section 9.2 shall limit Seller's obligations under Section 9.1.

ARTICLE 10 DEFAULT, TERMINATION AND SUSPENSION

10.1 Events of Default. The following conditions, events and occurrences shall each be an "*Event of Default*" for all purposes hereunder:

10.1.1 *Buyer Events of Default*. With respect to Buyer:

(a) Buyer fails to make payment of any amount payable to Seller when due under this Agreement or any Purchase Order, which failure continues for ten (10) Business Days after receipt of written notice of such non-payment from Seller;

(b) Buyer fails to cure a material breach or default in the performance of its obligations under this Agreement or any Purchase Order not otherwise specifically addressed in this Section 10.1.1 within thirty (30) days after receipt of written notice of such material breach or default from Seller; provided, that if such breach or default cannot be remedied with reasonable diligence within such thirty (30) day period, so long as Buyer timely commences curing such material breach or default and proceeds with reasonable diligence thereafter to prosecute such cure, than the period for such cure shall be extended for a reasonable period of time not to exceed ninety (90) days;

(c) Buyer files a petition in bankruptcy, files a petition seeking reorganization, arrangement, composition or similar relief, or makes a general assignment for the benefit of creditors, or if any involuntary petition or proceeding under bankruptcy or insolvency laws is instituted against Buyer and not stayed, enjoined or discharged within ninety (90) days;

(d) If any representation or warranty made by Buyer herein was materially false or misleading when made, and Buyer fails to remedy such materially false or misleading representation or warranty within thirty (30) days after receipt of written notice of the particulars of such materially false or misleading representation or warranty from Seller;

(e) Buyer's breach of or default under Section 15.2.2 or 15.2.3; or

(f) Buyer's assignment of this Agreement other than in strict compliance with the requirements of Section 18.4.

10.1.2 *Seller Events of Default*. With respect to Seller:

(a) Seller fails to make payment of any amount payable to Buyer when due under this Agreement, which failure continues for ten (10) Business Days after receipt of written notice of such nonpayment from Buyer;

(b) Seller fails to cure a material breach or default in the performance of its obligations under this Agreement or any Purchase Order not otherwise specifically addressed in this Section 10.1.2 within thirty (30) days after receipt of written notice of such material breach or default from Buyer; provided, that if such breach or default cannot be remedied with reasonable diligence within such thirty (30) day period, so long as Seller timely commences curing such material breach or default and proceeds with reasonable diligence thereafter to prosecute such cure, than the period for such cure shall be extended for a reasonable period of time not to exceed ninety (90) days;

(c) For at least *** percent (***) of deliveries made in the course of one (1) calendar quarter, Seller fails to deliver Products to the Delivery Point on the applicable Scheduled Ship Dates, and, as a result, such Products are not delivered to the applicable Destination Point within *** (***) Business Days of the date set forth in the Delivery Schedule (subject to delays caused by a Force Majeure Event or the Carrier's failure that is unrelated to Seller's late delivery);

Certain portions of this document have been omitted pursuant to a request for Confidential Treatment and, where applicable, have been marked with three asterisks (***) to indicate where omissions have been made. The confidential material has been filed separately with the Securities and Exchange Commission.

(d) Seller files a petition in bankruptcy, files a petition seeking reorganization, arrangement, composition or similar relief, or makes a general assignment for the benefit of creditors, or if any involuntary petition or proceeding under bankruptcy or insolvency laws is instituted against Seller and not stayed, enjoined or discharged within ninety (90) days;

(e) If any representation or warranty made by Seller herein was materially false or misleading when made, and Seller fails to remedy such materially false or misleading representation or warranty within thirty (30) days after receipt of written notice of the particulars of such materially false or misleading representation or warranty from Buyer;

(f) Seller's breach of or default under Sections 15.2.2, 15.2.3, or 16.3 (no cure period);

(g) Seller's assignment of this Agreement other than in strict compliance with the requirements of Section 18.4 (no cure period);

(h) If Seller (i) offers a *** to a customer (and another customer accepts such ***), (ii) fails to notify Buyer in breach of its obligation to do so set forth in Section 3.1.3 such that Buyer discovers the breach either by audit, from a third party or in any other manner, (iii) the foregoing occurs on *** during the Term (no cure period); and

(i) Seller fails to issue an Order Acknowledgement as required pursuant to Section 2.1.3 after (i) Buyer resubmits the Purchase Order after five (5) Business Days elapse following the initial Purchase Order, (ii) five (5) additional Business Days elapse since such resubmission without Buyer's receipt of the Order Acknowledgement or a proper rejection from Seller, (iii) thereafter, Buyer delivers a notice citing Seller's breach of Section 2.1.3, and (iv) and such failure to issue an Order Acknowledgement continues for a period of ten (10) additional Business Days after receipt of such notice from Buyer.

10.2 Remedies for Event of Default.

10.2.1 Upon the occurrence of an Event of Default, the non-defaulting Party may (a) terminate this Agreement, or, at its election, one or more Purchase Orders affected by such Event of Default, (b) seek specific performance of the defaulting Party's obligations hereunder, (c) suspend performance under the Agreement or any Purchase Order until the defaulting Party cures such default, provided that Seller shall not suspend its obligations to perform Warranty service or to provide the Services set forth in Section 17.1 (unless, with respect to Section 17.1, Buyer's Event of Default is its failure to pay for the Enlighten service and such suspension occurs consistent with Section 17.1); or (d) seek any other legal or equitable remedy available to such non-defaulting Party under applicable Laws. In addition, in the event of a Seller's Event of Default, Buyer may exercise its rights pursuant to Section 16.3. For clarity, for a Seller Event of Default set forth in Section 10.1.2(h), in addition to termination of this Agreement and any other right or remedy available to Buyer under applicable Law or equity, the Parties agree that the amounts payable under Section 3.1.3 shall promptly be paid by Seller to Buyer.

10.2.2 Any termination for an Event of Default shall be without prejudice to any other right or remedy the non-defaulting Party may have under this Agreement or at Law or in equity (including the remedy of contract damages), and no such remedy shall be exclusive of any other remedy except as otherwise expressly set forth herein.

10.3 Termination for Force Majeure. If a Force Majeure Event affects the performance of the claiming Party for ninety (90) consecutive days, the non-claiming Party may terminate this Agreement or an affected Purchase Order upon not less than thirty (30) days prior written notice to such Party.

10.4 Limited Continuation at Buyer's Election. If this Agreement is terminated by Buyer due a default of Seller pursuant to Sections 10.1.2(a), (c) or (d), then Buyer shall have the option, in its sole discretion, to continue to submit Purchase Orders for Products (and Seller shall have the obligation to continue to accept such Purchase Orders) pursuant to Section 2.1 wherein the Delivery Schedule for all such Purchase Orders provides for delivery to the Delivery Point on or before the first anniversary of the effective date of any such termination. If Buyer so-elects to continue to purchase Products then, notwithstanding such termination, this Agreement, except for Sections 3.1.3, 7.3, 9.2, 17.2, 18.1, shall continue in full force and effect solely with respect to purchases of Products during such period, and any other provision applicable to other Products or periods shall survive such termination or expiration only to the extent expressly set forth herein. During such period, the Unit Price shall remain the same as on the date immediately prior to the day of termination by Buyer.

ARTICLE 11 LIMITATIONS AND EXCLUSIONS ON LIABILITY

11.1 Limitation on Consequential Damages. IN NO EVENT SHALL EITHER PARTY BE RESPONSIBLE UNDER ANY PROVISION OF THIS AGREEMENT OR OTHERWISE WITH RESPECT TO THE PRODUCTS, FOR ANY CONSEQUENTIAL,

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INCIDENTAL, INDIRECT, SPECIAL OR PUNITIVE DAMAGES, ANTICIPATED OR LOST PROFITS, LOSS OF TIME, OR OTHER SIMILAR LOSSES OF ANY KIND INCURRED BY THE OTHER PARTY IN CONNECTION WITH SUCH PARTY'S PERFORMANCE OR NON-PERFORMANCE UNDER THIS AGREEMENT.

11.2 Limitation on Aggregate Liability. EACH PARTY'S ENTIRE AND AGGREGATE LIABILITY FOR ALL CLAIMS MADE BY ONE PARTY AGAINST THE OTHER PARTY ARISING FROM THIS AGREEMENT SHALL NOT EXCEED THE GREATER OF: (a) *** DOLLARS (\$***); OR (b) *** (***)% OF THE ANNUAL CONTRACT AMOUNT.

11.3 Exclusions from Limitations. NOTHING IN THIS ARTICLE 11 SHALL BE DEEMED OR CONSTRUED TO LIMIT (a) RECOVERY OF AMOUNTS OWED TO A THIRD PARTY THAT MAY BE RECOVERABLE FROM THE OTHER PARTY PURSUANT TO ANY INDEMNITY UNDER ARTICLE 8, (b) LIABILITY ARISING FROM A PARTY'S GROSS NEGLIGENCE,

WILLFUL MISCONDUCT, INTENTIONAL BREACH, FRAUD, OR ILLEGAL OR UNLAWFUL ACTS, (c) AMOUNTS DUE TO SELLER FOR UNPAID INVOICES, OR (d) SELLER'S WARRANTY OBLIGATIONS SET FORTH IN Article 7 AND EXHIBIT G. THE LIMITS OF LIABILITY SET FORTH IN THIS AGREEMENT SHALL NOT BE REDUCED BY THE AMOUNT OF INSURANCE PROCEEDS AVAILABLE TO THE INDEMNIFIED PARTY.

11.4 No Limitation on Remedies. Except where this Agreement states that the applicable remedy set forth herein is the sole or exclusive remedy (or words of similar import) for such event, the rights and remedies of the Parties with respect to this Agreement in relation to such event are in addition to, and shall not be read or deemed a limitation on, those rights and remedies that may be available to a Party at law or in equity.

11.5 Supremacy. The provisions of this Article 11 shall prevail over any conflicting or inconsistent provisions contained elsewhere in this Agreement or in any Purchase Order.

ARTICLE 12 REPRESENTATIONS AND WARRANTIES

12.1 Representations and Warranties by Seller. Seller hereby represents and warrants to Buyer, as of the Effective Date, and as of the date of each Order Acknowledgement, as follows; *provided, however*, that if, as of the date of each Order Acknowledgement, Seller is in breach of this Section 12.1 but such breach would not have a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations, or condition (financial or otherwise) of Seller and its Affiliates taken as a whole, or (b) the ability of Seller to perform its obligations under this Agreement, then such breach shall not be an Event of Default:

12.1.1 Due Organization; Good Standing. Seller is a corporation duly organized, validly existing and in good standing under the laws of Delaware and is qualified to do business in California and in each other jurisdiction where failure to so qualify would have a material adverse effect on its ability to perform its obligations under this Agreement.

12.1.2 Due Authorization. The execution, delivery and performance of this Agreement by Seller have been duly authorized by all necessary corporate action on the part of Seller and do not and will not require the consent of any other Person except for any consents that have been obtained.

12.1.3 Execution and Delivery. This Agreement has been duly executed and delivered by Seller. This Agreement constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general equitable principles.

12.1.4 Governmental Approvals. No Governmental Approval is required on the part of Seller in connection with the execution, delivery and performance of this Agreement, except those which have already been obtained or which Seller anticipates will be timely obtained in the ordinary course of performance of this Agreement and before being required by applicable Law.

12.1.5 No Conflict; No Liens. The execution, delivery and performance by Seller of this Agreement will not (a) conflict with or cause any default under (i) its organizational documents, (ii) any indebtedness or other obligation of Seller or any contract to which Seller is a party or by which it or its properties may be bound or (iii) any applicable Law governing Seller or Seller's performance hereunder or (b) subject Buyer or any Project or any component thereof (including the Products) to any Lien.

12.1.6 No Litigation. There are no actions, suits, proceedings, patent or license infringements, or investigations pending or, to Seller's knowledge, threatened against it or its Affiliates at law or in equity before any Governmental Authority that individually or in the aggregate could result in a materially adverse effect on the business, properties or assets or the

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condition, financial or otherwise, of Seller or in any impairment of Seller's ability to perform its obligations under this Agreement. Seller has no knowledge of any violation or default with respect to any order, writ, injunction or decree of any court or any other Governmental Authority that may result in any such materially adverse effect or such impairment.

12.1.7 Solvency. Without limiting the generality of Section 12.1.6:

(a) No petition or notice has been presented, no order has been presented, no order has been made and no resolution has been passed for the bankruptcy, liquidation, winding-up or dissolution of Seller.

(b) No receiver, trustee, custodian or similar fiduciary has been appointed over the whole or any part of the Products, including any Intellectual Property Rights embodied or used therein, or the income or assets of Seller.

(c) Seller has no plan or intention of, nor has received any notice that any other Person has any plan or intention of, filing, making or obtaining any such petition, notice, order or resolution or of seeking the appointment of a receiver, trustee, custodian or similar fiduciary.

(d) Seller is solvent, is able to pay its debts as they become due, has capital sufficient to carry on its current business and all businesses in which Seller is about to engage, and now owns property having a value both at fair valuation and at present fair salable value greater than the amount required to pay Seller's debts.

12.1.8 Hazardous Materials. Without limiting the generality of Section 12.1.6, Seller has not received notice of any claims related to Hazardous Materials in the Products, nor, to Seller's knowledge, is there any event, circumstance or fact that could reasonably form the basis for such a claim.

12.2 Representations and Warranties by Buyer. Buyer hereby represents and warrants to Seller as follows:

12.2.1 Due Organization; Good Standing. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is qualified to do business in California and where failure to so qualify would have a material adverse effect on its ability to perform its obligations under this Agreement.

12.2.2 Due Authorization. The execution, delivery and performance of this Agreement by Buyer have been duly authorized by all necessary company action on the part of Buyer and do not and will not require the consent of any trustee or holder of any indebtedness or other obligation of Buyer or any other party to any other contract with Buyer, except for any such consents that have been obtained.

12.2.3 Execution and Delivery. This Agreement has been duly executed and delivered by Buyer. This Agreement constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general equitable principles.

12.2.4 Governmental Approvals. No Governmental Approval is required on the part of Buyer in connection with the execution, delivery and performance of this Agreement except those which have already been obtained or which Buyer anticipates will be timely obtained in the ordinary course of performance of this Agreement and before being required by applicable Law.

12.2.5 No Conflict. The execution, delivery and performance by Buyer of this Agreement will not conflict with or cause any default under (i) its organizational documents, (ii) any indebtedness or other obligation of Buyer or any contract to which Buyer is a party or by which it or its properties may be bound or (iii) as of the date hereof, any applicable Law governing Buyer or the performance of its obligations hereunder.

12.2.6 No Litigation. There are no actions, suits, proceedings, patent or license infringements, or investigations pending or, to Buyer's knowledge, threatened against it or its Affiliates at law or in equity before any Governmental Authority that individually or in the aggregate could result in any materially adverse effect on the business, properties or assets or the condition, financial or otherwise, of Buyer or in any impairment of Buyer's ability to perform its obligations under this Agreement. Buyer has no knowledge of any violation or default with respect to any order, writ, injunction or decree of any court or any other Governmental Authority that may result in any such materially adverse effect or such impairment.

ARTICLE 13 DISPUTE RESOLUTION

13.1 Dispute Resolution, Consent to Jurisdiction and Equitable Remedies.

13.1.1 If a dispute arises between Seller and Buyer in any way arising out of or relating to this Agreement, the disputing Party shall promptly provide written notice to the other Party of the dispute (a "**Notice of Dispute**"). Within five (5) Business Days of the receipt of such Notice of Dispute, the Parties shall meet to negotiate in good faith to resolve the

dispute quickly and with minimal costs to the Parties. If the Parties shall have failed to resolve any such dispute within thirty (30) days after receipt of the Notice of Dispute, either Party may bring suit in the United States District Court for the District of New York, or if such court does not have jurisdiction over such dispute, in the District Court of the State of New York, in each case located in New York City, which courts shall have exclusive jurisdiction with respect to all disputes arising out of or relating to this Agreement or any Purchase Order. By execution and delivery of this Agreement, each of the Parties hereby accepts the exclusive jurisdiction of the United States District Court for the District of New York, or if such court does not have jurisdiction over such dispute, in the District Court of the State of New York, in each case located in New York City.

13.1.2 Each Party irrevocably agrees to be bound by any final judgment (subject to any appeal available pursuant to applicable Law) of the applicable court determined in accordance with Section 13.1.1. Each Party irrevocably waives, to the fullest extent permitted by Law, any claim that any such suit brought in any such court has been brought in an inconvenient forum. Each of the Parties hereto knowingly, voluntarily, intentionally and irrevocably waives any right it may now or hereafter have to a trial by jury in any litigation based herein, or arising out of, under, or in respect of this Agreement, or any course of conduct, course of dealing, statements (whether oral or written) or actions of the Parties hereto.

13.1.3 Notwithstanding any provision in this Agreement, the Parties understand and agree that any breach or threatened breach of this Agreement by Seller may result in irreparable injury to Buyer, that any remedy available to Buyer at Law in relation to such breach or threatened breach would be an inadequate remedy for such breach or threatened breach and that, in addition to any other remedies Buyer has under this Agreement or any Purchase Order or under Law for such breach or threatened breach, Buyer shall be entitled at any time to seek to enforce the specific performance of this Agreement and the applicable Purchase Orders by Seller through injunctive relief, without the necessity of proving actual damages or posting a bond and without limitation of the right to recover such damages.

13.2 Continued Performance During Dispute Resolution. During the pendency of any dispute, the Parties shall continue to timely and diligently perform any obligation under this Agreement that is not the subject of a dispute; *provided, however*, if Buyer fails to timely make payment on an invoice without disputing such invoice pursuant to Section 3.5, Seller may reject any Purchase Orders issued by Buyer until Buyer pays such overdue amounts (including amounts owed for Enlighten pursuant to Section 17.1.1) and any interest thereon in full. Without limiting the foregoing, Seller shall continue performing its warranty obligations and its obligations under Article 17.

ARTICLE 14 FORCE MAJEURE

14.1 Force Majeure Events. Performance under this Agreement shall be excused due to, and a Party shall not be liable for or deemed in breach of this Agreement because of, any failure or omission to carry out or observe its obligations under this Agreement, to the extent that such performance is rendered impossible or delayed by fire, flood, act of God or the public enemy, act of a Governmental Authority (other than in respect of the failure of a Party to comply with applicable Law), national or regional labor difficulties, riot, perils of the sea, or any other extraordinary event where the failure to perform or the delay is beyond the reasonable control of, and could not have been reasonably foreseen by, the nonperforming Party; provided that such event is not caused by or attributable to the negligence or fault of, or breach of its obligations hereunder by, such Party, and could not have been avoided by prudent commercial practices (any such event, a "**Force Majeure Event**"). Force Majeure Events shall not include: (a) mechanical or equipment failures (except to the extent any such failure is itself caused by a Force Majeure Event); (b) delays in customs clearance (except to the extent any such delay is itself caused by a Force Majeure Event); (c) any delays or other problems associated with the issuance, suspension, renewal, administration or withdrawal of, or any other problem directly or indirectly relating to, any Governmental Approval or the applications therefor where such delays or problems are within the affected Party's reasonable control; (d) labor strikes or other labor difficulties that are not of a general and widespread nature or are specific to the affected Party's personnel or facilities; (e) any weather condition unless of a catastrophic nature or listed above; (f) lack of financial resources, cost increases in commodities or labor, or other economic conditions; and (g) failure of raw or finished material supply, unless such failure was itself the result of a Force Majeure Event.

14.2 Notice of Force Majeure Events. As a condition to claiming a Force Majeure Event, the claiming Party shall promptly give the other Party a written notice describing the particulars of the Force Majeure Event of the occurrence of any such Force Majeure Event, including an estimate of the expected duration and the probable impact of the Force Majeure Event on the performance of such Party's obligations hereunder. The Parties agree to use reasonable efforts to notify each other of potential Force Majeure Events and update each other on developments regarding potential Force Majeure Events. The Party claiming the Force Majeure Event shall have a continuing obligation to deliver to the other Party regular updated reports supporting its claim regarding a Force Majeure Event promptly after such information is available to such Party and until such time as the Force Majeure Event is no longer in effect.

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14.3 Mitigation. The impact of the Force Majeure Event on a Party's performance shall be of no greater scope and no longer duration than is reasonably required by such event. The Party claiming a Force Majeure Event shall have a duty to alleviate and mitigate the cause and effect, including duration, costs and Delivery Schedule impacts, in each case arising from such Force Majeure Event, and to resume performance of its affected obligations under this Agreement and the affected Purchase Orders promptly after being able to do so. The burden of proof with respect to a Force Majeure Event shall be on the Party claiming the same.

ARTICLE 15 CONFIDENTIALITY

15.1 Ratification of NDA. The Parties acknowledge and agree that the provisions of the NDA shall apply this Agreement, including with respect to all Confidential Information, and the term of such NDA shall extend for a period of two (2) years beyond the last day of the Term (including any extension pursuant to Section 10.4).

15.2 Additional Provisions. The provisions of this Section 15.2 shall supplement the provisions in the NDA, and in the event of a conflict, the provisions of this Section 15.2 shall prevail.

15.2.1 Ownership of Confidential Information.

(a) Each Party shall retain all right and title to, and interest in, its own Confidential Information as of the Effective Date.

(b) All Confidential Information obtained, developed or created by or specifically for Buyer in connection with and relating solely to its performance of this Agreement, a Purchase Order or a Project hereunder, including copies thereof, is the exclusive property of Buyer. No right or license is granted to Seller or any third party respecting the use of such Confidential Information, or any of Buyer's Confidential Information, except as expressly set forth in this Agreement or any Purchase Order and otherwise solely to the extent necessary for Seller's performance of its obligations hereunder. Seller shall deliver the Buyer's Confidential Information, including all copies thereof, to Buyer upon its request.

(c) Without limiting the generality of Section 15.2.1(a): (i) as between Buyer and Seller, Buyer shall have exclusive ownership of all information, data, and documents relating to the Projects in which any of the Products are installed; and (ii) in no event shall Buyer be deprived of its rights to the energy production data, customer data, or any other information ("**Data**") that may be stored in or accessible by any Products with respect to Systems owned or operated by Buyer; *provided, however*, that Seller shall have the right to use Data pursuant to the terms of Section 16.4, but only if and to the extent that (A) the Data is aggregated and (B) the Data does not identify Buyer or any customer of Buyer. Seller hereby disclaims any and all other right, title or interest in and to all such Data.

15.2.2 Confidentiality of Agreement. Each Party shall keep the terms of this Agreement and all Purchase Orders confidential, unless (a) the other Party consents in writing to such disclosure in advance, (b) disclosure is required by lawful subpoena of a Governmental Authority or pursuant to rules or regulations of a Governmental Authority, including, without limitation, the Securities and Exchange Commission or similar state securities authority, or (c) otherwise provided in this Section 15.2.2. If a Party is compelled by Law to disclose the terms of this Agreement or a Purchase Order, except in the case of disclosure required by the Securities and Exchange Commission or state securities authority, the Parties shall cooperate in seeking a protective order or other order limiting disclosure. If a protective order or a similar order limiting disclosure is not obtained, the compelled Party shall furnish only that portion of the terms of this Agreement that, upon the advice of its legal counsel, it is legally required to disclose. Without the prior consent of the other Party, (i) each Party may disclose the terms of this Agreement to its employees, partners, auditors, consultants, accountants, financial institutions or advisors, investment partners, Financing Parties, attorneys, and other third party advisors, provided such disclosure is on a "need-to-know" basis and such Persons are legally bound by a contractual or professional obligation to keep this Agreement confidential and to not further disclose the terms of this Agreement, and (ii) the Parties may file this Agreement with the Securities and Exchange Commission, provided that such Party filing this Agreement shall work with the other Party to determine what information (such as pricing and other proprietary business information) will be the subject of "CTR."

15.2.3 Publications and Announcements. No Party shall make a public announcement or issue a press release about this Agreement, the transactions set forth herein, the terms and conditions of this Agreement, or the Party's relationship without the prior written consent of the other Party. Each Party shall coordinate with the other Party with respect to, and provide advance copies to such other Party for review of, the text of any proposed announcement or publication that may include any non-public information concerning this Agreement or the activities or obligations of any Party hereunder prior to the dissemination thereof to the public or to any Person other than such announcing Party's employees, contractors, subcontractors, representatives, agents or Affiliates, in each case, who agree in writing to keep such information confidential. The non-announcing Party shall deliver written notice to the announcing Party of any objections to the proposed announcement or

publication within a reasonable period of time after receiving the advance copy of the proposed announcement; provided, however, the non-announcing Party's failure to notify the announcing Party of any objections shall not be construed as a waiver of the covenant set forth in the first sentence of this [Section 15.2.3](#). The Parties shall work in good faith to resolve any objections. Subject to the foregoing, the Parties shall issue a mutually agreeable, joint press release promptly after execution of this Agreement announcing the Parties entry into a long term supply agreement. This [Section 15.2.3](#) shall be subject to [Section 2.6](#), and Buyer shall be permitted to use, and Seller hereby consents to Buyer's use of, Seller's name and the Enphase Trademarks consistent with the Seller's then current trademark usage policies or to generally announce to potential customers the use of Seller's Products when marketing a System.

ARTICLE 16 INTELLECTUAL PROPERTY MATTERS

16.1 Seller's Representations and Warranties Regarding Intellectual Property Rights. Seller represents and warrants to Buyer that:

16.1.1 To Seller's knowledge, the Products do not infringe or misappropriate any Intellectual Property Rights of any third party;

16.1.2 Seller has all necessary right, title, and interest in and to the Intellectual Property Rights necessary for Seller to (a) perform its obligations hereunder, including, without limitation, the manufacturing, delivery, and sale of Products by Seller to Buyer hereunder and (b) grant to Buyer the Product Use License and any other licenses granted to Buyer in this Agreement;

16.1.3 To Seller's knowledge, as of the Effective Date, there are no disputes, claims or controversies pending or, to Seller's knowledge, threatened, with respect to Intellectual Property Rights that could reasonably be expected to limit Seller's ability to (a) perform its obligations hereunder, including, without limitation, the manufacturing, delivery, and sale of Products by Seller to Buyer hereunder and (b) grant to Buyer the Product Use License and any other licenses granted to Buyer in this Agreement; and

16.1.4 Neither Seller's performance of its obligations hereunder, including, without limitation, the manufacturing, delivery, and sale of Products by Seller to Buyer, nor Buyer's use of the Products as intended, will infringe upon any Intellectual Property Rights of any third party.

16.2 Product Use License. Subject to the terms and conditions of the Agreement, Seller hereby grants to Buyer and its permitted successors and permitted assigns an irrevocable, non-cancellable, non-exclusive, non-sublicensable, non-transferable (except as permitted under [Section 18.4](#)), fully paid-up, royalty-free, United States only right and license, under all of Seller's Intellectual Property Rights, for so long as any of Buyer and its permitted successors and permitted assigns has any rights of ownership in or to any Product, solely to distribute, purchase, install, use, have used, operate, maintain, repair, offer for sale and sell such Product; provided, however that Buyer has made all payments for such Product to Seller as required under this Agreement (the "**Product Use License**").

16.3 Seller's Intellectual Property Rights and Source Code Escrow.

16.3.1 Escrow. Within sixty (60) days after the Effective Date, the Parties shall enter into a backup escrow arrangement ("**Backup Escrow Agreement**") with a mutually agreeable third party escrow agent ("**Escrow Agent**"). Buyer shall be responsible for timely paying all reasonable fees, expenses, costs or other amounts associated with establishing and maintaining the escrow ("**Escrow Fees**") pursuant to the terms and conditions of the Backup Escrow Agreement.

16.3.2 Escrow Materials. Promptly following execution of the Backup Escrow Agreement, and pursuant to the terms and conditions thereof, Seller shall deposit and maintain under escrow: (a) a complete copy of the binary files, source code and object code for the Enlighten software and the software components of Seller's backend system used in providing the Enlighten service that are proprietary to Seller, including all relevant documentation associated with such software (the "**Enlighten Software**"); and (b) instructions on how Buyer shall be able to retrieve the Data that is hosted on the various servers, locations, or other storage apparatuses that it may be located on (the Data and the Enlighten Software shall collectively be referred to as the "**Escrow Materials**"). Promptly following any material update to the Enlighten Software, but no less than annually, and immediately prior to termination of the Hosting Period, Seller shall update the Escrow Materials to conform to the then-current version of the Enlighten Software used to provide the Enlighten service to Buyer under this Agreement.

16.3.3 Release Conditions. Upon satisfaction of the Release Conditions, Buyer may request that the Escrow Agent release the Escrow Materials to Buyer by written notice to the Escrow Agent ("**Escrow Materials Release Notice**"). The Escrow Materials Release Notice shall: (a) specify that the Release Conditions have been satisfied; (b) include a copy of any other notice confirming the occurrence of a Seller Event of Default; and (c) include a certification by an officer of Buyer that

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Buyer has not received notice from Seller of the occurrence of any breach by Buyer set forth in Section 10.1.1 as of the date of the Escrow Materials Release Notice. The Backup Escrow Agreement shall provide that, upon the Escrow Agent's receipt of the Escrow Materials Release Notice, the Escrow Agent shall contact the Seller to determine if the Seller has any dispute or disagreement with the terms set forth in Sections 16.3.3(a) - (c) above. If there is any such dispute or disagreement, then the Escrow Agent shall release the Escrow Materials to Buyer only after such dispute or disagreement has been finally settled pursuant to the provisions of Article 13.

16.3.4 Escrow Materials License. Subject to satisfaction of the Release Conditions and the actual release of the Escrow Materials, Seller hereby grants to Buyer a non-exclusive, non-sublicenseable, non-transferable, United States only, *** relating to and necessary to utilize the Escrow Materials, solely until Seller has cured the breach that lead to the trigger of the Release Conditions (including reimbursement of Buyer of its costs and expenses relating to implementing the escrowed materials) and has resumed full performance under this Agreement, to reproduce and use the Escrow Materials for Buyer's internal purposes and to provide the Enlighten service to owners of any System at which Envoys purchased under this Agreement have been installed (the "*Escrow Materials License*").

16.3.5 Confidentiality of Enlighten Software. Notwithstanding anything to the contrary in this Agreement or the NDA, Buyer acknowledges that the Enlighten Software is Seller's Confidential Information. Buyer agrees (a) not to remove, obscure, or alter any copyright or other proprietary rights notices appearing in or on any Enlighten Software, (b) to reproduce all such copyright or other proprietary rights notices on all copies made of the Enlighten Software made by Buyer, and (c) to not use the Enlighten Software for any purpose other than expressly permitted under this Agreement.

16.4 Buyer's Data. Buyer shall retain exclusive ownership of all Data and all Data shall be deemed the Confidential Information of Buyer and shall not be disclosed by Seller to any Person without Buyer's prior written consent. Notwithstanding the foregoing sentence, for so long as Seller is hosting and operating the Enlighten monitoring service pursuant to Section 17.1, Seller shall have, and Buyer does hereby grant to Seller, a right of limited access and use of the Data generated in connection with the Enlighten monitoring services for Seller's internal purposes and analysis, including ongoing research and development, and such development may lead to the development of other products which may be offered for sale by Seller. Seller may, without the prior written consent of Buyer, disclose Data to Persons other than Buyer so long as (a) the customer data is anonymous, meaning that the data shall not contain any personal identifying information or other sensitive information, including, without limitation: site location, site photos, address, site owner, system owner, installer, equipment types, and other system-specific information; (b) customer data is aggregated with other customer data; and (c) customer data comprising such aggregate data set comprises a representative sample of the entire data set.

16.5 Retention of Data. Seller shall maintain all Data and any other information collected by Seller in connection with its performance of this Agreement for a period of one (1) year following the termination or expiration of this Agreement. Seller shall be permitted to retain the Data for an indefinite period of time and if Buyer so requests, Seller shall disassociate Buyer's specific information from the Data.

ARTICLE 17 OTHER OBLIGATIONS

17.1 Enlighten.

17.1.1 Hosting. For the life of every Envoy purchased under this Agreement (the "*Hosting Period*"), for no additional cost to Buyer beyond that paid by Buyer for each Envoy and *** following such purchase of each Envoy pursuant to Exhibit A, Seller shall (a) host and operate the Enlighten monitoring software service for all monitored Systems, and (b) provide access to such Enlighten monitoring software service to end users via a web-based online interface and to Buyer via Seller's application programming interface ("API"). At no additional cost to Buyer, Buyer shall be able to make the number of requests as is reasonably necessary to conduct its business consistent with past practices; provided, however, that if Buyer needs to make substantially more requests to Seller's system that is not consistent with past practices, then they shall negotiate in good faith the technical solution to enable Seller's system to accommodate the increase in requests, as well as the costs involved with any modifications or upgrades. The obligations of Seller and rights granted to Buyer in this Section 17.1.1 are perpetual and irrevocable during the Hosting Period, shall survive any termination, cancellation or expiration of this Agreement, and shall continue notwithstanding any failure by Buyer to pay the *** or any other amount under this Agreement. Should Buyer fail to ***, Seller may, as Seller's sole remedy, seek recovery of damages, interest at the Late Payment Rate, and attorney's fees from Buyer but shall not suspend performance of its obligations, or Buyer's rights, under this Section 17.1.1 unless: (i) Buyer has refused to *** with respect to a System; and (ii) Seller provides Buyer with written notice of such failure to *** and Buyer's failure continues for a period of thirty (30) days. Seller shall only have the right to suspend its obligations and services provided under this Section 17.1.1 with respect to the Systems for which Buyer *** (with any *** to the earliest *** still subject to ***).

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17.1.2 Seller Technical Development and Support. At no additional cost to Buyer, Seller shall continue to collaborate with Buyer and to provide reasonable technical development support with respect to new Buyer products and solutions including: (a) communications hardware; (b) systems integration; (c) Enlighten modifications to assist with fleet management and other Buyer requests; and (d) integration with new Buyer products and services.

17.2 Mutual Support. Seller shall use commercially reasonable efforts to provide support as reasonably requested by Buyer for technical training, installer training, and other support to assist in the deployment and installation of Products; provided, however, such support shall not involve the presence of Seller's personnel on any Project site. At no additional cost to Buyer, Seller shall use commercially reasonable efforts to provide representation and be present as needed by Buyer for Buyer's discussions with local building permit offices, licensing boards, and other Governmental Authorities to explain microinverter technology and the Products, provided that Buyer requests Seller's presence no later than two (2) weeks prior to the scheduled meeting.

ARTICLE 18 MISCELLANEOUS

18.1 Audit Of Seller's Records. Seller shall keep accurate books and records related to its performance under this Agreement and all Purchase Orders as are necessary to verify Seller's compliance therewith, including, without limitation, Seller's compliance with Section 3.1.3. At any time during the Term, and for a *** (***) year period after the end of the Term, Buyer may designate an independent third party auditor that is reasonably satisfactory to Seller (the "**Auditor**"), to audit Seller's books and records, with no less than *** (***) Business Days prior notice to Seller, in order to determine Seller's compliance with Section 3.1.3. The Auditor, as a representative of Buyer, shall be bound by the terms of the NDA. Seller shall not delay its approval of the Auditor and shall cooperate with the Auditor in connection with this audit. If the audit shows that Seller was not in compliance with the terms this Agreement (including, without limitation, Section 3.1.3), then Seller shall promptly cure its failure to comply with such section. If the audit reveals that a credit is due to Buyer, Buyer may take this credit against the next payment or payments due Seller until the credit is exhausted. Buyer shall incur the audit at its own expense, however, if the audit reveals that any adjustments are necessary in amounts of more than *** Dollars (\$***), the cost of the audit shall be borne by Seller. This Section 18.1 shall survive the termination of this Agreement for a period of ***.

18.2 Currency. All monetary amounts referenced herein are in U.S. Dollars, and monies due by one Party to the other Party hereunder shall be invoiced and payable in U.S. Dollars.

18.3 Applicable Law. This Agreement, and the rights and obligations of the Parties and any dispute arising under or relating thereto (whether in contract, tort or otherwise) shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to the conflict of law rules thereof or any other statute or doctrine that might call for the application of the laws of any other jurisdiction.

18.4 Assignment. Neither Party may assign, sell, transfer or otherwise dispose of its rights or obligations under this Agreement, nor may it delegate its duties under this Agreement, in each case without obtaining the prior written consent of the other Party. Notwithstanding the foregoing sentence, Buyer may transfer this Agreement and any then-effective Purchase Orders (whether by assignment, novation, operation of law, or otherwise), in whole or in part: (a) to an Affiliate; (b) to a Financing Party for collateral security purposes only; or (c) in connection with a merger, acquisition, or sale of substantially all of its assets; in each case of clauses (a) through (c), without prior notice to Seller or Seller's prior written consent; however, Buyer shall notify Seller of such transfer within a reasonable period of time after such transfer is effective. Any unauthorized assignment, novation or transfer of this Agreement or the rights or obligations under this Agreement, shall be void and unenforceable. Subject to this Section 18.4, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their permitted successors and permitted assigns.

18.5 Financing Assistance. Seller shall cooperate with all reasonable requests of Buyer in connection with any financing transaction undertaken by Buyer, including, without limitation, by (1) executing any estoppels, amendments and modifications hereto reasonably requested by the Financing Parties and which are customary for such transactions, (2) promptly furnishing all documents as may be reasonably requested by the Financing Parties, and (3) promptly executing consents (the "**Consents**") and other related documents, in a form reasonably requested by such Financing Party(ies) and containing provisions customary to such financing transactions. Seller shall respond promptly to reasonable requests for information from Financing Parties or Buyer on their behalf.

18.6 Representatives. Each Party shall nominate a Representative or Representatives to oversee and coordinate the performance of its obligations under this Agreement and each Purchase Order delivered hereunder and to act as its liaison with the other Party's Representative for the duration of this Agreement, and the contact information for each Party's Representative

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is set forth in Exhibit I. Each Party shall promptly notify the other Party of its Representative and make available the Representative (or a suitable replacement) at all reasonable times to carry out this role. Notwithstanding any other provision of this Agreement, Seller acknowledges that (a) no action by Buyer's Representative can waive, alter or modify any right of Buyer or obligation of Seller hereunder, and (b) Buyer's Representative is not authorized to execute any certificate hereunder, and that such certificate will be executed by a duly appointed officer or other designated Person of Buyer.

18.7 Severability. The invalidity of one or more phrases, sentences, clauses, sections or articles contained in this Agreement or in any Purchase Order shall not affect the validity of the remaining portions of this Agreement and such Purchase Order (or any other Purchase Orders delivered hereunder). Any such invalid phrases, sentences, clauses, sections or articles shall be deemed severed from this Agreement and shall be of no force or effect, and the remaining phrases, sentences, clauses, sections and articles shall continue to apply to the maximum extent that the material purposes of this Agreement and any affected Purchase Order can be determined and effectuated.

18.8 Amendments. No change, amendment or modification of this Agreement shall be valid or binding upon the Parties hereto unless such change, amendment or modification shall be in writing and duly executed by both Parties hereto.

18.9 Joint Effort. The negotiation and drafting of this Agreement has been a joint effort of the Parties and the resulting document shall not be construed more severely against one of the Parties than against the other.

18.10 Non-Waiver. Any failure of any Party to enforce any of the provisions of this Agreement or any Purchase Order or any decision or failure to require compliance with any of its terms at any time during the Term shall in no way affect the validity of this Agreement, or any part hereof and shall not be deemed a waiver of the right of such Party thereafter to enforce any and each such provision. Any such waiver of any of the provisions of this Agreement or any Purchase Order shall be in writing and executed by the party to whom performance or other compliance with the terms hereof is owed.

18.11 Independent Contractor. Seller is an independent contractor, and all persons employed by Seller in connection herewith shall be employees of Seller and not employees of Buyer or any of Buyer's Affiliates in any respect. Nothing contained in this Agreement shall be construed as constituting a joint venture or partnership between Seller and Buyer.

18.12 Counterparts and Execution. This Agreement may be signed in any number of counterparts and each counterpart shall represent a fully executed original as if signed by both Parties. Delivery of this Agreement may be accomplished by means of an exchange of facsimile or emailed signatures, which shall be deemed originals for all purposes.

18.13 Notices.

18.13.1 Notices and other communications by either Party under this Agreement shall be deemed given when sent either by (a) personal delivery, (b) postage prepaid registered or certified mail, return receipt requested, (c) nationally recognized overnight courier service, or (iv) confirmed facsimile or electronic transmission, in each case addressed to the applicable Party as set forth in Exhibit I, or to such other address as either of the Parties shall have provided to the other in writing pursuant to Section 18.13.3.

18.13.2 Without limiting any other means by which a Party may be able to prove that a notice has been received by another Party, a notice shall be deemed to be duly received (a) if delivered by hand or courier service, the date when delivered to the address of the recipient; (b) if sent by registered or certified mail, return receipt requested, the date the receiving party executes the return receipt; or (c) if sent by facsimile or electronic transmission, upon receipt by the sender of an acknowledgment of receipt, including, without limitation, an automatically-generated emailed read receipt, an automatically-generated transmission report generated by facsimile machine indicating that the facsimile was sent in its entirety to the recipient's facsimile machine number, or a manually-generated acknowledgement of such emailed or faxed notice.

18.13.3 Either Party shall have the right to change the address or name of the person to whom such notices are to be delivered by notice to the other Party.

18.14 Further Assurances. Seller and Buyer each agree to provide such information, execute and deliver any instruments, applications, oaths, assignments, and documents and to take such other actions as may be necessary or reasonably requested by the other Party which are not inconsistent with the provisions of this Agreement and which do not involve the assumptions of obligations other than those provided for in this Agreement, in order to give full effect to this Agreement and to carry out the intent of this Agreement.

18.15 Buyer's Review of Seller's Information or Documents. No inspection or review by Buyer or Affiliates shall constitute an approval, endorsement or confirmation of any drawing, plan, specification or Product or an acknowledgment by Buyer that any drawing, plan, specification or Product satisfies the requirements of this Agreement; nor shall any such inspection or review relieve Seller of any of its obligations to provide the Products in conformance with all requirements of this Agreement.

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18.16 No Recourse. The obligations of Buyer under this Agreement shall be without recourse to any of the officers, board members, directors, shareholders, members, employees, agents, partners, Affiliates, or Financing Parties of Buyer, or to the Affiliates of any of the foregoing.

18.17 Survival. The provisions of Article 1, Article 3, Article 7, Article 8, Article 9, Article 10, Article 11, Article 13, Article 15, Article 16, Article 18, and of Sections 4.2, 5.3, 5.4, 5.5, 5.6, and 17.1 of this Agreement shall survive the expiration or other termination of this Agreement, as well as any other provision that expressly or by its nature survives.

18.18 Third Parties. Except as otherwise expressly provided in this Agreement, nothing in this Agreement shall be construed to create any duty to, standard of care with respect to, or any liability to any person who is not a party to this Agreement.

18.19 Conflicting Provisions. In the event of any inconsistencies within this Agreement and the following related documents, the following order of precedence in the interpretation hereof or resolution of such conflict hereunder shall prevail:

- (a) Amendments to this Agreement executed by both Parties;
- (b) This Agreement (excluding Purchase Orders and Exhibits);
- (c) Purchase Orders delivered in accordance with Article 2; and
- (d) The Exhibits hereto.

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[signatures appear on next page]

NOW, THEREFORE, the Parties hereto have entered into this Agreement as of the Effective Date.

SELLER:

ENPHASE ENERGY, INC.

By: /s/ Jeff Loebbaka

Name: Jeff Loebbaka

Title: SVP, Global Sales, Marketing and Support

[SIGNATURE PAGES CONTINUE ON FOLLOWING PAGE]

[SIGNATURE PAGE]

BUYER:

VIVINT SOLAR DEVELOPER, LLC

By: /s/ Jan Newman

Name: Jan Newman

Title: Vice President, Business Development

[SIGNATURE PAGE]

SCHEDULE 1

Definitions and Rules of Interpretation

1. Definitions.

"**Affiliate**" means, with respect to any entity, another entity or a person which controls, is controlled by, or is under common control with the first entity. For purposes of this definition "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any entity, means the possession, directly or indirectly through one or more intermediaries, of any of the following with respect to another entity: (a) the legal or beneficial ownership of more than fifty percent (50%) of the economic interest in such entity, (b) the power to elect more than fifty percent (50%) of the directors, managers, or other voting members of the governing body of such entity, (c) more than fifty percent (50%) of the voting securities (or equivalent voting interests) in such entity, or (d) the power to direct or cause the direction of the management and policies of such entity (by contract or otherwise).

"**Agreement**" means this Agreement as defined in the preamble, including all Exhibits hereto, as supplemented by any Purchase Order issued hereunder and as amended in accordance with this Agreement from time to time.

"**Amendment 1**" has the meaning set forth in the Recitals.

"**Amendment 2**" has the meaning set forth in the Recitals.

"**Amendment 3**" has the meaning set forth in the Recitals.

"**API**" has the meaning set forth in Section 17.1.1.

"**Backup Escrow Agreement**" has the meaning set forth in Section 16.3.1.

"**Business Day**" or "**Business Days**" means any day other than a Saturday, Sunday or other day on which banks are authorized to be closed in Provo, Utah or New York, New York.

"**Buyer**" has the meaning set forth in the preamble to this Agreement.

"**Buyer Indemnitees**" has the meaning set forth in Section 8.1.

"**Buyer-Related Persons**" has the meaning set forth in Section 8.6.

"**Buyer Taxes**" has the meaning set forth in Section 3.9.3.

"**Carrier**" means a carrier selected by Seller (and approved by Buyer in advance) when arranging transportation of Products from the Delivery Point to the Destination Point.

"**Confidential Information**" has the meaning set forth in Section 15.1.

"**Consent**" or "**Consents**" has the meaning set forth in Section 18.5.

"**Contract Amount**" means the total aggregate amounts under all Purchase Orders that has been received by Seller from Buyer under this Agreement with respect to Products, as it may from time to time be changed or adjusted pursuant to the terms hereof.

"**Data**" means (a) all enablement and solar production data and customer data or other information generated by Seller's Microinverters and Buyer's meters at monitored installations that is transmitted by the Envoys to Seller's network services.

"**Delivery Date**" means the date that the Product arrives at the Destination Point.

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"**Delivery Month**" means the calendar month specified in a Purchase Order in which Products that Buyer orders under such Purchase Order are to arrive at their respective Destination Points, as set forth in the applicable Delivery Schedule.

"**Delivery Point**" has the meaning set forth in [Section 5.1.1](#).

"**Delivery Schedule**" means the written schedule issued by Buyer pursuant to [Section 2.1.2](#), and as may be modified pursuant to [Section 2.1.5](#), detailing (a) the Delivery Dates, (b) the Product names/models and quantities thereof to be delivered on the Delivery Dates, and (c) the Destination Point for each Product.

"**Destination Point**" means the location at Buyer's facility (or Buyer's contracted storage facility) to which the Carrier is to deliver Products ordered under a Purchase Order, as designated in the Delivery Schedule relating to such Purchase Order.

"**Effective Date**" has the meaning set forth in the preamble to this Agreement.

"**Enlighten**" means Seller's proprietary software platform with web-based tools and interfaces enabling remote monitoring of Systems, individual solar modules composing such Systems, and their performance, and which interfaces with Envoy and integrates with Buyer's billing system.

"**Enlighten Software**" has the meaning set forth in [Section 16.3.2](#).

"**Enphase Trademarks**" means the trade name "Enphase Energy, Inc.," "Enphase Energy" and the trademarks of Seller used on the Products, within the Enlighten service, and on Seller's Documentation, the ingredient trademark "Enphase Energized" and such other trademarks as Seller may, from time to time, notify Buyer of in writing.

"**Envoy**" means Seller's proprietary power line communications hardware device connecting each photovoltaic module and microinverter in a System and providing a network communications gateway for Enlighten to access System performance data, the model of which is set forth on [Exhibit A](#).

"**Escrow Agent**" has the meaning set forth in [Section 16.3.1](#).

"**Escrow Fees**" has the meaning set forth in [Section 16.3.1](#).

"**Escrow Materials**" has the meaning set forth in [Section 16.3.2](#).

"**Escrow Materials License**" has the meaning set forth in [Section 16.3.4](#).

"**Escrow Materials Release Notice**" has the meaning set forth in [Section 16.3.3](#).

"**Event of Default**" has the meaning set forth in [Section 10.1](#).

"**Financing Parties**" means (a) any and all lenders providing senior or subordinated construction, interim or long-term debt or other financing or refinancing to Buyer, a Permitted Assignee or their respective Affiliates, (b) any and all equity investors in Buyer, a Permitted Assignee or their respective Affiliates providing tax equity investment or leveraged lease-financing or refinancing (or any other equity investor that makes a capital contribution to Buyer, a Permitted Assignee or their respective Affiliates in cash or in kind) or (c) any person providing credit support to Buyer, a Permitted Assignee or their respective Affiliates, in each case in connection with the Project or a portfolio of projects of which the Project is a part (for the duration of the period of such inclusion only) and, in each case, any trustee or agent acting on behalf of the Buyer, a Permitted Assignee or their respective Affiliates.

"**Force Majeure Event**" has the meaning set forth in [Section 14.1](#).

"**Governmental Approval**" means any authorization, approval, order, license, permit, franchise or consent, registration, declaration or filing with any Governmental Authority.

"**Governmental Authority**" means any national, autonomic, regional, province, town, city, tribal, or municipal government, whether domestic or foreign, or other administrative, regulatory or judicial body of any of the foregoing.

"**Hazardous Materials**" means hazardous or toxic substance, waste or material, or any other substance, pollutant or condition that is commonly understood to pose a severe risk to human health or the environment.

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"**Hosting Period**" has the meaning set forth in Section 17.1.1.

"**Indemnified Party**" has the meaning set forth in Section 8.6.

"**Indemnifying Party**" has the meaning set forth in Section 8.6.

"**Initial Term**" has the meaning set forth in Section 1.2.

"**Intellectual Property Rights**" means, with respect to any Person, all (a) patents, patent applications, patent disclosures, inventions and improvements (whether patentable or not), (b) copyrights and copyrightable works (including computer programs) and registrations and applications therefor, including any software, firmware, or source code, (c) trade secrets, know-how and other confidential information, (d) database rights, (e) have made drawings and (f) all other forms of intellectual property, including waivable or assignable rights of publicity or moral rights, and any right to bring suit or collect damages for the infringement, misappropriation or violation of the foregoing, anywhere in the world, that are held by that Person.

"**Invoice**" has the meaning set forth in Section 3.3.

"**Late Payment Rate**" means a rate of interest equal to one percent (1%) per month of the amount due.

"**Laws**" means all laws, statutes, treaties, ordinances, codes, judgments, decrees, directives, guidelines, policies, injunctions, writs, orders, rules, regulations, interpretations, licenses, permits and other approvals with, from or of any governmental authority having jurisdiction over the Products, the site at which Products are installed, and this Agreement and each other document, instrument and agreement delivered hereunder or in connection herewith, including those relating to health, safety or the environment in the Territory.

"**Lien**" means any lien (statutory or other), pledge, mortgage, charge, security interest, deed of trust, assignment, hypothecation, title retention, fiduciary transfer, deposit arrangement, easement, encumbrance, bond right, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including the right to claim the foregoing) in respect of an asset, whether or not filed, recorded or otherwise perfected or effective under applicable Law.

"**Losses**" has the meaning set forth in Section 8.1.

"**Manufacturing Facility**" means Flextronics Global Services Shenzhen, 3# Tian Fu Road, Tong Fu Yu Industrial Park, Fu Yong Town, Bao An District, Shenzhen City, China.

"**Microinverter**" has the meaning set forth in Exhibit G and includes the microinverters in the M215 series as set forth on Exhibit A.

"**NDA**" means that certain Confidentiality and Non-Disclosure Agreement by and between Buyer and Seller, dated as of April 3, 2014, attached hereto as Exhibit E.

"**Notice of Dispute**" has the meaning set forth in Section 13.1.

"**Order Acknowledgement**" has the meaning set forth in Section 2.1.3 and is a written acknowledgement issued by Seller in response to, and in acceptance of, a Purchase Order, containing the following information: (a) the billing address; (b) the Destination Point(s); (c) Scheduled Ship Dates for Products based on the Delivery Schedule submitted with the Purchase Order being acknowledged and accepted; (d) name of the Seller's Representative for Purchase Orders; (e) the number of the Purchase Order being acknowledged and accepted; (f) the date of the Purchase Order being acknowledged and accepted; and (g) Seller's order number. Any term in either the Order Acknowledgement or the Purchase Order that is inconsistent with the terms of this Agreement shall not be enforceable by the relevant Party.

"**Original Agreement**" has the meaning set forth in the Recitals.

"**Party**" and "**Parties**" have the meanings set forth in the preamble to this Agreement.

"**Person**" means any individual, corporation, company, voluntary association, partnership, incorporated organization, trust, limited liability company or any other entity or organization, including any Governmental Authority. A Person shall include any officer, director, member, manager, employee or agent of such Person.

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"**PO Product Quantity**" has the meaning set forth in Section 2.1.2(b).

"**Product**" has the meaning set forth in Exhibit A.

"**Product Use License**" has the meaning set forth in Section 16.2.

"**Project**" has the meaning set forth in the recitals.

"**Purchase Order**" means a purchase order for Products in the Territory substantially in the form attached hereto as Exhibit B, such other form as either mutually acceptable to the Parties or used by Buyer and complying with the terms of the Agreement so long as Buyer sends the revised form to Seller in advance of its use.

"**Release Conditions**" means the following conditions: (i) there not being an Event of Default by Buyer under Section 10.1.1 that remains uncured; and (ii) the occurrence and continuation of a Trigger Event.

"**Representative(s)**" means the person or persons designated from time to time by each Party to act as their representative under Section 18.6 and as are initially listed in Exhibit I.

"**Renewal Term**" has the meaning set forth in Section 1.2.

"**Required Lead Time**" has the meaning set forth in Section 4.1.1(b).

"**Rolling Forecast**" means a report that includes: (a) the Rolling Forecast Period; (b) a summary of the types of Products that Buyer anticipates ordering and that will arrive at the Destination Points in each calendar month in the Rolling Forecast Period (by Product number), and the quantity of each such type of Products; and (c) the anticipated date on which Buyer intends to issue a Purchase Order for the first calendar month of the Rolling Forecast Period, provided that the foregoing does not obligate Buyer to submit a Purchase Order on such date.

"**Rolling Forecast Period**" means the three (3) month period covered by a Rolling Forecast beginning on the first day of the calendar month that is three (3) months following the calendar month in which the Rolling Forecast is issued by Buyer pursuant to Section 2.2. For purposes of example only, the Rolling Forecast Period for the Rolling Forecast issued by Buyer in January covers Products Buyer anticipates ordering for arrival at Destination Points in April, May and June.

"**Rush Order**" has the meaning set forth in Section 4.1.1(b).

"**Scheduled Ship Date**" means the date on which Seller shall cause delivery of the Products to the Delivery Point and tender the same to the Carrier, as set forth in an Order Acknowledgement provided by Seller pursuant to Section 2.1.3.

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"**Seller**" means has the meaning set forth in the preamble to this Agreement.

"**Seller Indemnitees**" has the meaning set forth in Section 8.6.

"**Seller Lien**" has the meaning set forth in Section 5.4.

"**Seller-Related Persons**" has the meaning set forth in Section 8.1.

"**Seller Taxes**" has the meaning set forth in Section 3.9.2.

"**Seller's Documentation**" means user documentation (including user documentation with respect to the Enlighten service for certain Products) furnished to Buyer by Seller for distribution along with the Products.

"**Seller's Facility**" means Seller's warehouse, manufacturing or assembly facility located at Flextronics Global Services Milpitas, 890 Yosemite Dr., Dock S4/S5, Milpitas California, 95035, U.S.A..

"**Shipment Protocol**" has the meaning set forth in Section 5.1.6.

"**Specifications**" mean Seller's specifications for each Product as set forth in Seller's specifications sheet for such Product.

"**Standards and Codes**" means the following, as applicable to each Product: UL 1741; UL 60950-1; EN 60950-1; CSA22.2 No. 60950-1; IEC 60950-1; IEEE1547, FCC Part 15 Class B; ANSI C12.1, C12.10, C12.20, C37.90.1; and any other similar standards and codes compliance with which is either mandatory under applicable Law or standard for such type of equipment based on industry standards as such were in place at the time the Product was delivered to Buyer at the Delivery Point in the Territory.

"**Supply Agreement**" has the meaning set forth in the Recitals.

"**System**" means a solar photovoltaic system.

"**Taxes**" means all federal, state, or local income, property, license, privilege, sales, use, VAT, excise, gross receipts, or other taxes, duties, tariffs, and levies now or hereafter applicable to, measured by, or imposed upon or with respect to the manufacturing, purchase, sale or use of the Products sold under Purchase Orders or any other transactions contemplated by this Agreement, and which are levied or assessed under any applicable Law by any Governmental Authority.

"**Term**" has the meaning set forth in Section 1.2.

"**Territory**" means the United States of America.

"**Trigger Event**" means: (a) ***; or (b) ***; or (c) ***.

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"**Unit Price**" has the meaning set forth in Section 3.1.1.

"**Warranty**" means that certain Limited Microinverter Warranty or that certain Limited Envoy Warranty made by Seller relating to the Microinverters and Envoy, respectively, and attached hereto as Exhibit G.

"**Warranty Period**" has the meaning set forth in Section 7.1.

2. **Rules of Interpretation.** In this Agreement:

(a) The terms "herein," "herewith" and "hereof" are references to this Agreement, taken as a whole.

(b) The term "includes" or "including" shall mean "including, without limitation".

(c) References to a "Section," "subsection," "clause," "Article" or "Exhibit" shall mean a Section, subsection, clause, Article or Exhibit of this Agreement, as the case may be, unless in any such case the context requires otherwise.

(d) All references to a given agreement, instrument or other document, or to any Law, Standard or Code, shall be a reference to such agreement, instrument or other document, or to such Law, Standard or Code, as modified, amended, supplemented and/or restated from time to time.

(e) Reference to a person or party includes its successors and permitted assigns.

(f) The singular shall include the plural and the masculine shall include the feminine and neuter, and vice versa.

(g) Where the words "required," "approved," "satisfactory," "determined," "acceptable," "decision," or words of like import are used in this Agreement, action by Buyer is indicated unless the context clearly indicates otherwise.

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EXHIBIT A

PRODUCTS AND UNIT PRICE

| Model Number | Description | Y2014 Q2 Unit Price | Y2014 Q3 Unit Price | Y2014 Q4 Unit Price | Y2015 Q1 Unit Price | MOQ |
|--|---|--|--|--|--|------------------------|
| Microinverters M215 —20 Year Warranty | | | | | | |
| M215-60-2LL-S22* | Microinverter, 240 & 208Vac, for 60-cell modules, MC-style PV connector | \$*** | \$*** | \$*** | \$*** | 1 Box x 12 Units |
| M215-60-2LL-S22-ZC* | Microinverter, 240 & 208Vac, for 60-cell modules, MC-style PV connector, ZEP Compatible | \$*** | \$*** | \$*** | \$*** | 1 Box x 8 Units |
| | 5 Year Warranty Upgrade | \$*** | \$*** | \$*** | \$*** | |
| Communications Gateway | | | | | | |
| ENV-120-01 VM | Envoy Communications Gateway,120VAC, with Ethernet Bridge pair** | \$*** | \$*** | \$*** | \$*** | 1 Box x 6 Units |
| RGM-MTR-01 | Enphase-compatible GE i210+ Revenue Grade Meter (RGM) with integrated ZigBee wireless | \$*** | \$*** | \$*** | \$*** | 1 Box x 4 Units |
| RGM-ZGB-01 | ZigBee USB stick for Enphase Envoy communication with RGM | \$*** | \$*** | \$*** | \$*** | 1 Box x 4 Units |
| *** | *** | \$*** | \$*** | \$*** | \$*** | |
| Cables—M215 | | | | | | |
| ET10-240-BULK | 240VAC Trunk Cable, 240 Connectors, Portrait | \$*** | \$*** | \$*** | \$*** | 1 Box (240 Connectors) |
| ET17-240-BULK | 240VAC Trunk Cable, 240 Connectors, Landscape | \$*** | \$*** | \$*** | \$*** | 1 Box (240 Connectors) |

* M215 will be transitioned to an M215 with an integrated ground.

** Enlighten is a non-cancellable, non-refundable service received with each purchase of an Envoy Communications Gateway. The Enlighten service will commence upon delivery of the Envoy and continue for the life of the Envoy. Buyer will have access to Enlighten and Enlighten API for the life of the Envoy, provided that the Envoy is connected to the Internet.

*** For example, in ***, Seller will invoice Buyer ***. The amount *** will be *** based on the *** when the purchase occurred to ensure that Buyer receives a ***. Invoices for *** would then be invoiced ***. The final invoice *** would be for the ***.

| Model Number | Description | Y2014 Q2 Unit Price | Y2014 Q3 Unit Price | Y2014 Q4 Unit Price | Y2015 Q1 Unit Price | MOQ |
|-------------------------|---|--|--|--|--|-----------------|
| Accessories—M215 | | | | | | |
| ET-TERM-10 | Branch Terminator—(QTY 10 Units/Bag) | \$*** | \$*** | \$*** | \$*** | 1 Box x 10 Bags |
| ET-DISC-05 | Table Disconnect Tool—(QTY 5 Units/Bag) | \$*** | \$*** | \$*** | \$*** | 1 Box x 20 Bags |
| ET-SEAL-10 | Sealing Cap—(QTY 10 Units/Bag) | \$*** | \$*** | \$*** | \$*** | 1 Box x 10 Bags |
| ET-SPLK-05 | Engage Coupled—(QTY 5 Units/Bag) | \$*** | \$*** | \$*** | \$*** | 1 Box x 5 Bags |

Exhibit A

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EXHIBIT B

FORM OF PURCHASE ORDER



4931 North 300 West
Provo UT 84604

Purchase Order No.:

Date Issued:

Delivery Month:

Vendor:

Buyer:

Enphase Energy
1420 N. McDowell Blvd.
Petaluma, CA 94954
Attn:

VIVINT SOLAR Developer, LLC
4931 North 300 West
Provo, UT 84604
Attn: VIVINT SOLAR SUPPLY CHAIN

Contract: Long Term Supply Agreement dated August , 2014
All invoices must reference our Purchase Order Number in order to be paid.

| Delivery Point | | Payment Terms | Confirm With | | | Page |
|---|-------------------------|--------------------------|--------------|----------|------------|------------|
| F.C.A. Seller's Facility (INCOTERMS 2010) | | Net *** | | | | 1 |
| L/N | Seller's Product Number | Description (Model Name) | U/M | Quantity | Unit Price | Ext. Price |
| | | | | | | |
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| | |
|-----------------------------------|--|
| Product Subtotal | |
| Trade Discount | |
| Freight/Shipping Costs | At Seller's cost as invoiced by Carriers |
| [Miscellaneous] | |
| [Tax (Estimated)] | |
| Total (excluding Shipping) | |

Delivery Schedule for Products ordered under this Purchase Order is attached.

Seller's Order Acknowledgement to list Scheduled Ship Dates to ensure arrival of Products at Destination Points in accordance with attached Delivery Schedule.

Destination Points may be modified pursuant to the Long Term Product Supply Agreement.

Authorized Signature

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EXHIBIT C

[RESERVED]

Exhibit C

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EXHIBIT D

SELLER'S WIRE INFORMATION

All payments by Buyer to Seller hereunder shall be made by wire transfer to the following account of Seller or such other account as Seller shall designate by written notice to Buyer from time-to-time:

ABA or Routing Number: ***

Account Number: ***

Credit To: Enphase Energy, Inc.

Exhibit D

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EXHIBIT E

NON-DISCLOSURE AND NON-USE AGREEMENT

(NDA follows on next six (6) pages)

Exhibit E

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EXHIBIT F

[RESERVED]

Exhibit F

EXHIBIT G

20-YEAR LIMITED MICROINVERTER WARRANTY



ENPHASE ENERGY M215 MICROINVERTER
20-YEAR LIMITED WARRANTY FOR
INSTALLATIONS IN NORTH AMERICA

Enphase Energy, Inc. ("**Enphase**") has developed a highly reliable microinverter, designated as the M215 Series ("**Microinverter**"), that is designed to withstand normal operating conditions when used for its originally intended purpose in compliance with the Enphase User Manual made available with the originally shipped system. The Enphase limited warranty ("**Limited Warranty**") covers defects in workmanship and materials of the Microinverter ("**Defective Product**") for a period of twenty (20) years from the date of original purchase of such Microinverter at point of sale to the system owner (the "**Warranty Holder**") at the originally-installed end user location (the "**Warranty Period**"). All Microinverters shall, at the time of delivery by Enphase to the original purchaser, will be new and unused and comply with all applicable laws, standards and codes in effect at such time.

During the Warranty Period, the Limited Warranty is transferable to a different owner ("**Transferee**") as long as the Microinverter remains installed at the originally-installed end user location ("**Original Location**").

During the Warranty Period, if Enphase establishes, through inspection, the existence of a defect that is covered by the Limited Warranty, Enphase will at its option, either (1) repair or replace the Defective Product free of charge, or (2) issue a credit or refund to the Warranty Holder of the system in an amount up to its actual value at the time the Warranty Holder notifies Enphase of the defect, as determined by Enphase.

If Enphase elects to repair or replace the Defective Product, Enphase will, at its option, use new and/or reconditioned parts in repairing or replacing the Defective Product. Enphase reserves the right to use parts or products of original or improved design in the repair or replacement of Defective Product. If Enphase repairs or replaces a Defective Product, the Limited Warranty continues on the repaired or replacement Microinverter for the remainder of the original Warranty Period or ninety (90) days from the date of Enphase's return shipment of the repaired or replacement product, whichever is later. The Limited Warranty covers a replacement unit to replace the Defective Product, but does not include labor costs related to (1) un-installing the Defective Product or (ii) if applicable, re-installing a repaired or replacement product. To the extent applicable, the Limited Warranty also covers the costs of returning the Defective Product via Enphase's RMA policy and procedure described further below, as well as shipping a repaired or replacement product from Enphase, via a non-expedited freight carrier selected by Enphase, to locations specified by the Warranty Holder of the Defective Product. The Limited Warranty does not cover, and Enphase will not be responsible for, shipping damage or damage caused by mishandling by the freight carrier and any such damage is the responsibility of the freight carrier.

Enphase Microinverters are designed to withstand normal operating conditions and typical wear and tear when used for their original intent and in compliance with the installation and operating instructions supplied with the Microinverter. The Limited Warranty does not apply to, and Enphase will not be responsible for, any defect in or damage to any Microinverter: (1) that has been misused, neglected, tampered with, altered, or otherwise damaged, either internally or externally; (2) that has been improperly installed, operated, handled or used, including use under conditions for which the Microinverter was not designed, use in an unsuitable environment, or use in a manner contrary to the Enphase User Manual (as supplied to the Warranty Holder) or applicable laws or regulations; (3) that has been subjected to fire, water, generalized corrosion, biological infestations, acts of nature, or input voltage that creates operating conditions beyond the maximum or minimum limits listed in the Microinverter specifications, including high input voltage from generators or lightning strikes; (4) that has been subjected to incidental or consequential damage caused by defects of other components of the solar system; or (5) if the original identification markings (including trademark or serial number) of such Microinverter have been defaced, altered, or removed. The Limited Warranty does not cover costs related to the removal, installation or troubleshooting of the Warranty Holder's electrical systems. The Limited Warranty does not extend beyond the original cost of the Enphase Microinverter.

To obtain repair or replacement service, credit or refund (as applicable) under this Limited Warranty, the Warranty Holder must comply with the Return Merchandise Authorization Number (RMA) policy and procedure <http://www.enphase.com/rma>.

Certain portions of this document have been omitted pursuant to a request for Confidential Treatment and, where applicable, have been marked with three asterisks (*) to indicate where omissions have been made. The confidential material has been filed separately with the Securities and Exchange Commission.**

Enphase expressly reserves the right to novate or assign its rights and obligations under this Limited Warranty to a third party with the demonstrated expertise and requisite resources needed to effectively discharge the obligations hereunder.

THE LIMITED WARRANTY IS THE SOLE AND EXCLUSIVE WARRANTY GIVEN BY ENPHASE AND, WHERE PERMITTED BY LAW, IS MADE EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF TITLE, QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT OR WARRANTIES AS TO THE ACCURACY, SUFFICIENCY OR SUITABILITY OF ANY TECHNICAL OR OTHER INFORMATION PROVIDED IN MANUALS OR OTHER DOCUMENTATION. IN NO EVENT WILL ENPHASE BE LIABLE FOR ANY SPECIAL, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES, COSTS OR EXPENSES HOWEVER ARISING, WHETHER IN CONTRACT OR TORT, INCLUDING WITHOUT LIMITATION ANY ECONOMIC LOSSES OF ANY KIND, ANY LOSS OR DAMAGE TO PROPERTY, OR ANY PERSONAL INJURY.

To the extent any implied warranties are required under applicable law to apply to the Microinverter, such implied warranties shall be limited in duration to the Warranty Period, to the extent permitted by applicable law. Some regions do not allow limitations or exclusions on implied warranties or on the duration of an implied warranty or on the limitation or exclusion of incidental or consequential damages, so the above limitation(s) or exclusion(s) may not apply. This Limited Warranty gives the Warranty Holder specific legal rights, and the Warranty Holder may have other rights that may vary from region to region.

Exhibit G-2

Certain portions of this document have been omitted pursuant to a request for Confidential Treatment and, where applicable, have been marked with three asterisks (***) to indicate where omissions have been made. The confidential material has been filed separately with the Securities and Exchange Commission.

25-YEAR LIMITED MICROINVERTER WARRANTY



ENPHASE ENERGY M215 MICROINVERTER 25-YEAR LIMITED WARRANTY FOR INSTALLATIONS IN NORTH AMERICA

Enphase Energy, Inc. ("**Enphase**") has developed a highly reliable microinverter, designated as the M215 Series ("**Microinverter**"), that is designed to withstand normal operating conditions when used for its originally intended purpose in compliance with the Enphase User Manual made available with the originally shipped system. The Enphase limited warranty ("**Limited Warranty**") covers defects in workmanship and materials of the Microinverter ("**Defective Product**") for a period of twenty five (25) years from the date of original purchase of such Microinverter at point of sale to the system owner (the "**Warranty Holder**") at the originally-installed end user location (the "**Warranty Period**"). All Microinverters shall, at the time of delivery by Enphase to the original purchaser, will be new and unused and comply with all applicable laws, standards and codes in effect at such time.

During the Warranty Period, the Limited Warranty is transferable to a different owner ("**Transferee**") as long as the Microinverter remains installed at the originally-installed end user location ("**Original Location**").

During the Warranty Period, if Enphase establishes, through inspection, the existence of a defect that is covered by the Limited Microinverter Warranty, Enphase will at its option, either (1) repair or replace the Defective Product free of charge, or (2) issue a credit or refund to the Warranty Holder in an amount up to its actual value at the time the Warranty Holder notifies Enphase of the defect, as determined by Enphase.

If Enphase elects to repair or replace the Defective Product, Enphase will, at its option, use new and/or reconditioned parts in repairing or replacing the Defective Product. Enphase reserves the right to use parts or products of original or improved design in the repair or replacement of Defective Product. If Enphase repairs or replaces a Defective Product, the Limited Warranty continues on the repaired or replacement Microinverter for the remainder of the original Warranty Period or ninety (90) days from the date of Enphase's return shipment of the repaired or replacement product, whichever is later. The Limited Warranty covers a replacement unit to replace the Defective Product, but does not include labor costs related to (1) un-installing the Defective Product or (ii) if applicable, re-installing a repaired or replacement product. To the extent applicable, the Limited Warranty also covers the costs of returning the Defective Product via Enphase's RMA policy and procedure described further below, as well as shipping a repaired or replacement product from Enphase, via a non-expedited freight carrier selected by Enphase, to locations specified by the Warranty Holder of the Defective Product. The Limited Warranty does not cover, and Enphase will not be responsible for, shipping damage or damage caused by mishandling by the freight carrier and any such damage is the responsibility of the freight carrier.

The Microinverters are designed to withstand normal operating conditions and typical wear and tear when used for their original intent and in compliance with the installation and operating instructions supplied with the Microinverter. The Limited Warranty does not apply to, and Enphase will not be responsible for, any defect in or damage to any Microinverter: (1) that has been misused, neglected, tampered with, altered, or otherwise damaged, either internally or externally; (2) that has been improperly installed, operated, handled or used, including use under conditions for which the Microinverter was not designed, use in an unsuitable environment, or use in a manner contrary to the Enphase User Manual (as supplied to the Warranty Holder) or applicable laws or regulations; (3) that has been subjected to fire, water, generalized corrosion, biological infestations, acts of nature, or input voltage that creates operating conditions beyond the maximum or minimum limits listed in the Microinverter specifications, including high input voltage from generators or lightning strikes; (4) that has been subjected to incidental or consequential damage caused by defects of other components of the solar system; or (5) if the original identification markings (including trademark or serial number) of such Microinverter have been defaced, altered, or removed. The Limited Warranty does not cover costs related to the removal, installation or troubleshooting of the Warranty Holder's electrical systems. The Limited Warranty does not extend beyond the original cost of the Microinverter.

To obtain repair or replacement service, credit or refund (as applicable) under this Limited Warranty, the Warranty Holder must comply with the Return Merchandise Authorization Number (RMA) policy and procedure <http://www.enphase.com/rma>.

Enphase expressly reserves the right to novate or assign its rights and obligations under this Limited Warranty to a third party with the demonstrated expertise and requisite resources needed to effectively discharge the obligations hereunder.

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THE LIMITED WARRANTY IS THE SOLE AND EXCLUSIVE WARRANTY GIVEN BY ENPHASE AND, WHERE PERMITTED BY LAW, IS MADE EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF TITLE, QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT OR WARRANTIES AS TO THE ACCURACY, SUFFICIENCY OR SUITABILITY OF ANY TECHNICAL OR OTHER INFORMATION PROVIDED IN MANUALS OR OTHER DOCUMENTATION. IN NO EVENT WILL ENPHASE BE LIABLE FOR ANY SPECIAL, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES, COSTS OR EXPENSES HOWEVER ARISING, WHETHER IN CONTRACT OR TORT, INCLUDING WITHOUT LIMITATION ANY ECONOMIC LOSSES OF ANY KIND, ANY LOSS OR DAMAGE TO PROPERTY, OR ANY PERSONAL INJURY.

To the extent any implied warranties are required under applicable law to apply to the Microinverter, such implied warranties shall be limited in duration to the Warranty Period, to the extent permitted by applicable law. Some regions do not allow limitations or exclusions on implied warranties or on the duration of an implied warranty or on the limitation or exclusion of incidental or consequential damages, so the above limitation(s) or exclusion(s) may not apply. This Limited Warranty gives the Warranty Holder specific legal rights, and the Warranty Holder may have other rights that may vary from region to region.

Exhibit G-4

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LIMITED ENVOY WARRANTY



ENPHASE ENERGY ENVOY™ COMMUNICATIONS GATEWAY 2-YEAR LIMITED WARRANTY - FOR INSTALLATIONS IN NORTH AMERICA

Enphase Energy, Inc. ("**Enphase**") has developed a highly reliable Envoy Communications Gateway ("**Envoy**") that is designed to withstand normal operating conditions when used for its originally intended purpose in compliance with the Enphase User Manual made available with the originally shipped system. Enphase hereby represents and warrants that all Envoys shall be free of defects in workmanship, materials and design, shall meet the applicable Specification, shall comply with all applicable Laws, and shall be fit for its intended purpose ("**Limited Envoy Warranty**"). The Limited Envoy Warranty covers any failure of an Envoy that is defective or otherwise does not conform to the Limited Envoy Warranty ("**Defective Product**") for a period of two (2) years from the date of original purchase of such Envoy at point of sale to system owner (the "**Warranty Holder**") at the originally-installed end user location (the "**Warranty Period**") in locations where we have approved our Envoy for installation as listed on our website at <http://www.enphase.com/warranty>.

During the Warranty Period, the Limited Envoy Warranty is transferable to a different owner ("**Transferee**") as long as the Envoy remains installed at the originally-installed end user location ("**Original Location**").

During the Warranty Period, if Enphase establishes, through inspection, the existence of a defect that is covered by the Limited Envoy Warranty, Enphase will, at its option, either (1) repair or replace the Defective Product free of charge, or (2) issue a credit or refund for the Defective Product to the Warranty Holder of the system in an amount up to its actual value at the time the Warranty Holder notifies Enphase of the defect, as determined by Enphase.

If Enphase elects to repair or replace the Defective Product, Enphase will, at its option, use new and/or reconditioned parts in repairing or replacing the Defective Product. Enphase reserves the right to use parts or products of original or improved design in the repair or replacement of Defective Product. If Enphase repairs or replaces a Defective Product, the Limited Envoy Warranty continues on the repaired or replacement product for the remainder of the original Warranty Period or ninety (90) days from the date of Enphase's return shipment of the repaired or replacement product, whichever is later. The Limited Envoy Warranty covers a replacement unit to replace the Defective Product, but does not include labor costs related to (1) un-installing the Defective Product or (2) if applicable, re-installing a repaired or replacement product. To the extent applicable, the Limited Envoy Warranty also covers the costs of returning the Defective Product via Enphase's RMA policy and procedure described further below, as well as shipping a repaired or replacement product from Enphase, via a non-expedited freight carrier selected by Enphase, to locations specified by the Warranty Holder of the Defective Product. The Limited Envoy Warranty does not cover, and Enphase will not be responsible for, shipping damage or damage caused by mishandling by the freight carrier and any such damage is the responsibility of the freight carrier.

Envoys are designed to withstand normal operating conditions and typical wear and tear when used for their original intent and in compliance with the installation and operating instructions supplied with the original equipment. The Limited Envoy Warranty does not apply to, and Enphase will not be responsible for, any defect in or damage to any Envoy: (1) that has been misused, neglected, tampered with, altered, or otherwise damaged, either internally or externally; (2) that has been improperly installed, operated, handled or used, including use under conditions for which the product was not designed, use in an unsuitable environment, or use in a manner contrary to the Enphase User Manual (as supplied to the Warranty Holder) or applicable laws or regulations; (3) that has been subjected to fire, water, generalized corrosion, biological infestations, acts of nature, or input voltage that creates operating conditions beyond the maximum or minimum limits listed in the Enphase Envoy specifications, including high input voltage from generators or lightning strikes; (4) that has been subjected to incidental or consequential damage caused by defects of other components of the solar system; or (5) if the original identification markings (including trademark or serial number) of such Envoy have been defaced, altered, or removed. This Limited Envoy Warranty does not cover cosmetic, technical or design defects, or shortcomings which do not materially influence or affect the energy production or degrade form, fit, or function of the Envoy. The Limited Envoy Warranty does not cover costs related to the removal, installation or troubleshooting of the Warranty Holder's electrical systems. The Limited Envoy Warranty does not extend beyond the original cost of the Enphase Envoy.

To obtain repair or replacement service, credit or refund (as applicable) under this Limited Envoy Warranty, the Warranty Holder must comply with the Return Merchandise Authorization Number (RMA) policy and procedure <http://www.enphase.com/rma>.

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THE LIMITED ENVOY WARRANTY IS THE SOLE AND EXCLUSIVE WARRANTY GIVEN BY ENPHASE AND, WHERE PERMITTED BY LAW, IS MADE EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF TITLE, QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT OR WARRANTIES AS TO THE ACCURACY, SUFFICIENCY OR SUITABILITY OF ANY TECHNICAL OR OTHER INFORMATION PROVIDED IN MANUALS OR OTHER DOCUMENTATION. IN NO EVENT WILL ENPHASE BE LIABLE FOR ANY SPECIAL, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES, COSTS OR EXPENSES HOWEVER ARISING, WHETHER IN CONTRACT OR TORT, INCLUDING WITHOUT LIMITATION ANY ECONOMIC LOSSES OF ANY KIND, ANY LOSS OR DAMAGE TO PROPERTY, OR ANY PERSONAL INJURY.

To the extent any implied warranties are required under applicable law to apply to the Envoy, such implied warranties shall be limited in duration to the Warranty Period, to the extent permitted by applicable law. Some regions do not allow limitations or exclusions on implied warranties or on the duration of an implied warranty or on the limitation or exclusion of incidental or consequential damages, so the above limitation(s) or exclusion(s) may not apply. This Limited Envoy Warranty gives the Warranty Holder specific legal rights, and the Warranty Holder may have other rights that may vary from region to region.

Exhibit G-6

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EXHIBIT H

INSURANCE

Seller will carry the following liability and property insurance and comply with the other insurance related requirements set out in this Exhibit H. Such insurance shall be with insurance companies having an A.M. Best Insurance financial strength and financial size rating category of A-VIII or better.

A. Workers' Compensation and Employers' Liability.

(i) Workers' Compensation insurance or self-insurance, on a guaranteed cost basis as required by applicable Law, indicating compliance with any applicable labor codes, acts, laws or statutes, state or federal, where Seller performs work.

(ii) Employers' Liability insurance shall not be less than \$*** for injury or death each accident or for each illness or disease.

B. Commercial General Liability.

(i) Coverage shall be at least as broad as the Insurance Services Office (ISO) Commercial General Liability Coverage "occurrence" form.

(ii) The limit shall not be less than \$*** each occurrence and not less than \$*** annual General Aggregate with Products and Completed Operations coverage Aggregate of not less than \$***.

C. Auto Liability.

(i) Coverage shall be at least as broad as the Insurance Services Office (ISO) Business Auto Coverage form covering Automobile Liability, codes 7 and 8, for all owned, hired and non-owned autos.

(ii) The limit shall not be less than \$*** each accident.

D. Excess Liability Insurance.

(i) A policy of Excess or Umbrella Liability insurance for not less than \$*** per occurrence and aggregate limit in excess of the Commercial General Liability, Auto Liability and Employers' Liability insurance policies.

E. Professional Liability Insurance.

(i) Errors and Omissions Liability insurance appropriate to Seller's profession. Coverage shall be for a professional error, act, or omission arising out of the scope of services shown in the Agreement and the Purchase Orders(s).

(ii) The limit shall not be less than \$*** for each claim and not less than \$*** aggregate.

Exhibit H-1

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F. Additional Insurance Provisions.

(i) Certificates of each renewal of insurance required hereunder shall also be delivered to Buyer promptly after each renewal.

(ii) All deductibles and self-insured retentions are the responsibility of Seller and Supply shall pay all premiums payable in respect to the insurance of Seller required hereunder.

(iii) Seller shall promptly notify Buyer of any claim relating to the Products under the product liability coverage pursuant to the Commercial General Liability insurance policies for an amount in excess of US\$***.

(iv) All policies of liability insurance to be maintained by Seller shall also be written or endorsed to include the following:

(A) With respect to the Commercial General Liability, Auto Liability and Excess Liability insurance, Seller shall provide that the insurer waive any and all rights of subrogation or recovery which the insurer may have or acquire against Buyer, its Affiliates;

(B) With respect to the Commercial General Liability insurance, to provide for a severability of interest and cross liability clause;

(C) That the insurance shall be primary and not excess to or contributing with any insurance or self-insurance maintained by Seller;

(D) With the exception of the Worker's Compensation, Professional Liability and Employer's Liability insurance, to identify Buyer as additional insureds for their legal liability arising out of the operations of Seller; and

(E) Buyer shall have no liability for the payment of any premiums under the insurance required to be maintained by Seller hereunder.

Exhibit H-2

EXHIBIT I

NOTICES; REPRESENTATIVES

I. Parties' official contacts for all Notices:

Buyer's Contact Information

For Purchase Orders:

Brian Hollingsworth
Director of Supply Chain
4931 North 300 West
Provo, UT 84604
Brian.hollingsworth@vivintsolar.com

For Invoices:

Vivint Solar Accounts Payable
APSolar@vivintsolar.com

For all other notices:

Name: Brian Hollingsworth
Title: Director of Supply Chain
Address: 4931 North 300 West
Provo, UT 84604
Phone: (801) 229-6476
Email: Brian.hollingsworth@vivintsolar.com

With a copy to:

Vivint Solar Legal Department
Address: 4931 North 300 West
Provo, UT 84604
Fax: (801) 765-5746
Email: solarlegal@vivintsolar.com

Seller's Contact Information

For Purchase Orders and Invoices:

Name: Adam Mahaffey
Title: Sales Operations Support Manager, Americas
Address: 1420 North McDowell Blvd., Petaluma, CA 94954
Phone: (707) 763-4784
Fax: (707) 763-0784
Email: Adam.Mahaffey@enphaseenergy.com

For all other notices:

Name: Kris Sennesael
Title: Chief Financial Officer
Address: 1420 North McDowell Blvd., Petaluma, CA 94954
Phone: (707) 763-4784
Fax: (707) 763-0784
Email: ksennesael@enphaseenergy.com

With a copy to:

Enphase Energy, Inc. Legal Department
J. Taylor Browning
Address: 1420 N. McDowell Blvd.
Petaluma, CA 94954

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Fax: (707) 795-5835

Email: tbrowning@enphaseenergy.com

II. Buyer and Seller Representatives (for day-to-day operations and other, non-official matters):

Buyer's Representative

Name: Brian Hollingsworth

Title: Director of Supply Chain

Address: 4931 North 300 West

Provo, UT 84604

Phone: (801) 229-6476

Email: Brian.hollingsworth@vivintsolar.com

Seller's Representative

Name: Adam Mahaffey

Title: Sales Operations Support Manager, Americas

Address: 1420 North McDowell Blvd., Petaluma, CA 94954

Phone: (707) 763-4784

Fax: (707) 763-0784

Email: Adam.Mahaffey@enphaseenergy.com

Exhibit I-2

CERTIFICATION

I, Paul B. Nahi, certify that:

1. I have reviewed this Form 10-Q of Enphase Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Reserved]
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2014

/s/ Paul B. Nahi

Paul B. Nahi

President and Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Kris Sennesael, certify that:

1. I have reviewed this Form 10-Q of Enphase Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Reserved]
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2014

/s/ Kris Sennesael

Kris Sennesael

Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Paul B. Nahi, President and Chief Executive Officer of Enphase Energy, Inc. (the "Company"), and Kris Sennesael, Vice President and Chief Financial Officer of the Company, each hereby certifies that, to the best of his or her knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2014, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 5 day of November, 2014.

/s/ Paul B. Nahi

Paul B. Nahi

President and Chief Executive Officer

/s/ Kris Sennesael

Kris Sennesael

Vice President and Chief Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Enphase Energy, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.