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As filed with the Securities and Exchange Commission on January 31, 2012

Registration No. 333-174925

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

Amendment No. 5
to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ENPHASE ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	3674	20-4645388
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

201 1st Street, Suite 100
Petaluma, CA 94952
(707) 774-7000
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Paul B. Nahi
Chief Executive Officer
c/o Enphase Energy, Inc.
201 1st Street, Suite 100
Petaluma, CA 94952
(707) 774-7000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Cooley LLP	Davis Polk & Wardwell LLP
3175 Hanover Street	1600 El Camino Real
Palo Alto, CA 94304	Menlo Park, CA 94025
(650) 843-5000	(650) 752-2000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ☐

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 definition of "accelerated filer," "large accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Act.

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

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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PROSPECTUS (Subject to Completion)
Issued January 31, 2012

Shares

COMMON STOCK

Enphase Energy, Inc. is offering shares of its common stock. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price of our common stock will be between $ and $ per share.

We have applied for the listing of our common stock on the NASDAQ Global Market under the symbol "ENPH."

Investing in our common stock involves substantial risks. See "Risk Factors" beginning on page 9.

PRICE $ A SHARE

	Price to Public	***Underwriting Discounts and Commissions***	***Proceeds to Enphase***
Per Share	*$*	*$*	*$*
Total	*$*	*$*	*$*

We have granted the underwriters the right to purchase up to an additional shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on , 2012.

MORGAN STANLEY *BofA MERRILL LYNCH*

JEFFERIES

LAZARD CAPITAL MARKETS *THINKEQUITY LLC*

, 2012

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

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Neither we nor the underwriters have authorized anyone to provide you with information other than that contained in this prospectus or any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any information that others may give you.

We are offering to sell, and seeking offers to buy, common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

Until and including , 2012 (25 days after the date of this prospectus), all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

Unless the context indicates otherwise, we use the terms "Enphase Energy," "Enphase," "we," "us" and "our" in this prospectus to refer to Enphase Energy, Inc. and its subsidiaries.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes thereto and the information set forth under the sections "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in each case appearing elsewhere in this prospectus.

ENPHASE ENERGY, INC.

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. To date, the solar industry has relied on the traditional central inverter approach that has largely remained unchanged for the past two decades. We have built from the ground up a semiconductor-based microinverter system that converts direct current (DC) electricity to alternating current (AC) electricity at the individual solar module level, and bring a system-based, high technology approach to solar energy generation leveraging our design expertise across power electronics, semiconductors, networking and embedded and web-based software technologies. We are the market leader in the microinverter category and have grown rapidly since our first commercial shipment in mid-2008, with more than 1,600,000 units shipped to date, representing over an estimated 40,000 solar installations. Given significant advantages over traditional central inverters, we believe that microinverter solutions will become the standard for residential and commercial solar.

Our microinverter systems have been installed in all 50 U.S. states and eight Canadian provinces. We sell our microinverter systems primarily to distributors who resell them to solar installers. Over 3,400 installers in North America have installed our microinverters through December 31, 2011, and this number is increasing by approximately 100 new installers per month. We also sell directly to large installers as well as through original equipment manufacturers, or OEMs, and strategic partners. A substantial majority of our revenue has been generated by sales within the United States. Sales to customers in Canada commenced in 2009 and accounted for approximately 13% of our total revenue in 2010. In early 2011, we established sales offices in France and Italy.

Market Opportunity

The global solar PV market witnessed rapid growth from 7 gigawatts (GW), or $38 billion, of installed capacity coming online during 2009 to 18 GW, or $78 billion, in 2010, and is expected to grow to 43 GW in 2015, representing a compounded annual growth rate of 20%, according to iSuppli Corporation. The solar PV market consists of two primary on-grid solar markets: distributed solar systems for residential and commercial buildings, and centralized large scale solar PV installations owned and operated by utilities.

Historically, traditional central inverters have been the only inverter technology used for solar PV installations. As compared to microinverter systems, we believe that traditional central inverters have a number of design and performance challenges limiting innovation and their ability to reduce cost of solar systems, including the following:

- *Productivity limits*. If solar modules are wired using a traditional central inverter—such that a group or "string" of modules are wired in series—an entire string's output is limited by the output of the lowest-performing module. Because of its string design, there is a single point of failure risk with the traditional central inverter approach.

- *Reliability issues*. Traditional central inverters are the single most common component of solar installations to fail, resulting in system downtime and adversely impacting total energy output. As a result, central inverters typically carry warranties of only 5 to 10 years.
- *Complex design and installation requirements*. The central inverter-based solar PV installation requires greater effort on the part of the installer, both in terms of design and on-site labor. Central inverter installations require string design and calculations for safe and reliable operation, as well as specialized equipment such as DC combiners, conduits and disconnects. In addition, the use of high-voltage DC requires specialized knowledge and training and safety precautions to install central inverter technology.
- *Lack of monitoring*. The majority of solar installations with central inverter technology offer limited monitoring capabilities. A failure of the central inverter will often go unnoticed for days or even weeks. If a module fails or is not performing to specification, the resulting loss of energy can go unnoticed for an extended period of time.
- *Safety issues*. Central inverter solar PV installations have a wide distribution of high-voltage (600 volts in the United States and 1,000 volts in Europe) DC wiring. If damaged, DC wires can generate sustained electrical arcs, reaching temperatures of more than 5,000 °F. This creates the risk of fire for solar PV installation owners and injury for installers and maintenance personnel.

These challenges of traditional central inverters have a direct impact on the cost and expected return on investment of solar installations to both installers and system owners:

- *Installer*. Solar PV installers aim for simple installation design, fast installation times and maximum system performance and predictability. The installation of high-voltage DC central inverter technology, however, requires significant preparation, precautionary safety measures, time-consuming string calculations, extensive design expertise and specialized installation equipment, training and knowledge. Together, these factors significantly increase complexity and cost of installation and limit overall productivity for the installer.
- *System owner*. Solar system owners aim for high energy production, low cost, high reliability and low maintenance requirements, as well as reduced fire risks. With traditional central inverters, owners often are unable to optimize the size or shape of their solar PV installations due to string design limitations. As such, they experience performance loss from shading and other obstructions, can face frequent system failures and lack the ability to effectively monitor the performance of their solar PV installation. In addition, central inverter installations operate at high-voltage DC which bears significant fire risks. Further, due to their large size, central inverter installations can affect architectural aesthetics of the house or commercial building.

Our Solution

Our microinverter solution brings a system-based, high technology approach to solar energy generation leveraging our design expertise across power electronics, semiconductors, networking, and embedded and web-based software technologies. Our microinverter system consists of three key components: our Enphase microinverter, Envoy communications gateway and Enlighten web-based software:

- Our Enphase microinverter delivers efficient and reliable power conversion at the individual solar module level by introducing a digital architecture that incorporates custom application specific integrated circuits, or ASICs, specialized power electronics devices and an embedded software subsystem that optimizes energy production from each module and manages the core ASIC functions. A residential solar installation consists of 5 to 50 microinverters; a small commercial solar installation consists of 50 to 500 microinverters.

- Our Envoy communications gateway is installed in the system owner's home or business and serves as a networking hub that collects data from the microinverter array and sends the information to our hosted data center. One Envoy is typically sold with each solar installation and can support up to 100 Enphase microinverters.
- Our Enlighten web-based software collects and analyzes this information to enable system owners to monitor and realize the highest performance of their solar PV system and also provides an online portal specifically designed for installers to enable them to track and manage all of their Enphase enabled projects and monitor and analyze the performance of their installed systems. Historically, Enlighten service revenue has represented less than 1% of total revenues in each reporting period.

Together, our Enphase microinverter, Envoy communications gateway and Enlighten web-based software function as a single unified system that enhances energy production, simplifies design and installation, reduces costs, increases system uptime and reliability, reduces fire safety risk and provides the ability to monitor performance at the individual module level in real-time. With an Enphase microinverter system, we believe solar system owners can achieve a higher return on investment over the lifetime of the solar system than would be achieved using a traditional central inverter approach.

Key elements of our solution include:

- *Productive—Superior Energy Production.* Our microinverter system enables the maximum possible energy production from each module, overcoming a fundamental design limitation of central inverters which are limited by the lowest performing module.
- *Reliable—Longer Life and No Single Point of Failure.* Reduction of component count, primarily through semiconductor integration in our microinverter, and the distributed architecture of our microinverter system, allow us to design a reliable system that can withstand harsh environmental conditions and offer system owners a 100% system uptime guarantee.
- *Simple—Ease of Design and Installation.* Using microinverter technology, an installer can design a system of any size and any roof configuration with a simple modular approach, with minimal impact to the aesthetics of a home or building.
- *Smart—Module-Level Monitoring and Analytics.* Our microinverter system allows us to collect energy production information in real-time on a per solar module basis, offering installers and system owners visibility into how their system is performing and the ability to continuously optimize energy production.
- *Safe—"All AC" Solution.* Important to both installers and system owners, microinverters are safer because they process low DC voltages relative to central inverters.

Competitive Strengths

We believe the following combination of capabilities and features of our business model distinguish us from our competitors and position us well to capitalize on the expected growth in the solar market and to become a global leader in the broader solar power industry:

- *Market Leader and Rapid Adoption.* We are the market leader in the microinverter product category, and believe that our proven ability to innovate quickly will continue to allow us to build on our leading market position.
- *System Approach.* By integrating the Enphase microinverter technology with Envoy, our proprietary communications gateway, and our Enlighten web-based software, we offer significant design and operating benefits beyond the core power conversion functionality.

- *Strong Focus on Technology and Research and Development.* Our proximity to Silicon Valley and the past experience of our founders and executive officers in the technology industry have enabled us to recruit engineers with strong skills in power electronics, semiconductors, powerline communications and networking, and software design, which we have complemented with significant solar industry expertise from other members of our team.
- *Field-Proven Reliability.* Our microinverters have established significantly improved reliability relative to traditional central inverter technology. Based on data from a sample of 2009 and 2010 North American residential and small commercial installations, Westinghouse Solar indicates that our microinverters have a failure rate of 0.207% compared to a significantly higher failure rate of 9.43% for traditional central inverters.
- *Capital Efficient and Scalable Manufacturing.* We outsource all of our hardware manufacturing to manufacturing partners, including Flextronics, resulting in a low fixed-cost structure and reduced capital expenditure and working capital requirements.
- *Rapidly Expanding Distribution Channels.* Since we shipped our first microinverter system in 2008, the base of installers using our products has grown to over 3,400 installers in North America as of December 31, 2011, and this number is increasing at a rate of approximately 100 each month.
- *Intense Focus on Customer Service for Installers.* We believe we have cultivated an organizational focus on installer satisfaction that differentiates us from central inverter manufacturers, resulting in a high level of installer retention and "repeat" business.

Our Strategy

Our objective is to continue to be the leading provider of microinverter systems for the solar industry worldwide and to accelerate the shift from traditional central inverters to microinverter technology. Key elements of our strategy include:

- *Continue to Penetrate Our Core Markets.* We intend to capitalize on our market leadership in the microinverter category and our growing momentum with installers and owners to further our market share position in our core markets in the United States and Canada.
- *Enter New Geographic Markets Rapidly.* We intend to expand into new markets with new products and local go-to-market capabilities, including further expansion in France, Italy and the Benelux region.
- *Increase Power and Efficiency and Reduce Cost per Watt.* Our engineering team is focused on continuing to increase average power conversion efficiency above 96% and AC output power beyond 215 watts and further reducing cost per watt.
- *Extend Our Technological Innovation.* We distinguish ourselves from other inverter companies with our system-based and high-tech approach, and the ability to leverage strong research and development capabilities.
- *Expand Our Product Offering for Larger Commercial and Utility-Scale Installations.* We intend to expand our product offering by introducing new microinverter systems targeted at larger commercial and utility-scale installations.
- *Development of a Smart Energy Management Platform.* We intend to build upon our strong position as the leading supplier of microinverters and energy management systems to expand beyond solar and to create a smart energy management platform for integrated smart energy devices and services.

Challenges

Before you invest in our stock, you should carefully consider all the information in this prospectus, including matters set forth under the heading "Risk Factors." We believe that the following are some of the major risks and uncertainties that may affect us:

- *Operating Losses*. We have incurred net losses each year since our inception, and we may continue to incur additional net losses in future years as we continue to invest substantial resources to support the growth of our business.
- *Operating History*. We have only been in existence since 2006 and did not begin shipping our products in commercial quantities until mid-2008, and this limited operating history makes it difficult to evaluate our current business and future prospects.
- *Demand for Solar Energy Solutions*. Our future success depends on continued demand for solar energy solutions and the ability of solar equipment vendors to meet this demand. If the demand for solar energy solutions does not continue to grow or grows at a slower rate than we anticipate, our business will suffer.
- *Government Subsidies*. Reductions in, or eliminations or expirations of, governmental incentives could result in decreased demand for and lower revenue from solar PV systems, which would adversely affect sales of our products.
- *Market Acceptance*. If we fail to achieve broad market acceptance of our products, or fail to develop solutions to address larger commercial and utility scale markets, there would be an adverse impact on our ability to increase our revenue, gain market share and achieve and sustain profitability.
- *Gross Profit and Profitability*. Our gross profit has varied in the past and is likely to continue to vary significantly from period to period, and fluctuations in gross profit may adversely affect our ability to manage our business or achieve or maintain profitability.
- *Competition*. The inverter industry is highly competitive and we expect to face increased competition as new and existing companies introduce microinverter products which could negatively impact our results of operations and market share. SMA Solar Technology AG, Power-One Inc. and SunPower Corp., leading inverter vendors serving the residential and small commercial inverter markets, are expected to introduce microinverter products in 2012. 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.
- *Initial Capital Investments*. Our microinverter system requires a higher upfront capital investment than our competition's central inverter products, and our potential customers may be unwilling to invest more capital upfront, which would negatively impact our growth and sales.

Corporate Information

We were incorporated as PVI Solutions, Inc. in March 2006 in the State of Delaware and changed our name to Enphase Energy, Inc. in July 2007. Our principal executive offices are located at 201 1st Street, Suite 100, Petaluma, CA 94952, USA, and our telephone number is (707) 774-7000. Our website address is *www.enphase.com*. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus or in deciding whether to purchase shares of our common stock.

Our name is a registered trademark of Enphase Energy, Inc. This prospectus contains additional trade names and trademarks of ours and of other companies.

THE OFFERING

Common stock offered by us	shares
Over-allotment option	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	We anticipate that we will use the net proceeds of this offering primarily for general corporate purposes. Pending the specific use of net proceeds as described in this prospectus, we intend to invest the net proceeds to us from this offering in short-term investment grade and U.S. government securities. See "Use of Proceeds."
Proposed NASDAQ symbol	"ENPH"

The number of shares of our common stock that will be outstanding immediately after this offering is based on 243,972,186 shares of common stock outstanding as of December 31, 2011, after giving effect to the conversion of our outstanding convertible preferred stock into 228,552,739 shares of common stock immediately prior to the completion of this offering, and excludes:

- 3,245,814 shares of common stock issuable upon exercise of outstanding warrants as of December 31, 2011, with a weighted-average exercise price of $0.65 per share;
- 56,805,555 shares of common stock issuable upon the exercise of outstanding stock options under our 2006 Equity Incentive Plan, as of December 31, 2011, with a weighted-average exercise price of $0.20 per share;
- 24,000,000 shares of common stock reserved for future issuance under our 2011 Equity Incentive Plan, which will become effective prior to the completion of this offering and contains provisions that will automatically increase its share reserve each year, as more fully described in "Executive Compensation—Employee Benefit Plans";
- 6,080,000 shares of common stock reserved for future issuance under our 2011 Employee Stock Purchase Plan, which will become effective prior to the completion of this offering and contains provisions that will automatically increase its share reserve each year, as more fully described in "Executive Compensation—Employee Benefit Plans"; and
- 21,136,020 shares of common stock issuable as of December 31, 2011, upon conversion of the outstanding principal amount of our junior secured convertible loan facility and paid-in-kind interest at a conversion price of $0.98 per share.

Unless otherwise indicated, all information in this prospectus assumes:

- the automatic conversion of all outstanding shares of our preferred stock into shares of our common stock effective immediately prior to the closing of this offering;
- the automatic conversion of outstanding warrants to purchase shares of our convertible preferred stock into warrants to purchase an aggregate number of 1,951,579 shares of common stock immediately prior to the completion of this offering;
- the amendment and restatement of our certificate of incorporation and the amendment and restatement of our bylaws immediately upon the completion of this offering; and
- no exercise by the underwriters of their right to purchase up to an additional shares of common stock from us.

None of the information contained in this prospectus has been adjusted to reflect a 1-for- reverse stock split that we intend to effect prior to the completion of this offering.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table summarizes our consolidated financial data. We have derived the summary consolidated statements of operations data for 2008, 2009 and 2010 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statements of operations data for the nine months ended September 30, 2010 and 2011 and the consolidated balance sheet data as of September 30, 2011 from our unaudited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of our results to be expected in any future period, and the results for the nine months ended September 30, 2011 are not necessarily indicative of results to be expected for the full year or for any other period. The summary of our consolidated financial data set forth below should be read together with our consolidated financial statements and the related notes, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," appearing elsewhere in this prospectus.

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Net revenues	$ 1,668	$ 20,194	$ 61,661	$ 41,046	$ 92,389
Cost of revenues[1]	7,475	23,223	55,159	36,745	76,391
Gross profit (loss)	(5,807)	(3,029)	6,502	4,301	15,998
Operating expenses:					
Research and development[1]	5,354	8,411	14,296	9,863	17,919
Sales and marketing[1]	1,809	2,651	6,558	4,089	11,842
General and administrative[1]	1,727	2,603	6,365	4,386	11,119
Total operating expenses	8,890	13,665	27,219	18,338	40,880
Loss from operations	(14,697)	(16,694)	(20,717)	(14,037)	(24,882)
Other income (expense), net:					
Interest income	206	125	39	34	4
Interest expense	(9)	(356)	(914)	(637)	(1,626)
Other income (expense)	(1)	—	(185)	(114)	(249)
Total other income (expense), net	196	(231)	(1,060)	(717)	(1,871)
Net loss	$(14,501)	$(16,925)	$ (21,777)	$(14,754)	$ (26,753)
Net loss attributable to common stockholders	$(14,501)	$(16,925)	$ (21,777)	$(14,754)	$ (26,753)
Net loss per share attributable to common stockholders, basic and diluted[2]	$ (2.72)	$ (2.85)	$ (3.19)	$ (2.23)	$ (2.61)
Shares used in computing net loss per share attributable to common stockholders, basic and diluted[2]	5,333	5,932	6,829	6,630	10,264
Pro forma net loss per share attributable to common stockholders, basic and diluted[2]			$ (0.10)		$ (0.11)
Pro forma shares used in computing pro forma net loss per share attributable to common stockholders, basic and diluted[2]			216,536		238,817

	As of September 30, 2011		
	Actual	Pro Forma[3]	Pro Forma as Adjusted[4]
	(in thousands)		
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$26,522	$ 26,522	
Working capital	26,935	28,286	
Total assets	74,384	74,384	
Current and long-term debt	14,598	14,598	
Convertible notes	11,719	11,719	
Convertible preferred stock	93,596	—	
Common stock and additional paid-in capital	5,354	100,301	
Total stockholders' equity	15,585	16,936	

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
	(in thousands)				
Other Operating Data:					
Microinverter units shipped	11	126	414	276	614

(1) Includes stock-based compensation expense as follows (in thousands):

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
Cost of revenues	$ 4	$ 17	$ 9	$ 6	$ 25
Research and development	27	62	286	185	528
Sales and marketing	7	36	256	142	484
General and administrative	170	65	278	175	402
Total stock-based compensation expense	$ 208	$ 180	$ 829	$ 508	$ 1,439

(2) See Note 13 to Consolidated Financial Statements for a description of how we compute basic and diluted net loss attributable to common stockholders, basic and diluted net loss per share attributable to common stockholders and pro forma basic and diluted net loss per share attributable to common stockholders.

(3) Reflects the conversion of all outstanding shares of preferred stock into 228,552,739 shares of common stock and the conversion of outstanding warrants to purchase 1,800,179 shares of preferred stock into warrants to purchase 1,951,579 shares of common stock upon the closing of this offering.

(4) Reflects the pro forma adjustments described in (3) above and the sale of shares of our common stock by us in this offering at an assumed initial public offering price of $ per share (which is the midpoint of the price range set forth on the cover page of this prospectus), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with the offering. A $1.00 increase or decrease in the assumed initial public offering price of $ per share of common stock would increase or decrease pro forma cash and cash equivalents by $ million, working capital by $ million, total assets by $ million, common stock and additional paid in capital by $ million and total stockholders' equity by $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with the offering. The pro forma as adjusted information discussed above is illustrative only and will adjust based on the actual public offering price and other terms of this offering determined at pricing.

RISK FACTORS

You should carefully consider the following risk factors and all other information contained in this prospectus before purchasing our common stock. Investing in our common stock involves a high degree of risk. If any of the following risks actually occurs, we may be unable to conduct our business as currently planned and our financial condition and results of operations could be seriously harmed. In addition, the trading price of our common stock could decline due to the occurrence of any of these risks, and you may lose all or part of your investment. See "Special Note Regarding Forward-Looking Statements and Industry Data" beginning on page 29.

Risks Related to Our Business

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 net losses each year since our inception, and we may continue to incur additional net losses in future years as we continue to invest substantial resources to support the growth of our business. We incurred net losses of $14.5 million, $16.9 million, $21.8 million and $26.8 million in 2008, 2009, 2010 and the nine months ended September 30, 2011, respectively. As of September 30, 2011, our accumulated deficit was $83.3 million. We expect to incur additional costs and expenses related to the continued development and expansion of our business, including in connection with hiring additional personnel, marketing and developing our products, expanding into new product markets and geographies, and maintaining and enhancing our research and development operations. In addition, 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 only 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 solution is utilized in solar 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 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, recently have caused prices for solar technology solutions to decline rapidly. Furthermore, competition 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.

The cost of solar power currently exceeds retail electricity rates, and we believe will continue to do so for the foreseeable future. As a result, federal, state and local government bodies in many countries, most notably Canada, France, Germany, Greece, Italy, Japan, Republic of China, 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 amended by governments due to changing market circumstances or changes to national or local energy policy.

To date we have generated all of our revenues from North America and expect to generate a substantial amount of 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. This incentive is scheduled to expire on December 31, 2016.

California is the largest single solar market in the United States, based on SEIA data, 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 performance-based incentives which decrease in intervals over time. The “Go Solar California” program is scheduled to expire on December 31, 2016.

We also sell our products in Ontario, Canada, and consider this an important market. 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 the electricity produced over a 20-year contract term. The Government of Ontario has the authority to change the FiTs for future contracts at its discretion.

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 could result in decreased demand for and lower revenue from solar PV systems, 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.

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

If we fail to achieve broad 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 broad 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 and system owners will continue to adopt our microinverter solution, which is a relatively new technology with a limited history with respect to reliability and performance;
- whether installers and system owners 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 solution.

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;
- our ability to reduce and control product costs;
- 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;
- price reductions on older generation 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;
- increased warranty costs and reserves;
- 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 have faced almost no direct competition in selling our microinverter systems. Marketing and selling our microinverter solutions against traditional inverter solutions is highly competitive, and we expect competition to intensify as new and existing competitors enter the microinverter market. 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, Power-One Inc. and SunPower Corp., leading inverter vendors serving the residential and small commercial inverter markets, are expected to introduce microinverter products in 2012. 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.

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. Some of our competitors have announced plans to introduce microinverter products that could compete with our microinverter systems. 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 us and may be able to develop products that are more reliable or which 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. 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 gross profit would suffer.

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.

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 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 North America, France, Italy and the Benelux region. However, we intend to introduce new microinverter systems targeted at larger commercial and utility-scale installations and to expand into other international markets. Our success in these new product and geographic markets will depend on a number of factors, such as:

- timely qualification and certification of new products for larger commercial and utility-scale installations;
- 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;
- our ability to reduce production costs in order to price our products competitively over time;
- 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 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 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. 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.

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

We have offered 15-year limited warranties for our first and second generation microinverters and offer a 25-year limited warranty on our third 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 shipped product and recognized revenue. Our estimated costs of warranty for previously shipped products may change to the extent future products are not compatible with earlier generation products under warranty.

While we offer 15 or 25-year warranties, 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. In addition, any widespread product failures may damage our market reputation and cause us to lose customers.

Because of the limited operating history of our products, we have been required to make assumptions and apply judgments, based on our accelerated life cycle testing, regarding a number of factors, including our anticipated rate of warranty claims and the durability and reliability of our products. Our assumptions could prove to be materially different from the actual performance of our products, causing us to incur substantial expense to repair or replace defective products in the future. An increase in our estimates of future warranty obligations due to product failure rates, shipment volumes, field service obligations and rework costs incurred in correcting product failures, could cause us to increase the amount of warranty reserves and have a corresponding negative impact on our results of operations.

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 cancelled, 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 cancelled or shipments are delayed, we may have excess inventory that we cannot sell. Historically, provisions for write-downs of inventories have not been significant. In the future 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 forego 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.

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 forego 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/or

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 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 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 supply of sole source or limited source components for our products would adversely affect our ability to meet scheduled product deliveries to our customers, 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.

We rely primarily on distributors to assist in selling our products, and the failure of these distributors 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. Two distributors, Focused Energy, Inc. and DC Power Systems, collectively accounted for 25% of our total revenues for 2010. Focused Energy, Inc. was also our largest distributor for the nine months ended September 30, 2011, representing approximately 16% of our total revenues. We do not have exclusive arrangements with these third parties and, as a result, many of our distributors also market and sell products from our competitors, which may reduce our sales. Our distributors may terminate their relationships with us at any time, or with short notice. Our distributors 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. Our future performance depends on our ability to effectively manage our relationships with our existing distributors, as well as to attract additional distributors 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 distributors, failure by these distributors to perform as expected, or failure by us to cultivate new distributor relationships, could hinder our ability to expand our operations and harm our revenue and operating results.

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.

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 a variant of our microinverter system that will enable an "AC module" for direct attachment of the microinverter to the backsheet of 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 microinverter solutions. 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.

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;
- indemnify 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.

Defects and poor performance in our products could result in loss of customers, decreased revenue and unexpected expenses, and we may face warranty 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 and 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.

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 product revenue in the third and fourth quarters to be

positively affected by seasonal customer demand trends, including solar economic incentives, weather patterns and construction cycles. 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 Comerica Bank and Bridge Bank, National Association, with Horizon Technology Finance Corporation, and with Hercules Technology Growth Capital, Inc., as well as a junior convertible loan facility with certain of our existing preferred shareholders. The loan and security agreements with Comerica Bank and Bridge Bank, with Horizon Technology Finance, with Hercules, and with the lenders under our junior convertible loan facility, all 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 Bridge Bank and Comerica Bank also requires us to maintain certain financial covenants, including liquidity and tangible net worth 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 Bridge Bank and Comerica Bank, Horizon Technology Finance, as well as for our junior convertible loan facility, 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.

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, Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, will require us and potentially our independent registered public accounting firm to evaluate and report on our internal control over financial reporting beginning with our Annual Report on Form 10-K for the year ending December 31, 2013. The process of implementing our internal controls and complying with Section 404 will be expensive and time consuming, and will require significant attention of management. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we conclude, and our independent registered public accounting firm concurs, that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our reporting obligations. If we or our independent registered public accounting firm discover a material weakness, 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 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.

With respect to 2010, we and our independent registered public accounting firm identified significant deficiencies in our internal controls over financial reporting but these deficiencies did not create a material weakness. The significant deficiencies related to our need for continued improvements in the: (i) quality and quantity of accounting resources, (ii) closing process and preparation and review of financial statements every reporting period, and (iii) documentation of accounting policies and procedures and segregation of duties. We have made efforts to remediate these significant deficiencies through hiring additional experienced accounting personnel and engaging external resources to assist in internal control remediation efforts. If significant deficiencies in our internal controls are not fully remediated or if additional significant deficiencies are identified, those significant deficiencies could lead to material weaknesses in the future, potentially causing us to fail to meet our future reporting obligations and the price of our common stock to decline.

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, which is generally any cumulative change in ownership of more than 50% of its stock 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. As a result, 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 will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public company, we will incur legal, accounting and other expenses that we did not incur as a private 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 will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and 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 will require us to disclose our use of these minerals and to obtain an annual audit of our sourcing and the chain of custody of these minerals, will 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, excluding any proceeds from this offering, 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 expect that ultimately 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 for this planned expansion. 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, including those acquiring shares in this offering.

Natural disasters, terrorist 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, could hinder or delay the development and sale of our products. In the event that an earthquake, tsunami, typhoon, terrorist 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 for any extended period of time, our business, financial condition and results of operations would be materially adversely affected.

Changes in current or future 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 Canada, France, Italy 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. While we are not aware of any current or proposed export or import regulations which would materially restrict

our ability to sell our products in countries such as Canada, France, Italy or China, 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.

Risks Related to This Offering and Our Common Stock

An active, liquid and orderly market for our common stock may not develop or be sustained, the trading prices of our common stock may be volatile and you may be unable to sell your shares at or above the offering price.

There has not been a public trading market for shares of our common stock prior to this offering. An active trading market may not develop or be sustained after this offering, which could depress the market price of our common stock and affect your ability to sell your shares. The initial public offering price for the shares of common stock sold in this offering may not be indicative of the price at which our common stock will trade after this offering.

The market price of our common stock could be subject to wide fluctuations in response to, among other things, the risk factors described in this section of this prospectus, 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;
- our ability to forecast our customer demand, 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 will depend 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 will continue to have significant control of our management and affairs after the offering, and they may take actions that our stockholders may not view as beneficial.

Following the completion of this offering, our executive officers and directors, and entities that are affiliated with them, will beneficially own an aggregate of approximately % of our outstanding common stock, on an as-converted basis. 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.

Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale, which may dilute your voting power and your ownership interest in us.

Sales of substantial amounts of our common stock in the public market following this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Upon completion of this offering, as of , 2011, we will have an aggregate of shares of common stock outstanding, assuming no exercise of the underwriters' over-allotment option, no exercise of outstanding options and exercise of all outstanding warrants. The shares sold pursuant to this offering will be immediately tradable without restriction. Of the remaining shares:

- no shares will be eligible for sale immediately upon completion of this offering; and
- 243,972,186 shares, as of December 31, 2011, will be eligible for sale upon the expiration of lock-up agreements, subject in some cases to volume and other restrictions of Rule 144 and Rule 701 under the Securities Act of 1933, as amended, or the Securities Act.

The number of shares eligible for sale upon expiration of lock-up agreements assumes the conversion of all outstanding shares of our preferred stock into an aggregate of 228,552,739 shares of common stock.

The lock-up agreements expire 180 days after the date of this prospectus, subject to potential extension in the event we release earning results or material news or a material event relating to us occurs near the end of the lock-up period. Morgan Stanley, as one of the representatives of the underwriters, may, in their sole discretion and at any time without notice, release all or any portion of the securities subject to lock-up agreements.

Based on shares of common stock outstanding on December 31, 2011, and assuming exercise of all warrants outstanding as of such date, holders of approximately 244,387,860 shares, or %, of our common stock will have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. After the completion of this offering, we also intend to register approximately 30,080,000 shares of our common stock that have been issued or reserved for future issuance under our stock incentive plans. Once we register the offer and sale of shares for the holders of registration rights and option holders, they can be freely sold in the public market upon issuance, subject to the lock-up agreements or unless they are held by "affiliates," as that term is defined in Rule 144 of the Securities Act.

We may also issue shares of our common stock or securities convertible into our common stock from time to time in connection with a financing, acquisition, investments or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the trading price of our common stock to decline.

Because our initial public offering price is substantially higher than the pro forma as adjusted net tangible book value per share of our outstanding common stock, new investors will incur immediate and substantial dilution.

The initial public offering price is substantially higher than the pro forma as adjusted net tangible book value per share of our common stock based on the expected total value of our total assets, less our intangible assets, less our total liabilities immediately following this offering. Therefore, if you purchase shares of our common stock in this offering, you will experience immediate and substantial dilution of $ per share in the price you pay for our common stock as compared to the pro forma as adjusted net tangible book value as of September 30, 2011. Furthermore, investors purchasing our common stock in this offering will own only % of our shares outstanding even though they will have contributed % of the total consideration received by us in connection with our sales of common stock. To the extent outstanding options and warrants to purchase common stock are exercised, there will be further dilution. For a further description of the dilution that you will experience immediately after this offering, see the section titled "Dilution."

Our management has broad discretion in the use of the net proceeds from this offering and may not use the net proceeds in ways that increase the value of your investment.

Our management will have broad discretion in the application of the net proceeds of this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. We cannot assure you that our management will apply the net proceeds from this offering in ways that increase the value of your investment. We have not allocated the net proceeds from this offering for any specific purpose and we

cannot specify with certainty the uses to which we will apply the net proceeds we will receive from this offering. Until we use the net proceeds from this offering, we plan to invest them, and these investments may not yield a favorable rate of return. If we do not invest or apply the net proceeds from this offering in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

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. See "Dividend Policy" for more information. Consequently, your only opportunity to achieve a return on your investment in our company will be if the market price of our common stock appreciates and you sell your shares at a profit. There is no guarantee that the price of our common stock that will prevail in the market after this offering will ever exceed the price that you pay.

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 that will be in effect upon the closing of this offering 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 special meetings of stockholders may only be called by our chairman of the board, 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 will govern us upon completion of this offering. These provisions 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. See "Description of Capital Stock—Preferred Stock" and "Description of Capital Stock—Anti-Takeover Effects of Delaware Law and our Charter Documents."

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and "Compensation Discussion and Analysis." Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, technology developments, financing and investment plans, competitive position, industry and regulatory environment, potential growth opportunities and the effects of competition. Forward-looking statements include statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts, "projects," "should," "will," "would" or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this prospectus. You should read this prospectus and the documents that we have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

Important factors that could cause actual results to differ materially from our expectations are disclosed under "Risk Factors" and elsewhere in this prospectus, including, without limitation, in conjunction with the forward-looking statements appearing elsewhere in this prospectus. Some of the factors that we believe could affect our results include:

- our history of losses, which may continue in the future;
- our limited operating history, which makes it difficult to predict future results;
- the future demand for solar energy solutions;
- the reduction, elimination or expiration of government subsidies and economic incentives for on-grid solar electricity applications;
- our ability to achieve broad market acceptance of our microinverter systems;
- changes in the retail price of electricity derived from the utility grid or alternative energy sources;
- our ability to develop new and enhanced products in response to customer demands and rapid market and technological changes in the solar industry;
- the success of competing solar solutions that are or become available;
- our ability to effectively manage the growth of our organization and expansion into new markets;
- our ability to maintain or achieve anticipated product quality, product performance and cost metrics;
- our inability to accurately estimate future warranty expense;
- competition and other factors that may cause potential future price reductions for our products;
- our ability to optimally match production with demand;
- our dependence on a limited number of outside contract manufacturers and lack of supply contracts with these manufacturers;
- general economic conditions in our domestic and international markets;

- our ability to retain key personnel and attract additional qualified personnel;
- our ability to protect and defend our intellectual property; and
- the other factors set forth under “Risk Factors.”

Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

This prospectus also contains estimates and other information concerning our industry, including market size and growth rates, that are based on industry publications, surveys and forecasts, including those generated by the California Solar Initiative (CSI), the Solar Energy Industries Association (SEIA), IMS Research, the Datamonitor Group (Datamonitor), and iSuppli Corporation (iSuppli). This information involves a number of assumptions and limitations. Although we believe the information in these industry publications, surveys and forecasts is reliable, we have not independently verified the accuracy or completeness of the information. The industry in which we operate is subject to a high degree of uncertainty and risk due to variety of factors, including those described in “Risk Factors.” These and other factors could cause actual results to differ materially from those expressed in these publications, surveys and forecasts. This prospectus also contains product comparison data generated by Westinghouse Solar, a large solar installer that deploys our microinverter solution along with other inverter products. Although we believe the data generated by Westinghouse Solar is reliable, we have not independently verified the accuracy or completeness of the information.

USE OF PROCEEDS

We estimate that the net proceeds from our sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the front cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses, will be approximately $ million, or $ million if the underwriters' option to purchase additional shares is exercised in full. A $1.00 increase (decrease) in the assumed initial public offering price would increase (decrease) the net proceeds to us from this offering by $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions.

The principal reasons for this offering are to increase our capitalization and financial flexibility, increase our visibility in the marketplace and create a public market for our common stock. As of the date of this prospectus, we have no current specific plans for the use for the net proceeds of this offering, or a significant portion thereof. We currently intend to use the net proceeds of this offering primarily for general corporate purposes. Overall, our management will have broad discretion in the application of our net proceeds from this offering, and investors will be relying on the judgment of our management regarding the application of these proceeds. Pending their use, we plan to invest the net proceeds from this offering in short term, interest bearing obligations, investment grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid dividends on our common stock and do not expect to pay dividends on our common stock for the foreseeable future. Instead, we anticipate that all of our earnings in the foreseeable future will be used for the operation and growth of our business. Any future determination to pay dividends on our common stock would be subject to the discretion of our board of directors and would depend upon various factors, including our results of operations, financial condition, liquidity requirements, restrictions that may be imposed by applicable law and our agreements and other factors deemed relevant by our board of directors. Our loan and security agreements with Horizon Technology Finance Corporation, Hercules Technology Growth Capital, Inc., Bridge Bank, National Association and Comerica Bank, as well as with the lenders under our junior convertible loan facility, all prohibit the payment of dividends.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of September 30, 2011 on:

- an actual basis;
- on a pro forma basis to reflect (1) the conversion of all outstanding shares of our preferred stock into 228,552,739 shares of common stock, and (2) the reclassification of our convertible preferred stock warrant liability to additional paid-in capital immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to reflect (1) the pro forma adjustment described above, (2) the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range reflected on the front cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and (3) the filing of our amended and restated certificate of incorporation in connection with this offering.

You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited and unaudited consolidated financial statements and the related notes, each appearing elsewhere in this prospectus.

	As of September 30, 2011		
	Actual	Pro Forma	Pro Forma As Adjusted[1]
	(in thousands, except par value)		
Convertible preferred stock warrant liability	$ 1,351	$ —	$ —
Stockholders' equity:			
Convertible preferred stock, $0.00001 par value, 213,913 shares authorized, 201,765 shares issued and outstanding actual; no shares authorized, issued and outstanding pro forma and pro forma as adjusted	93,596	—	—
Common stock, $0.00001 par value; 376,000 shares authorized, 14,058 shares issued and outstanding actual; 376,000 shares authorized, 242,611 issued and outstanding pro forma; and shares authorized, shares issued and outstanding pro forma as adjusted	—	2	
Additional paid-in capital	5,354	100,299	
Accumulated deficit	(83,271)	(83,271)	
Accumulated other comprehensive loss	(94)	(94)	
Total stockholders' equity	15,585	16,936	
Total capitalization	$ 16,936	$ 16,936	$

(1) A $1.00 increase (decrease) in the assumed initial public offering price would result in an approximately $ million increase (decrease) in pro forma as adjusted cash and cash equivalents, and an approximately $ million increase (decrease) in each of pro forma as adjusted additional paid-in capital, total stockholders' equity and total capitalization. If the underwriters exercise their over-allotment option in full, there would be a $ increase in each of pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization.

The number of shares of common stock shown as issued and outstanding in the above table excludes:

- 3,245,814 shares of common stock issuable upon exercise of outstanding warrants, as of December 31, 2011, with a weighted-average exercise price of $0.65 per share;
- 56,805,555 shares of common stock issuable upon the exercise of outstanding stock options under our 2006 Equity Incentive Plan, as of December 31, 2011, with a weighted-average exercise price of $0.20 per share;

- 24,000,000 shares of common stock reserved for future issuance under our 2011 Equity Incentive Plan, which will become effective prior to the completion of this offering and contains provisions that will automatically increase its share reserve each year, as more fully described in “Executive Compensation—Employee Benefit Plans”;
- 6,080,000 shares of common stock reserved for future issuance under our 2011 Employee Stock Purchase Plan, which will become effective prior to the completion of this offering and contains provisions that will automatically increase its share reserve each year, as more fully described in “Executive Compensation—Employee Benefit Plans”; and
- 21,136,020 shares of common stock issuable as of December 31, 2011, upon conversion of the outstanding principal amount of our junior secured convertible loan facility and paid-in-kind interest at a conversion price of $0.98 per share.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the amount per share paid by purchasers of shares of our common stock in this initial public offering and the pro forma as adjusted net tangible book value per share of our common stock immediately after completion of this offering.

At September 30, 2011, we had net tangible book value of $15.3 million. Net tangible book value represents the amount of our net assets of $15.6 million less our intangible assets of 0.3 million. At September 30, 2011, our pro forma net tangible book value was $16.6 million (pro forma net assets of $16.9 million less pro forma intangible assets of $0.3 million) or $0.07 per share of common stock. Pro forma net tangible book value per share represents the amount of our net tangible book value increased by the amount of our convertible preferred stock warrant liability and divided by the pro forma shares of common stock outstanding at September 30, 2011, assuming the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 228,552,739 shares of common stock and the conversion of warrants to purchase 1,800,179 shares of preferred stock into warrants to purchase 1,951,579 shares of common stock in connection with this offering.

After giving effect to our sale of shares of common stock in this offering at an assumed initial public offering price of $, the midpoint of the price range set forth on the front cover of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses, our pro forma as adjusted net tangible book value at September 30, 2011 would have been $ million, or $ per share of common stock. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors.

The following table illustrates this dilution:

Assumed initial public offering price per share		$
Pro forma net tangible book value per share as of September 30, 2011 before giving effect to this offering	$0.07	
Increase in pro forma net tangible book value per share attributable to new investors purchasing shares in this offering		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to new investors in this offering		$

The following table summarizes, on a pro forma as adjusted basis as of September 30, 2011, the total number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid to us by existing stockholders and by new investors purchasing shares in this offering at the assumed initial public offering price of $, the midpoint of the price range set forth on the front cover of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders		%	$	%	$
New investors					
Total		100%	$	100%	$

A $1.00 increase or decrease in the assumed initial public offering price would increase or decrease, as applicable, total consideration paid to us by new investors and total consideration paid to us by all stockholders by approximately $ million, assuming the number of shares offered by us remains the same as set forth on the cover page of this prospectus and without deducting the estimated underwriting discounts and commissions and estimated offering expenses that we must pay.

The foregoing dilution calculations exclude:

- 3,245,814 shares of common stock issuable upon exercise of outstanding warrants, as of December 31, 2011, with a weighted-average exercise price of $0.65 per share;
- 56,805,555 shares of common stock issuable upon the exercise of outstanding stock options under our 2006 Equity Incentive Plan, as of December 31, 2011, with a weighted-average exercise price of $0.20 per share;
- 24,000,000 shares of common stock reserved for future issuance under our 2011 Equity Incentive Plan, which will become effective prior to the completion of this offering and contains provisions that will automatically increase its share reserve each year, as more fully described in "Executive Compensation—Employee Benefit Plans";
- 6,080,000 shares of common stock reserved for future issuance under our 2011 Employee Stock Purchase Plan, which will become effective prior to the completion of this offering and contains provisions that will automatically increase its share reserve each year, as more fully described in "Executive Compensation—Employee Benefit Plans"; and
- 21,136,020 shares of common stock issuable as of December 31, 2011, upon conversion of the outstanding principal amount of our junior secured convertible loan facility and paid-in-kind interest at a conversion price of $0.98 per share.

To the extent that any outstanding options or warrants are exercised, there will be further dilution to new investors.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated balance sheet data as of December 31, 2009 and 2010 and the selected consolidated statement of operations data for 2008, 2009 and 2010 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated balance sheet data as of December 31, 2007 and 2008 are derived from our audited financial statements not included in this prospectus. The selected consolidated statement of operations data for the period from March 20, 2006 (inception) to December 31, 2006 and for 2007 are derived from our unaudited consolidated financial statements not included in this prospectus. We derived the selected consolidated statement of operations data for the nine months ended September 30, 2010 and 2011 and the selected consolidated balance sheet as of September 30, 2011 from our unaudited consolidated financial statements appearing elsewhere in this prospectus. Our historical results are not indicative of the results to be expected in any future period, and the results for the nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the full year or any other period. You should read these selected financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this prospectus.

	March 20, 2006 (Inception) to December 31, 2006	Year Ended December 31,				Nine Months Ended September 30,	
		2007	2008	2009	2010	2010	2011
	(in thousands, except per share data)						
Consolidated Statement of Operations Data:							
Net revenues	$ —	$ —	$ 1,668	$ 20,194	$ 61,661	$ 41,046	$ 92,389
Cost of revenues[1]	—	—	7,475	23,223	55,159	36,745	76,391
Gross profit (loss)	—	—	(5,807)	(3,029)	6,502	4,301	15,998
Operating expenses:							
Research and development[1]	148	2,068	5,354	8,411	14,296	9,863	17,919
Sales and marketing[1]	39	458	1,809	2,651	6,558	4,089	11,842
General and administrative[1]	45	742	1,727	2,603	6,365	4,386	11,119
Total operating expenses	232	3,268	8,890	13,665	27,219	18,338	40,880
Loss from operations	(232)	(3,268)	(14,697)	(16,694)	(20,717)	(14,037)	(24,882)
Other income (expense), net:							
Interest income	6	179	206	125	39	34	4
Interest expense	—	—	(9)	(356)	(914)	(637)	(1,626)
Other income (expense)	—	—	(1)	—	(185)	(114)	(249)
Total other income (expense), net	6	179	196	(231)	(1,060)	(717)	(1,871)
Net loss	$ (226)	$(3,089)	$(14,501)	$(16,925)	$ (21,777)	$ (14,754)	$ (26,753)
Net loss attributable to common stockholders	$ (226)	$(3,089)	$(14,501)	$(16,925)	$ (21,777)	$ (14,754)	$ (26,753)
Net loss per share attributable to common stockholders, basic and diluted[2]	$ (0.28)	$ (1.02)	$ (2.72)	$ (2.85)	$ (3.19)	$ (2.23)	$ (2.61)
Shares used in computing net loss per share attributable to common stockholders, basic and diluted[2]	806	3,038	5,333	5,932	6,829	6,630	10,264
Pro forma net loss per share attributable to common stockholders, basic and diluted[2]					$ (0.10)		$ (0.11)
Pro forma shares used in computing pro forma net loss per share attributable to common stockholders basic and diluted[2]					216,536		238,817

	As of December 31,					As of September 30,
	2006	2007	2008	2009	2010	2011
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$335	$2,548	$ 4,136	$ 8,642	$39,993	$ 26,522
Working capital	327	2,322	2,521	11,004	39,753	26,935
Total assets	378	3,325	8,710	20,947	59,504	74,384
Current and long-term debt	—	—	571	411	6,903	14,598
Convertible notes	—	—	—	—	—	11,719
Convertible preferred stock	584	6,209	21,871	47,859	93,596	93,596
Common stock and additional paid-in capital	12	81	298	509	1,403	5,354
Total stockholders' equity	370	2,975	4,353	13,627	38,481	15,585

(1) Includes stock-based compensation expense as follows:

	Year Ended December 31,				Nine Months Ended September 30,	
	2007	2008	2009	2010	2010	2011
	(in thousands)					
Cost of revenues	$ —	$ 4	$ 17	$ 9	$ 6	$ 25
Research and development	—	27	62	286	185	528
Sales and marketing	—	7	36	256	142	484
General and administrative	70	170	65	278	175	402
Total stock-based compensation expense	$ 70	$208	$180	$829	$508	$ 1,439

(2) See Note 13 to Consolidated Financial Statements for a description of how we compute basic and diluted net loss attributable to common stockholders, basic and diluted net loss per share attributable to common stockholders and pro forma basic and diluted net loss per share attributable to common stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes thereto included in this prospectus. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those discussed in the forward-looking statements. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this prospectus, particularly the "Special Note Regarding Forward-Looking Statements and Industry Data" and "Risk Factors" sections.

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 are the market leader in the microinverter category and have grown rapidly since our first commercial shipment in mid-2008, with over 1,150,000 microinverter units shipped as of September 30, 2011, representing over an estimated 33,000 system installations. We were the first company to commercially ship microinverter systems in volume. Our products have been installed in all 50 U.S. states and eight Canadian provinces, and we are rapidly taking market share from traditional central inverter manufacturers.

We were founded in March 2006 and began generating revenue in June 2008. From inception to September 30, 2011, we raised over $120 million in cash proceeds primarily through the issuance of preferred stock. The history of our product development and sales and marketing efforts is as follows:

- From inception to the second quarter of fiscal 2008, our efforts focused on developing a complete microinverter solution for the solar PV industry;
- In the second quarter of 2008, we began selling our first generation microinverter along with our Envoy communications gateway device and our Enlighten web-based monitoring service;
- In the first half of 2009, we focused on the development of our second generation microinverter and migrated our contract manufacturing to Flextronics, which provided us with access to commercial scale manufacturing and logistics services;
- In the third quarter of 2009, we began selling our second generation microinverter in volume;
- In 2010, we invested in our sales and marketing organization to increase market penetration, continued design innovations for our second generation microinverter, sold more than 400,000 units and commenced development of our third generation microinverter;
- In the first quarter of 2011, we opened offices in France and Italy; and
- In the second quarter of 2011, we began selling our third generation microinverter.

We sell our microinverter systems primarily to distributors who resell them to solar installers. Over 2,900 installers in North America have installed our microinverters through September 30, 2011, and this number is increasing by approximately 100 new installers per month. We also sell directly to large installers and through OEMs and strategic partners.

A substantial majority of our revenue has been generated by sales within the United States. Sales to customers in Canada commenced in 2009 and accounted for approximately 13% of our total revenue in 2010. We anticipate that the majority of our 2011 revenue will continue to come from the United States, with the balance from Canada and, to a lesser extent, Europe.

We have achieved substantial growth since we commenced commercial production in 2008. Our total revenue was $1.7 million, $20.2 million, and $61.7 million for 2008, 2009, and 2010, respectively, and was $41.0 million and $92.4 million for the first nine months of 2010 and 2011, respectively. Net losses have totaled $14.5 million, $16.9 million and $21.8 million for 2008, 2009 and 2010, respectively, and were $14.8 million and $26.8 million for the first nine months of 2010 and 2011, respectively. We incurred net losses in 2011 and may continue to incur net losses in future years as we continue to invest substantial resources to support the growth of our business. However, over time, we believe the significant investments we are making to scale our business will allow us to achieve an increasingly efficient operating cost structure. We believe that this, combined with the differentiated value proposition of our microinverter solution including product cost reductions through further semiconductor integration, will allow us to improve our gross profit and reduce our operating expenses as a percentage of revenue.

Results of Operations

The following describes the line items in our Consolidated Statements of Operations.

Net Revenues

We generate revenue from sales of our microinverter systems, which include microinverter units, an Envoy communications gateway device, and our Enlighten web-based monitoring service. We sell to distributors, large installers, OEMs and strategic partners.

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 diversification and expansion of our revenue base.

Cost of Revenues and Gross Profit

Cost of revenues is comprised primarily of product costs consisting of purchases from our contract manufacturers and other suppliers, warranty, personnel and logistics costs, depreciation and amortization of 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 of these costs, primarily personnel and depreciation and amortization of test equipment, are not directly affected by sales volume.

We outsource our manufacturing to third-party manufacturers and negotiate product pricing on a quarterly basis. In addition, a contract manufacturer also serves as our logistics provider by warehousing and delivering our products in the United States and Canada. 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 costs, geographical mix and 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, benefits, payroll taxes, recruiting costs, commissions and stock-based compensation. Our full-time employee headcount has grown from 58 at December 31, 2008, to 79 at

December 31, 2009, to 153 at December 31, 2010 and to 286 at September 30, 2011. We expect to continue to hire significant numbers of new employees to support our growth. The timing of these additional hires could materially affect our operating expenses, both in absolute dollars and as a percentage of revenue, in any particular period. We expect to continue to invest substantial resources to support the growth of our company globally and anticipate that each of the following categories of operating expenses will increase in absolute dollar amounts for the foreseeable future.

Research and development expense includes personnel-related expenses such as salaries, stock-based compensation and employee benefits. Our research and development employees are engaged in the design and development of power electronics, semiconductors, powerline communications and networking and software functionality. Our research and development expense also includes third-party design and development costs, testing and evaluation costs, depreciation expense and other indirect costs. We devote substantial resources in ongoing research and development programs that focus on enhancements to and cost efficiencies in our existing products and timely development of new products that utilize technological innovation to drive down products costs. We intend to continue to invest substantial resources in our research and development efforts because we believe they are essential to maintaining our competitive position. Investments in research and development personnel costs are expected to increase in total dollars for the foreseeable future.

Sales and marketing expense consists primarily of personnel-related expenses such as salaries, commissions, stock-based compensation, employee benefits, and travel. It also includes trade shows, marketing, customer support and other indirect costs. We expect our sales and marketing expense to increase in absolute dollars for the foreseeable future as we continue to increase the number of our sales and channel support personnel to enable us to increase our market penetration geographically and into new markets by expanding our customer base of distributors, large installers, OEMs and strategic partners. Historically, all of our sales have been in the United States and Canada. In the first quarter of 2011, we opened sales offices in Italy and France and began selling into those geographies in the fourth quarter of 2011. We expect to continue to expand our geographic footprint in the future.

General and administrative expense consists primarily of salaries, stock-based compensation and employee benefits for personnel related to our executive, finance, human resources, information technology and legal organizations, facilities cost, including additional annual rent expense of approximately $0.4 million related to our new corporate headquarters, expected to begin in the first quarter of 2012, and fees for professional services. Professional services consist of outside legal, accounting and information technology consulting costs. We expect that after this offering we will incur additional accounting and legal costs related to compliance with securities and other regulations, as well as additional insurance, investor relations and other costs associated with being a public company.

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 deferred financing costs and debt discounts. Other income (expense), net also includes mark-to-market adjustments to record our preferred stock warrants at fair value, which were issued in conjunction with credit facilities, as well as losses or gains on conversion of non-U.S. dollar transactions into U.S. dollars.

Provision (Benefit) for Income Taxes

We did not record any current or deferred United States federal or state income tax provision or benefit for any of the periods presented because we have experienced operating losses since inception. Due to the history of losses we have generated since inception, we have recorded a full valuation allowance on our deferred tax assets.

Summary Consolidated Statements of Operations

The following table sets forth a summary of our consolidated statements of operations for the periods presented (in thousands):

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
Net revenues	$ 1,668	$ 20,194	$ 61,661	$ 41,046	$ 92,389
Cost of revenues	7,475	23,223	55,159	36,745	76,391
Gross profit (loss)	(5,807)	(3,029)	6,502	4,301	15,998
Operating expenses:					
Research and development	5,354	8,411	14,296	9,863	17,919
Sales and marketing	1,809	2,651	6,558	4,089	11,842
General and administrative	1,727	2,603	6,365	4,386	11,119
Total operating expenses	8,890	13,665	27,219	18,338	40,880
Loss from operations	(14,697)	(16,694)	(20,717)	(14,037)	(24,882)
Other income (expense), net	196	(231)	(1,060)	(717)	(1,871)
Net loss	$(14,501)	$(16,925)	$(21,777)	$(14,754)	$(26,753)

Comparison of the Nine Months Ended September 30, 2010 and September 30, 2011

Net Revenues

	Nine Months Ended September 30,		
	2010	2011	Change
	(in thousands)		
Net revenues	$41,046	$92,389	$51,343

Net revenues for the nine months ended September 30, 2011 increased by 125% compared to the nine months ended September 30, 2010. The number of microinverter units sold increased by 122% from approximately 276,000 units in the nine months ended September 30, 2010 to approximately 614,000 units in the nine months ended September 30, 2011. Of this increase in units sold, 85% was primarily driven by an increase in sales of our third generation microinverter which was introduced during the second quarter of 2011. The remaining 15% of the increase in units sold resulted from increased sales of our second generation microinverter. These overall increases were driven by deeper penetration of our existing customer base, the addition of new customers, further expansion into Canada, and broader acceptance of our products resulting from, among other factors, investments made in sales and marketing. The net revenues for the nine months ended September 30, 2011 would have been higher by $4.9 million had the average selling price of our microinverters remained constant from the fiscal year 2010. The decline in average selling prices reflects, and is consistent with, recent market trends in the solar industry. We expect these trends to continue in the foreseeable future.

Cost of Revenues and Gross Profit

	Nine Months Ended September 30,		
	2010	2011	Change
	(in thousands)		
Cost of revenues	$36,745	$76,391	$39,646
Gross profit	4,301	15,998	11,697

Cost of revenues for the nine months ended September 30, 2011 increased primarily due to an increase in the number of microinverter units sold to customers, consistent with the overall increase in net revenues as described above. Gross profit as a percentage of revenue increased from 10.5% in the nine months ended September 30, 2010 to 17.3% in the nine months ended September 30, 2011. Substantially all of this increase in gross profit as a percentage of revenue was driven by a reduction in material cost per unit primarily resulting from the introduction of our third generation microinverter. Gross profit as a percentage of revenue was also positively impacted by more favorable pricing on raw materials a 2% decrease over the comparable 2010 period, design enhancements and efficiency gains in the manufacturing process of our second generation microinverter.

Research and Development

	Nine Months Ended September 30,		
	2010	2011	Change
	(in thousands)		
Research and development	$9,863	$17,919	$8,056

The increase in research and development expenses was primarily attributable to a $5.5 million increase in personnel-related costs as a result of increases in research and development headcount in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. The increase in headcount reflects our continuing investment in development of existing products as well as efforts to bring new products to market, including our third generation microinverter. In addition, expenditures related to research and development equipment and the use of outside services for the development of new products increased by $1.7 million and $0.8 million, respectively, as compared to the prior year period.

Sales and Marketing

	Nine Months Ended September 30,		
	2010	2011	Change
	(in thousands)		
Sales and marketing	$4,089	$11,842	$7,753

The increase in sales and marketing expenses resulted primarily from increased staffing levels to support higher sales volumes and international expansion. Personnel-related costs increased by $6.0 million, which includes $1.5 million for international locations as a result of increases in sales and marketing headcount in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. In addition, costs related to the use of outside services and trade shows contributed an additional $0.6 million and $0.5 million to the increase, respectively, in the nine months ended September 30, 2011.

General and Administrative

	Nine Months Ended September 30,		
	2010	2011	Change
	(in thousands)		
General and administrative	$4,386	$11,119	$6,733

The increase in general and administrative expenses was primarily attributable to a $3.6 million increase in personnel-related costs as a result of increases in general and administrative headcount and a $2.0 million increase in accounting, legal and other professional services incurred to assist us with building an infrastructure to support public company requirements. In addition, depreciation and amortization and facilities costs contributed $1.1 million to the increase in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, resulting from higher capital asset purchases and new facilities to support increases in our personnel and operations.

Other Income (Expense), Net

	Nine Months Ended September 30,		
	2010	2011	Change
	(in thousands)		
Other income (expense), net	$ (717)	$(1,871)	$(1,154)

Other expense, net increased mainly due to a $1.0 million increase in interest expense as a result of an increase in average debt outstanding as well as amortization of deferred financing costs and related debt discounts.

Comparison of 2008, 2009 and 2010

Net Revenues

	Year Ended December 31,			Change	
	2008	2009	2010	2008 to 2009	2009 to 2010
	(in thousands)				
Net revenues	$1,668	$20,194	$61,661	$ 18,526	$ 41,467

Net revenues for 2010 increased by 205% compared to 2009. The increase in net revenues was due to the number of microinverter units sold increasing by 229% from approximately 126,000 units in 2009 to approximately 414,000 units in 2010. The increase in units sold was driven by deeper penetration of our existing customer base, the addition of new customers, further expansion into Canada, and broader acceptance of our products resulting, among other factors, from investments made in sales and marketing. The increase in net revenues from the sale of additional units was offset by approximately $1.7 million resulting from a slight decline in the average selling price of our microinverter units. The decline in average selling prices reflects, and is consistent with, recent market trends in the solar industry. We expect these trends to continue in the foreseeable future. As of December 31, 2010, our products had sold to more than 2,000 installers, compared to more than 600 installers as of December 31, 2009.

We commenced commercial production in June 2008 and generated minimal revenues during the balance of the year. In 2009, we achieved substantial growth as a result of increased market awareness for microinverters in general, as well as the introduction of our second generation product.

Cost of Revenues and Gross Profit (Loss)

	Year Ended December 31,			Change	
	2008	2009	2010	2008 to 2009	2009 to 2010
	(in thousands)				
Cost of revenues	$ 7,475	$23,223	$55,159	$ 15,748	$ 31,936
Gross profit (loss)	(5,807)	(3,029)	6,502	2,778	9,531

Cost of revenues for 2010 increased from 2009 primarily due to an increase in the number of microinverter units sold to customers, consistent with the overall increase in net revenues as described above. Gross profit (loss) as a percentage of revenue increased from (15%) in 2009 to 10.5% in 2010. Prior to 2010, we had negative gross profit as our sales were insufficient to cover our product costs as well as personnel costs, which are not directly affected by sales volume. In 2010, we achieved economies of scale and positive gross profit as we ramped up production of our higher margin second generation product.

Cost of revenues in 2009 increased as a result of an increase in the number of units sold in 2009, compared to 2008, consistent with the overall increase in net revenues.

Research and Development

	Year Ended December 31,			Change	
	2008	2009	2010	2008 to 2009	2009 to 2010
			(in thousands)		
Research and development	$5,354	$8,411	$14,296	$ 3,057	$ 5,885

Research and development expenses increased from 2009 to 2010 primarily due to increases in research and development headcount. Salaries and related personnel expenses accounted for $4.2 million of the $5.9 million increase in research and development expenses. In addition, outsourced engineering fees and other outside services fees increased by approximately $1.6 million related to the development of new features for our next generation of products. We plan to continue to invest in research and development as we develop new products and make further enhancements to existing products.

Research and development expense increased from 2008 to 2009 primarily due to increases in research and development headcount. Salaries and related personnel expenses accounted for $2.3 million of the $3.1 million increase in research and development expenses. In addition, depreciation and related expenses increased as a result of additional research and development technology assets purchased in 2009.

Sales and Marketing

	Year Ended December 31,			Change	
	2008	2009	2010	2008 to 2009	2009 to 2010
			(in thousands)		
Sales and marketing	$1,809	$2,651	$6,558	$ 842	$ 3,907

Sales and marketing expenses increased from 2009 to 2010 primarily due to increases in sales and marketing headcount. Salaries and related personnel expenses accounted for $3.0 million of the $3.9 million increase in sales and marketing expenses as a result of expansion of our sales organization in order to increase product awareness and expand our sales presence. We expect that sales and marketing expenses will continue to increase in absolute dollars as we expand sales operations domestically and internationally.

Sales and marketing expenses increased from 2008 to 2009 primarily due to increases in sales and marketing headcount. Salaries and related personnel expenses accounted for substantially all of the $842,000 increase in sales and marketing expenses.

General and Administrative

	Year Ended December 31,			Change	
	2008	2009	2010	2008 to 2009	2009 to 2010
			(in thousands)		
General and administrative	$1,727	$2,603	$6,365	$ 876	$ 3,762

General and administrative expenses increased from 2009 to 2010 due to increases in general and administrative headcount. Salaries and related personnel expenses accounted for $2.3 million of the $3.8 million increase in general and administrative expenses. Also, professional services fees increased $690,000. The additional personnel and professional services fees are primarily the result of our on-going efforts to build the legal, finance, human resources, recruiting and information technology functions required of a public company. In addition, depreciation and amortization and facilities costs also contributed $0.6 million to the increase in 2010 over 2009. We expect to incur additional expenses as a result of operating as a public company, including costs to comply with the Sarbanes-Oxley Act and the rules and regulations applicable to companies listed on the NASDAQ Stock Market.

General and administrative expenses increased from 2008 to 2009 due, in part, to a $260,000 increase in personnel and related costs as a result of increases in general and administrative headcount. Also, professional services fees and rent expense increased $165,000 and $144,000, respectively. In addition, total other miscellaneous corporate expenses including utilities, insurance, depreciation and amortization increased $300,000 from 2008 to 2009.

Other Income (Expense), Net

	Year Ended December 31,			Change	
	2008	2009	2010	2008 to 2009	2009 to 2010
			(in thousands)		
Other income (expense), net	$196	$(231)	$(1,060)	$ (427)	$ (829)

Other expense increased from 2009 to 2010 primarily due to interest expense related to increased borrowings in 2010.

Other income (expense), net in 2009 was comprised primarily of interest expense including amounts from a beneficial conversion feature charge related to the conversion of $1.5 million of promissory notes into Series D convertible preferred stock at a discount, less interest income.

Other income (expense), net in 2008 was comprised primarily of interest income.

Provision for Income Taxes

We did not provide any current or deferred United States federal or state income tax provision or benefit for any of the years presented because we have experienced operating losses since inception.

Quarterly Results of Operations

The following table presents our unaudited quarterly results of operations for the 11 quarters in the period ended September 30, 2011. This unaudited quarterly information has been prepared on the same basis as our audited financial statements and includes all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the information for the quarters presented. You should read this information in conjunction with our audited consolidated financial statements and the related notes thereto. The results of operations for any quarter are not necessarily indicative of results of operations for any future period.

	Three Months Ended										
	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011 (see note 1)	Sep 30, 2011
					(in thousands)						
Net revenues	$ 1,159	$ 1,625	$ 5,407	$12,003	$ 11,587	$10,769	$18,690	$20,615	$ 18,069	$ 29,592	$44,728
Costs of revenues	2,672	3,725	5,681	11,145	10,631	9,464	16,650	18,414	15,421	24,785	36,185
Gross profit	(1,513)	(2,100)	(274)	858	956	1,305	2,040	2,201	2,648	4,807	8,543
Operating expense:											
Research and development	1,752	2,061	2,249	2,349	2,735	3,160	3,968	4,433	5,345	6,143	6,431
Sales and marketing	513	489	661	988	855	1,280	1,954	2,468	3,010	4,265	4,567
General and administrative	534	482	533	1,054	1,099	1,387	1,900	1,979	3,250	3,889	3,980
Total operating expenses	2,799	3,032	3,443	4,391	4,689	5,827	7,822	8,880	11,605	14,297	14,978
Loss from operations	(4,312)	(5,132)	(3,717)	(3,533)	(3,733)	(4,522)	(5,782)	(6,679)	(8,957)	(9,490)	(6,435)
Other income (expense), net	(9)	(250)	28	—	(66)	(329)	(322)	(342)	(332)	(798)	(741)
Net loss	$ (4,321)	$(5,382)	$(3,689)	$ (3,533)	$ (3,799)	$ (4,851)	$ (6,104)	$ (7,021)	$ (9,289)	$ (10,288)	$ (7,176)

The following table presents the unaudited quarterly results of operations as a percentage of revenue:

	Three Months Ended										
	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011 (see note 1)	Sep 30, 2011
Net revenues	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Costs of revenues	231	229	105	93	92	88	89	89	85	84	81
Gross profit	(131)	(129)	(5)	7	8	12	11	11	15	16	19
Operating expense:											
Research and development	151	127	42	20	24	29	21	22	30	21	14
Sales and marketing	44	30	12	8	7	12	10	12	17	14	10
General and administrative	46	30	10	9	9	13	10	10	18	13	9
Total operating expenses	242	187	64	37	40	54	42	43	64	48	33
Loss from operations	(372)	(316)	(69)	(29)	(32)	(42)	(31)	(32)	(50)	(32)	(14)
Other income (expense), net	(1)	(15)	(1)	—	(1)	(3)	(2)	(2)	(2)	(3)	(2)
Net loss	(373%)	(331%)	(68%)	(29%)	(33%)	(45%)	(33%)	(34%)	(51%)	(35%)	(16%)

Note (1) Subsequent to June 30, 2011, we determined that our accrual for inventory obsolescence and sales returns related to a product discontinuation did not include outstanding purchase commitments and certain anticipated sales returns. As a result, we revised the unaudited quarterly results of operations data for the three months ended June 30, 2011. The effect of the revision on previously reported amounts was to reduce net revenues by $421,000, increase cost of revenues by $290,000, decrease gross profit by $711,000 and increase loss from operations and net loss by $711,000 for the three months ended June 30, 2011.

Quarterly Revenue Trends

Our quarterly results reflect seasonality and cyclicality in the sale of our products. In general, we expect our product revenue in the third and fourth quarters to be positively affected by seasonal customer demand trends, including solar economic incentives, weather patterns and construction cycles. Although these seasonal factors are common in the solar sector, historical patterns should not be considered a reliable indicator of our future sales activity or performance. In the future, the effects of seasonality and cyclicality may also be impacted by our expansion into international markets.

Total revenue and unit sales have generally increased over the 11 quarters presented due to the adoption of our existing products, the success of new product introductions and our ability to acquire new customers in our target markets as well as increased sales to existing customers. Quarterly revenue generally has increased sequentially during the last 11 quarters, with revenue increasing from the preceding period in eight of the 11 quarters presented. Sequential revenue growth in the fourth quarter of 2009 resulted from the successful introduction of our second generation microinverter launched at the end of the previous quarter. In the second quarter of 2010, revenues were negatively affected by an unexpected increase in channel inventory caused by temporary weakness in installer demand and overall market dynamics in the solar industry. Installer demand in early 2010 was impacted by an unseasonably long winter, resulting in sluggish consumer demand for solar systems. Since this time, we have improved our visibility into channel inventory levels through programs designed to incent our distributors to provide timely reporting related to inventory levels. In the first quarter of 2011, the decline in net revenue from the preceding quarter was primarily the result of seasonality. We experienced substantial increases in revenues in the second and third quarters of 2011 due, in part, to the launch of our third generation microinverter in June 2011.

Quarterly Gross Profit Trends

Our gross profit, as a percentage of revenue, is impacted by average selling prices, product costs, geographical mix and seasonality. Gross profit generally has improved over the 11 quarters presented due to improvements in product costs resulting from economies of scale and improvements in production processes and automation, which have lowered the overall unit production cost over time. Gross profit has also benefited from our generating sales volumes sufficient to cover personnel and other costs not directly affected by sales volume. Gross profit has improved sequentially in ten of the 11 quarters presented. Gross profit has fluctuated on a quarterly basis primarily due to shifts in the average selling prices for our products and product costs. Gross profits in the third and fourth quarters of 2009 improved sequentially primarily due to the successful introduction of our lower-cost, second generation microinverter which had completely replaced our first-generation product by the end of 2009. Gross profits in the third and fourth quarters of 2010 were negatively impacted by costs incurred to expedite the procurement and delivery of certain raw materials and finished goods. Gross profit in the first quarter of 2011 increased sequentially due to lower product cost per unit and reduced use of expedited air-freight for finished goods to meet demand due to improvements in delivery scheduling. In the second and third quarters of 2011, gross profit continued to increase primarily due to the lower product cost per unit related to the launch of our third generation microinverter in June 2011. We anticipate that gross profit will fluctuate from quarter to quarter as a result of changes in average selling prices, product costs, geographical mix and seasonality.

Quarterly Operating Expense Trends

To establish operational scale and to accommodate our growth, our operating expenses increased sequentially in all quarters. Increases in operating expenses have been largely attributable to adding headcount in all areas and growing investment in research and development, increase in sales and marketing efforts and increase in general and administrative expenses for accounting and professional fees. We expect to continue to increase our operating expenses in absolute dollar amounts to support the growth of our company, although over time we expect these expenses to decrease as a percentage of revenue.

Liquidity and Capital Resources

We have financed our operating activities and capital expenditures to date primarily through proceeds from the issuances of convertible preferred stock, debt borrowings and cash receipts from customers. As of September 30, 2011, we had $26.5 million in cash and cash equivalents and $26.9 million in working capital.

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

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
			(in thousands)		
Net cash used in operating activities	$(12,233)	$(18,887)	$(17,852)	$(12,321)	$(23,229)
Net cash used in investing activities	(2,619)	(2,122)	(3,262)	(2,408)	(9,589)
Net cash provided by financing activities	16,440	25,515	52,465	52,486	19,441

Net Cash Used in Operating Activities

We have experienced net negative cash flows from operations as we have expanded our business and built our infrastructure. Our cash flows from operating activities will continue to be affected principally by the extent to which we manage our working capital and spend on increasing personnel in order to grow our business. Our largest source of operating cash flows is cash collections from our customers.

Cash used in operating activities increased $10.9 million from the nine months ended September 30, 2010, as compared to the same period in 2011, primarily due to the $12.0 million increase in net loss, driven by investments made to expand our business and build our infrastructure. This increase was partially offset by net changes in non-cash expenses and cash used in working capital items as compared to the 2010 period.

Cash used in operating activities decreased from 2009 to 2010 by $1.0 million. The decrease was primarily driven by an improvement of working capital management of approximately $4.5 million as our sales volume increased substantially, partially offset by a $4.9 million increase in net loss due to the overall growth in our business activities and an increase in employee headcount across all functions.

Cash used in operating activities increased from 2008 to 2009 due to our increased net loss resulting from higher operating expenses to support our growth in 2009.

Net Cash Used in Investing Activities

Net cash used in investing activities primarily related to capital expenditures to support our growth.

Net cash used in investing activities increased from $2.4 million in the nine months ended September 30, 2010 to $9.6 million in the nine months ended September 30, 2011 primarily due to higher net capital expenditures on manufacturing test equipment as well as development of software for internal use.

Net cash used in investing activities increased from $2.1 million in 2009 to $3.3 million in 2010 due primarily to capital expenditures. Capital expenditures in 2010 primarily related to leasehold improvements for corporate offices, manufacturing test equipment, research and development lab equipment, and development of software for internal use.

Net cash used in investing activities decreased from $2.6 million in 2008 to $2.1 million in 2009 due primarily to capital expenditures. Preceding the launch of our first product in June 2008, we incurred capital expenditures primarily related to research and development lab equipment, leasehold improvements for corporate offices and manufacturing test equipment.

Net Cash Provided by Financing Activities

We have financed our operations primarily through private sales of convertible preferred stock totaling $92.2 million through September 30, 2011, and the use of our venture debt and credit facilities.

Financing activities in the nine months ended September 30, 2011 included proceeds of $12.5 million from the issuance of convertible notes, $4.2 million from an equipment financing facility, $5.0 million from a venture debt term loan and $1.3 million from the sale of common stock partially offset by $3.6 million related to payments on our term loan, capital lease, debt issuance and deferred offering costs. Financing activities in the nine months ended September 30, 2010 included proceeds of $45.7 million from our Series E convertible preferred stock financing and $7.0 million from a venture debt term loan.

Cash flows provided by financing activities were higher in 2010 compared to 2009 as we sold 67,471,300 shares of our Series E convertible preferred stock in April, May and June 2010 for net proceeds of $45.7 million. In March 2010, we entered into a venture debt agreement and borrowed $7.0 million under the agreement.

Cash flows provided by financing activities were higher in 2009 compared to 2008 as we sold 103,522,345 shares of our Series D convertible preferred stock in April and May 2009 for net proceeds of $24.2 million. In April 2008, we sold 11,675,878 shares of our Series C convertible preferred stock for net proceeds of $14.9 million and in January 2008 we sold 1,132,075 shares of Series B convertible preferred stock for net proceeds of $750,000. In December 2008, we borrowed $571,000 under a line of credit arrangement.

Debt Obligations

Our debt obligations are summarized below. Our Convertible Facility, Term Loan and Revolving Line of Credit Facility are secured by substantially all of our assets except intellectual property and contain certain required financial covenants. As of September 30, 2011, we were in compliance with these required financial covenants.

Convertible Facility

In June 2011, we entered into a junior secured convertible loan facility, or Convertible Facility, with certain existing preferred stockholders that provided for up to $50.0 million in borrowings, of which we borrowed $12.5 million in an initial advance upon signing. In November 2011, we amended the Convertible Facility to provide for an aggregate of up to $80.0 million in borrowings. We borrowed $7.5 million in a second advance in November 2011 and may borrow up to an additional $60.0 million prior to the earlier of (i) a subsequent equity financing of more than $10.0 million or (ii) June 14, 2013, subject to the attainment of certain financial and operating conditions. The Convertible Facility bears interest at a rate of 9.0%, with interest payable in-kind at maturity, which is the earlier to occur of the closing of (i) our initial public offering, (ii) a change in control or (iii) June 14, 2014. Because of the pay-in-kind feature, we record interest expense in excess of the stated rate. In connection with this facility, in June 2011 and November 2011 we issued shares of common stock and warrants to purchase common stock. See Note 15 to Consolidated Financial Statements. The Convertible Facility is secured by all of our assets except intellectual property, prohibits dividend payments and restricts prepayment of the convertible portion of any outstanding loans under the facility. The agreement also requires us to meet certain minimum gross profit metrics and maximum warranty claim rates in order to be eligible for further advances under the facility. We believe that the investors under the Convertible Facility will elect to convert their notes into shares of our common stock upon the completion of this offering, since the conversion feature of the outstanding notes provides that the indebtedness may be converted at $0.98 per share. To the extent any noteholder under the Convertible Facility elects not to convert its note into common stock, we intend to use our existing cash resources to repay such debt.

Equipment Financing Facility

On June 13, 2011, we entered into $5 million equipment financing facility with Hercules Technology Growth Capital, Inc. The equipment financing facility has a variable interest rate set at the higher of 5.75% above the prime lending rate and 9.0% annually and expires July 1, 2014. This facility is secured by the financed equipment and restricts our ability to pay dividends and take on certain types of additional liens. In connection with this facility, we issued warrants to purchase Series E preferred stock. See Note 15 to Consolidated Financial Statements. As of September 30, 2011, we have borrowed $4.2 million under the equipment financing facility.

Term Loan

We have a loan and security agreement with Horizon Technology Finance Corporation, or Original Term Loan, pursuant to which we borrowed $7.0 million at an interest rate of 12.6% for a 42-month term, maturing on October 1, 2013. On March 25, 2011, we entered into an amendment to the Original Term Loan to provide for an additional $2.0 million term loan, which was fully drawn upon at execution of the amendment and an additional $3.0 million term loan, which was fully drawn upon on September 22, 2011, together, the Additional Term Loans, both of which mature on the first calendar day of the month that follows the 42-month anniversary of the date of advance. As of September 30, 2011, the $2.0 million outstanding principal balance will mature on October 1, 2014 and the $3.0 million outstanding principal balance will mature on April 1, 2015. The Additional Term Loans have an interest rate of 10.75% and all borrowings have a 42-month term. Monthly payments for the first 12 months are interest only; subsequent monthly payments include interest and principal, based on a 30-month remaining amortization period. The other terms and conditions of the Original Term Loan remain substantially unchanged. The loan provides for penalties for early repayment and is secured by all our assets except intellectual property. The loan also prohibits any dividend payments and restricts our ability to take on certain additional liens, or make prepayments on certain other indebtedness.

Revolving Line of Credit Facility

In March, 2011, we entered into a revolving line of credit under a loan and security agreement with Bridge Bank, National Association and Comerica Bank that provides for up to $25.0 million in borrowings, based on a percentage of eligible receivables and a percentage of inventory, up to $10.0 million. The line of credit has a variable interest rate set at 1.25% above the bank’s prime lending rate and was to expire March 24, 2013. The

facility included a $5.0 million letter of credit subfacility. As of September 30, 2011, we had not drawn any amounts under the revolving line of credit facility. Any advance under the facility is collateralized by the underlying receivables or inventory and is secured by all of our assets except intellectual property. The agreement requires us to maintain minimum asset coverage and tangible net worth requirements and restricts our ability to pay dividends, take on certain additional liens, or make prepayments on certain other indebtedness.

On December 30, 2011, we increased our revolving line of credit from $25.0 million to $33.0 million, including an increase of the letter of credit subfacility from $5.0 million to $10.0 million, and further extended the availability of the facility until December 30, 2013. Available borrowings are based on 80% of eligible receivables and 50% of inventory, up to $13.2 million.

Line of Credit Agreement

We had a line of credit agreement with ATEL Ventures, Inc. that provided for borrowings of up to $1.0 million. The line of credit had an interest rate of approximately 14% and expired on December 15, 2011. As of September 30, 2011, this line of credit had an outstanding principal balance of $82,000. Specific assets were pledged as collateral for amounts drawn under the line of credit. Any amounts drawn under the line of credit are subject to penalties for early repayment. The line of credit does not include financial covenants or other material covenant requirements.

Operating and Capital Expenditure Requirements

Since inception, our operations have been financed primarily through sales of our convertible preferred stock. Our principal current sources of liquidity are cash on our balance sheet, cash generated by sales of products, borrowings under our credit facilities and our Convertible Facility.

Based on our current financial condition, we believe that liquidity from available sources without giving effect to the proceeds from this offering will be adequate to fund our current and long-term debt obligations as well as our planned capital expenditures and business plans over the next 12 months. In the future, we expect our operating and capital expenditures to increase as we increase headcount, expand our business activities and grow our customer base which will result in higher needs for working capital. Our ability to generate cash from operations is also subject to substantial risks described under the caption “Risk Factors.” If any of these risks occur, we may be unable to generate or sustain positive cash flow from operating activities or raise additional capital. We would then be required to use existing cash and cash equivalents to support our working capital and other cash requirements. If additional sources of liquidity are required to support our working capital requirements or operational expansion, we may seek to raise funds through debt financing or from other sources, but we can provide no assurance that these transactions could be consummated on acceptable terms to us 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.

Contractual Obligations

The following table summarizes our outstanding contractual obligations as of December 31, 2010:

	Payments Due by Period				
	Total	2011	2012	2013	2014
	(in thousands)				
Debt	$ 7,233	$ 2,567	$ 2,800	$ 1,866	$ —
Interest payments on debt	1,159	645	426	88	—
Capital leases	58	52	6	—	—
Operating leases	1,646	595	619	430	2
Purchase obligations[1]	20,350	18,315	2,035	—	—
Total	$30,446	$22,174	$ 5,886	$ 2,384	$ 2

(1) Represents amounts associated with our contract manufacturers that are non-cancelable. Such purchase commitments are based on our forecasted manufacturing requirements and typically provide for fulfillment within agreed upon lead-times and/or commercially standard lead-times for the particular part or product. The timing and amount of payments represent our best estimate and may change due to changing business needs and other factors.

On March 25, 2011, we borrowed $2.0 million under the term loan described under “Debt Obligations” above.

On June 3, 2011, we entered into an agreement to lease approximately 96,000 square feet of office space for our new corporate headquarters. Our minimum obligation under this agreement is approximately $13.5 million, payable over the ten-year term of the lease. An estimated $4.8 million of capital expenditures in 2011 and 2012 will be necessary to complete the tenant improvements, furnishings and technology for the new office space.

On June 14, 2011 and November 16, 2011, we borrowed $12.5 million and $7.5 million, respectively, pursuant to the terms of the Convertible Facility, as discussed above.

On September 22, 2011, we drew down $3.0 million under the Additional Term Loan, as discussed in Note 6 to Consolidated Financial Statements. As of September 30, 2011, the $3.0 million outstanding principal balance will mature on April 1, 2015.

Off-Balance Sheet Arrangements

Since our inception, we have not engaged in any off-balance sheet arrangements, such as the use of structured finance, special purpose entities or variable interest entities.

Critical Accounting Policies and Significant Management Estimates

Our 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 consolidated financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. 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, and such differences could be material.

Our significant accounting policies are discussed in Note 2 to Consolidated Financial Statements. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain.

Revenue Recognition

Our primary source of revenues is the sale of microinverter systems. Our products are fully functional at the time of shipment and do not require production, modification or customization. We currently sell our products primarily to distributors, who typically resell our products to end users. We also sell directly to large installers as well as through OEMs, who integrate our products into complete solutions, and strategic partners.

Revenues from the sales of microinverters and communication gateway devices are recognized when: (i) persuasive evidence of an arrangement exists; (ii) delivery of the products has occurred in accordance with the terms of the sales agreement and title of and risk of loss has passed to the customer; (iii) the sale price is fixed or determinable; and (iv) collection is reasonably assured. Title to the product typically passes upon shipment of the product, as our products are typically shipped FOB shipping point. We do not offer rights to return our products

other than for normal warranty conditions. As such, we recognize revenues upon shipment, assuming all other revenue recognition criteria have been met. We occasionally offer promotional program incentives including rebates and discounts on a limited time basis to installers and distributors based on the number of installations and unit sales, respectively. Such customer incentives are not material and are estimated using our historical experience. Incentives are recorded as reductions to net revenues at the time of sale or over the period of time in which they are earned, depending on the nature of the program.

Prior to June 2011, we sold Envoy communications gateway devices and our Enlighten web-based monitoring service separately. Revenues from our Enlighten web-based monitoring services are recognized ratably over the term of the service period, which is generally one or five years. Historically, Enlighten service revenue has represented less than 1% of total revenues in any given reporting period. Beginning in June 2011, each sale of an Envoy communications gateway device will include our Enlighten web-based monitoring service. After allocating the overall consideration from such sale to each deliverable using a best estimate of the selling price, (i) revenues from the sale of Envoy devices will be recognized upon shipment, assuming all other revenue recognition criteria have been met and (ii) revenues from the web-based monitoring service will be recognized ratably over the estimated economic life of the related Envoy devices. We expect revenues from our web-based monitoring service will continue to be insignificant.

Inventory Valuation

Inventories are valued at the lower of cost or market, on a first-in, first-out basis. Certain factors could affect the realizable value of our inventories including market and economic conditions, technological changes, new product introductions and changes in strategic direction. We consider historic usage, expected demand, anticipated sales price, the effect of new product introductions, product obsolescence, customer concentrations, product merchantability and other factors when evaluating the value of inventories. Inventory write-downs are equal to the difference between the cost of inventories and their estimated fair market value. Inventory write-downs are recorded as cost of revenues in the accompanying statements of operations and were $0.2 million, $50,000 and $0.1 million in 2008, 2009 and 2010, respectively, and were $0.1 million and $1.45 million in the nine months ended September 30, 2010 and 2011, respectively.

We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions that we use to record inventory at the lower of cost or market. However, if estimates regarding customer demand are inaccurate or changes in technology affect demand for certain products in an unforeseen manner, we may be exposed to losses that could be material.

Product Warranty

We provide a warranty against defects in materials and workmanship under normal use and service conditions for our microinverters. Our first and second generation microinverters include a 15-year limited warranty. Our third generation microinverters provide for a 25-year limited warranty period. Since we have only been producing microinverters for a comparatively short period, the calculation of warranty provisions is inherently uncertain. We accrue for estimated warranty costs at the time of sale based on anticipated warranty claims and actual historical warranty claims experience. Warranty provisions are computed on a per unit sold basis and are based on our best estimate of such costs and are included in cost of revenues. The warranty obligation is determined based on product failure rates, cost of replacement and service and delivery costs incurred to correct a product failure. Our warranty obligation requires management to make assumptions regarding estimated failure rates and replacement costs. Our estimated costs of warranty for previously shipped products may change to the extent future products are not compatible with earlier generation products under warranty. Product failure rates are estimated by using field monitoring of the actual failure rates of the microinverters we have shipped to date. With over 1,150,000 of our microinverter units shipped across North America through September 30, 2011, we have established reliability as represented by a MTBF rate of approximately 0.3% per year. MTBF is the predicted elapsed time between inherent failures of a system during operation. In addition, due to our limited operating history, we also utilize third party data collected on similar equipment deployed in outdoor environments similar to those in which our microinverters

are installed, as well as accelerated lab testing, which simulates the entire service life of the product in a short period of time using standard tests used by solar module vendors to determine the period over which the modules and microinverters may wear out. Replacement costs are updated periodically to reflect changes in our actual and estimated production costs for our microinverters. Further, changes to the warranty provision as a percentage of microinverter units sold will vary based on the replacement cost of the specific generation of microinverter unit under warranty. In addition, different generations of microinverters may have different warranty terms which further contributes to changes in the warranty provision as a percentage of microinverter units sold. For example, our first and second generation microinverters have a 15-year warranty while our third generation microinverter has a 25-year warranty. If actual warranty costs differ significantly from these estimates, adjustments may be required in the future, which could adversely affect our gross profit and operating results. The warranty provision was $0.5 million, $1.0 million and $1.9 million in 2008, 2009 and 2010, respectively, and was $1.3 million and $4.6 million for the nine months ended September 30, 2010 and 2011, respectively. Warranty expense in the nine months ended September 30, 2011 includes changes in estimates of (i) $(0.4) million in the three months ended June 30, 2011 to reflect reduced expected replacement costs to fulfill certain warranty obligations, and (ii) $1.3 million in the three months ended September 30, 2011 to reflect increased estimated replacement costs for certain products and increases to other estimated cost assumptions.

In addition, we support our microinverters with our Entrust program. We reimburse the system owner for any lost energy for up to one month if a microinverter unit should fail (which we refer to as our “100% uptime guarantee”). We estimate that our microinverter systems achieve system uptimes of over 99.8%. Historically, disbursements under the Entrust program have been insignificant, and therefore no accruals have been recorded for any such future obligations.

Stock-Based Compensation

The accounting for share-based payments requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors based on the grant date fair values of the awards. The fair value of each stock option granted is estimated using the Black-Scholes option pricing model. Stock-based compensation, net of estimated forfeitures, is recognized on a straight-line basis over the requisite service period, which is typically four years. Stock-based compensation expenses are classified based on the employee’s functional department.

The Black-Scholes option pricing model requires management to make assumptions and to apply judgment in determining the fair value of our awards. The most significant assumptions and judgments include estimating the fair value of underlying stock, expected volatility and expected term. In addition, the recognition of stock-based compensation expense is impacted by estimated forfeiture rates.

Our board of directors has historically set the exercise price of options to purchase our common stock at a price per share not less than the fair value of the common stock at the time of grant. To determine the fair value of our common stock, our board of directors, with input from management, considered many factors, including but not limited to:

- valuations we performed using the methodologies described below;
- our historical, current and expected future operating performance;
- recent prices at which our preferred stock was sold, including the liquidation rights and other preferences of our preferred stock;
- our financial condition at the date of grant;
- achievement of product development milestones;
- lack of marketability of our common stock associated with private company status and the potential future marketability of our common stock as a result of a liquidity event, such as an initial public offering;

- business risks inherent in our business and in technology, solar and clean technology companies generally; and
- macroeconomic trends and capital market conditions.

We estimated the expected volatility based on the historical volatilities of several comparable public companies within the solar and clean technology industries because our common stock has no trading history. The weighted-average expected life of options was calculated using the "simplified" method developed by the SEC staff. The risk-free interest rate is based on the U.S. Treasury yields in effect at the time of grant for periods corresponding to the expected term of the options. The expected dividend rate is zero based on the fact that we have not historically paid dividends and have no intention to pay cash dividends in the foreseeable future. The forfeiture rate is estimated based on the historical average period of time that options were outstanding and adjusted for expected changes in future exercise patterns.

Total stock-based compensation expense recognized for 2008, 2009 and 2010 was $208,000, $180,000 and $829,000, respectively. For the nine months ended September 30, 2010 and 2011, expense from stock-based compensation was $508,000 and $1,439,000, respectively. The fair value of each option granted during the periods presented was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Expected term (in years)	5.6	5.9	6.0	6.0	6.0
Expected volatility	73.3%	76.4%	73.3%	73.5%	71.9%
Annual risk-free rate of return	3.0%	2.8%	2.2%	2.3%	1.8%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

As of December 31, 2010 and September 30, 2011, there was approximately $3.8 million and $7.0 million, respectively, of total unrecognized compensation cost related to unvested stock options, net of expected forfeitures, which is expected to be recognized over a weighted-average period of 3.3 years and 3.2 years, respectively.

No income tax benefit has been recognized relating to stock-based compensation expense and no tax benefits have been realized from exercised stock options.

The following table summarizes all option grants from January 1, 2010 through September 30, 2011:

Grant Date	Number of Options Granted	Per Share Exercise Price	Common Stock Fair Value Per Share at Grant Date
September 2011	877,000	$ 1.05	$ 1.05
August 2011	3,114,650	1.05	1.05
June 2011	819,500	0.58	0.92
May 2011	2,223,060	0.45	0.77
January 2011	2,631,358	0.28	0.45
November 2010	2,955,983	0.23	0.39
July 2010	12,963,210	0.18	0.29
June 2010	4,372,915	0.18	0.25
January 2010	2,846,500	0.07	0.07

Subsequent to September 30, 2011, we granted additional options to purchase approximately 418,000 shares of common stock with an exercise price of $1.05 per share.

In the absence of a public trading market for our common stock, management and our board of directors determined the estimated fair value at the grant date of our common stock. We performed the valuation of our common stock in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation. In order to value the common stock underlying all option grants, we determined our business equity value by taking a weighted combination of the value indications using two valuation approaches: an income approach and a market approach.

Valuation models employed in determining our enterprise value require the input of highly subjective assumptions. In determining enterprise value under the income approach, a discount rate is applied to the estimated future net cash flows of a company to derive a single present value representing the value of the enterprise. The discounted cash flow model used to calculate our enterprise value included, among others, the following assumptions: projections of revenues and expenses and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow our business; and, an appropriate risk-adjusted discount rate. The market approach estimates the fair value of a company by applying market multiples of the corresponding financial metrics of publicly traded firms in similar lines of business to our historical and/or projected financial metrics. We selected comparable companies based on factors such as business similarity, financial risk, company size and geographic markets. In applying this method, valuation multiples were: (i) derived from historical operating data of the selected comparable entities; (ii) evaluated and/or adjusted based on our strengths and weaknesses relative to the comparable entities; and (iii) applied to our operating data to arrive at a value indication.

Enterprise value, adjusted for cash and debt, was allocated to the shares of convertible preferred stock, warrants, options and shares of common stock using an option pricing method or a probability-weighted estimated return method, or PWERM, depending on our stage of development. The option pricing method treats convertible preferred stock, warrants, options and shares of common stock as call options on the total equity value of a company, and uses the Black-Scholes option pricing model to price the call options. This model defines the securities' fair values as functions of the current fair value of a company and requires the use of assumptions such as the anticipated holding period and the estimated volatility of the equity securities.

Under the PWERM, the value of common stock is estimated based upon an analysis of future values for the enterprise assuming various scenarios and potential future expected outcomes (e.g., an initial public offering, or IPO, a merger or sale, continuing as a private company, or dissolution with no value to common stockholders). Enterprise value is allocated to convertible preferred stock, warrants, options and shares of common stock based on the rights and characteristics of each equity instrument. The resulting share value is based upon the probability-weighted present value of expected future investment returns.

In 2010 and prior periods, our valuations were based upon the option-pricing method. Beginning January 2011, our valuations have been prepared based upon the PWERM.

The following discusses the factors considered by our board of directors in determining the exercise price of our common stock at each of the grant dates specified below and management's consideration of fair value for stock compensation purposes.

August 4, 2011 and September 15, 2011. Our board of directors determined the exercise price of our common stock of $1.05 per share at the grant date based upon the results of our valuation as of June 30, 2011, which estimated the value of our common stock at $1.05 per share, and included the following key assumptions:

- Discount rate of 24% based on the calculated weighted average cost of capital and lack of marketability discount of 10% based on a reduction in the assumed time to a liquidity event to occur to approximately three months; and
- Application of the PWERM, assuming 75% probability of an IPO, 15% probability of merger or sale, 10% probability of continuing as a private company and a 0% probability of dissolution/no value to common stockholders.

We subsequently conducted a valuation as of September 30, 2011, which estimated the value of our common stock at $1.05 per share, and included the following key assumptions:

- Discount rate of 25% based on the calculated weighted average cost of capital and lack of marketability discount of 10% based on a reduction in the assumed time to a liquidity event to occur to approximately two months;
- Application of the PWERM, assuming 85% probability of an IPO, 10% probability of merger or sale, 5% probability of continuing as a private company and a 0% probability of dissolution/no value to common stockholders; and
- Reduction in the revenue multiples of the comparable companies used in the analysis due to the declines in the valuation of public solar companies from June 30, 2011 to September 30, 2011.

As a result, no additional stock compensation expense was recorded related to these grants.

June 3, 2011. Our board of directors determined the exercise price of our common stock of $0.58 per share at the grant date based upon the results of our valuation as of March 31, 2011, which estimated the value of our common stock at $0.58 per share, and included the following key assumptions:

- Discount rate of 23% based on the calculated weighted average cost of capital and lack of marketability discount of 14% based on a reduction in the assumed time to a liquidity event to occur to approximately six months; and
- Application of the PWERM, assuming 65% probability of an IPO, 15% probability of merger or sale, 15% probability of continuing as a private company and a 5% probability of dissolution/no value to common stockholders.

However, we subsequently determined that a stock compensation charge should be calculated for the difference between the $0.58 per share exercise price at the grant date and a revised estimated fair value of $0.92 per common share at the grant date, based on the following:

- June 6, 2011 launch of our third generation microinverter and the sale of a significant amount of units in June 2011;
- June 13, 2011 equipment financing with an unrelated third party of $5 million and the related issuance of warrants to purchase 229,591 shares of Series E convertible preferred stock at $0.98 per share and consideration of the voting, conversion, dividend, liquidation, and other rights and preferences of the preferred shares relative to those of the outstanding common shares;
- June 14, 2011 Convertible Facility with certain existing preferred stockholders that provided for up to $50.0 million in borrowings and in consideration thereon, we issued (i) 1,890,609 shares of common stock at $0.58 per share in cash, and (ii) warrants to purchase 695,586 shares of common stock at $0.58 per share;
- The June 15, 2011 filing of a Registration Statement on Form S-1 with the Securities and Exchange Commission for an initial public offering of common stock;
- Substantial increase in revenues from $18.1 million in the three months ended March 31, 2011 to $29.6 million in the three months ended June 30, 2011;
- Increase in the number of microinverters sold from 148,000 units in the first six months of 2010 to 327,000 units in the first six months of 2011 or 121%, and from 123,000 units in the three months ended March 31, 2011 to 204,000 units in the three months ended June 30, 2011 or 66% ;
- Increase in gross profit percentage from 14.7 % in the three months ended March 31, 2011 to 16.2% in the three months ended June 30, 2011;

- The results of our valuation as of June 30, 2011, which estimated the value of our common stock at $1.05 per share, and included the following key assumptions:
  - Discount rate of 24% based on the calculated weighted average cost of capital and lack of marketability discount of 10% based on a reduction in the assumed time to a liquidity event to occur to approximately three months; and
  - Application of the PWERM, assuming 75% probability of an IPO, 15% probability of merger or sale, and 10% probability of continuing as a private company.

A retrospective extrapolation based upon the fair value determined as of June 30, 2011 and consideration of the items discussed above resulted in a revised estimated fair value of $0.92 as of the June 3, 2011 grant date.

As a result, additional compensation expense of $241,000 related to the June 3, 2011 grants will be recognized over the four year vesting period of the options.

May 5, 2011. Our board of directors determined the exercise price of our common stock of $0.45 per share at the grant date based on results of our valuation as of January 31, 2011, which estimated the value of our common stock at $0.45 per share (as discussed below).

However, we subsequently determined that a stock compensation charge should be calculated for the difference between the $0.45 per share exercise price at the grant date and the estimated fair value of $0.77 per common share at the grant date, based on the following:

- June 6, 2011 launch of our third generation microinverter;
- June 13, 2011 equipment financing with an unrelated third party of $5 million and the related issuance of warrants to purchase 229,591 shares of Series E convertible preferred stock at $0.98 per share and consideration of the voting, conversion, dividend, liquidation, and other rights and preferences of the preferred shares relative to those of the outstanding common shares;
- June 14, 2011 Convertible Facility with certain existing preferred stockholders that provided for up to $50.0 million in borrowings and in consideration thereon, we issued (i) 1,890,609 shares of common stock at $0.58 per share in cash, and (ii) warrants to purchase 695,586 shares of common stock at $0.58 per share;
- The June 15, 2011 filing of a Registration Statement on Form S-1 with the Securities and Exchange Commission for an initial public offering of common stock;
- Consideration of the results of our valuation as of June 30, 2011, which estimated the value of our common stock at $1.05 per share as of June 30, 2011, as discussed above; a retrospective extrapolation based upon the fair value determined as of June 30, 2011 and consideration of items discussed above resulted in a revised estimated fair value of $0.77 as of the May 5, 2011 grant date.

As a result, additional compensation expense of $618,000 related to the May 5, 2011 grants will be recognized over the four year vesting period of the options.

January 2011. Our board of directors determined the exercise price of our common stock of $0.28 per share at the grant date based on results of our valuation as of November 30, 2010, which estimated the value of our common stock at $0.28 per share and included the following key assumptions:

- The business enterprise value based on a weighted income approach and market approach of $184.0 million, an increase from the prior external valuation of $167.5 million as of August 31, 2010;
- Discount rate of 35% based on the calculated weighted average cost of capital; and
- Lack of marketability discount of 24%.

However, we subsequently determined that a stock compensation charge should be calculated for the difference between the $0.28 per share exercise price at the grant date and the estimated fair value of $0.45 per common share at the grant date, based on the following:

- The issuance of Series E Convertible Preferred Stock at $0.68 per share in March, April and May 2010 resulting in cash proceeds of $45.7 million, and consideration of the voting, conversion, dividend, liquidation, and other rights and preferences of the preferred shares relative to those of the outstanding common shares. We took into account all preferences and other rights, as described in Note 9 to Consolidated Financial Statements, when determining the value of our common stock as compared to the value of our convertible preferred stock. In particular, liquidation preferences ascribed to convertible preferred stock prior to any distribution of proceeds to holders of our common stock resulted in the value per share of our convertible preferred stock being more than the value per share of our common stock. In addition, we considered the application of PWERM which assumed a 50% probability of an IPO;
- Substantial increase in revenues from $18.7 million in the three months ended September 30, 2010, to $20.6 million in the three months ended December 31, 2010;
- Substantial increase in sales of microinverters from 126,000 in 2009 to 414,000 in 2010;
- Meaningful increase in gross profit percentage from (15)% in 2009 to 10.5% in 2010;
- Successful hiring of essential research and development, technical, sales and marketing and administrative personnel, increasing total headcount from 80 at December 31, 2009 to 154 at December 31, 2010;
- Considerable progress made throughout 2010 in the development of our third generation microinverter, which was expected to be available for sale in mid-2011; and
- Consideration of the results of our valuation as of January 31, 2011, which estimated the value of our common stock at $0.45 per share, and included the following key assumptions:
    - Discount rate of 24% based on the calculated weighted average cost of capital and lack of marketability discount of 15% based on a reduction in the assumed time to a liquidity event to occur to approximately one year; and
    - Application of the PWERM, assuming 50% probability of an IPO, 20% probability of merger or sale, 20% probability of continuing as a private company and a 10% probability of dissolution/no value to common stockholders.

As a result, additional compensation expense of $388,000 related to the January 2011 grants will be recognized over the four year vesting period of the options.

November 2010. Our board of directors determined the exercise price of our common stock of $0.23 per share at the grant date based on results of our valuation as of August 31, 2010, which estimated the value of our common stock at $0.23 per share and included the following key assumptions:

- The business enterprise value based on a weighted income approach and market approach of $167.5 million, an increase from our prior valuation of $133.5 million as of February 28, 2010;
- Discount rate of 33% based on the calculated weighted average cost of capital; and
- Lack of marketability discount of 28% based on an assumed time to a liquidity event to occur of 1.75 years.

However, we subsequently determined that a stock compensation charge should be calculated for the difference between the $0.23 per share exercise price at the grant date and the estimated fair value of $0.39 per common share at the grant date, based on the following:

- The issuance of Series E Convertible Preferred Stock at $0.68 per share in March, April and May 2010 resulting in cash proceeds of $45.7 million, and consideration of the voting, conversion, dividend, liquidation, and other rights and preferences of the preferred shares relative to those of the outstanding common shares;
- Substantial increase in revenues from $10.8 million in the three months ended June 30, 2010, to $18.7 million and $20.6 million in the three months ended September 30 and December 31, 2010, respectively;
- Substantial increase in sales of microinverters from 126,000 in 2009 to 414,000 in 2010;
- Meaningful increase in gross profit percentage from (15)% in 2009 to 10.5% in 2010;
- Successful hiring of essential research and development, technical, sales and marketing and administrative personnel, increasing total headcount from 80 at December 31, 2009 to 154 at December 31, 2010;
- Continued improvement in U.S. economy and financial and stock markets;
- Considerable progress made throughout 2010 in the development of our third generation microinverter, which was expected to be available for sale in mid-2011; and
- Consideration of our valuation as of January 31, 2011, which estimated the value of our common stock at $0.45 per share as of January 2011 (as discussed above); a retrospective straight-line extrapolation based on the fair value determined as of January 31, 2011 resulted in a revised estimated fair value of $0.39 per common share as of the November 11, 2010 grant date.

As a result, additional compensation expense of $408,000 related to the November 2010 grants will be recognized over the four year vesting period of the options.

July 2010. Our board of directors determined the exercise price of our common stock of $0.18 per share at the grant date based on our valuation as of February 28, 2010, which estimated the value of our common stock at $0.18 per share and included the following key assumptions:

- The business enterprise value based on a weighted income approach and market approach of $133.5 million, an increase from the prior valuation of $49.9 million as of October 31, 2009;
- Discount rate of 33% based on the calculated weighted average cost of capital; and
- Lack of marketability discount of 45% based on an assumed time to a liquidity event to occur of approximately two years.

However, we subsequently determined that a stock compensation charge should be calculated for the difference between the $0.18 per share exercise price at the grant date and the estimated fair value of $0.29 per common share at the grant date, based on the following:

- The issuance of Series E Convertible Preferred Stock at $0.68 per share in March, April and May 2010 resulting in cash proceeds of $45.7 million, and consideration of the voting, conversion, dividend, liquidation, and other rights and preferences of the preferred shares relative to those of the outstanding common shares;
- Substantial increase in gross profit percentage from 8.3% in the three months ended March 31, 2010 to 12.1% in the three months ended June 30, 2010;
- Increased likelihood of meeting operating performance benchmarks and forecasted results for the second half of 2010; and

- Consideration of our valuation as of January 31, 2011, which estimated the value of our common stock at $0.45 per share as of January 2011 (as discussed above); a retrospective straight-line extrapolation based on the fair value determined as of January 31, 2011 resulted in a revised estimated fair value of $0.29 per common share as of the July 15, 2010 grant date.

As a result, additional compensation expense of $1,236,000 related to the July 2010 grants will be recognized over the four-year vesting period of the options.

June 2010. Our board of directors determined the exercise price of our common stock of $0.18 per share at the grant date based on our valuation as of February 28, 2010, described above.

However, we subsequently determined that a stock compensation charge should be calculated for the difference between the $0.18 per share exercise price at the grant date and the estimated fair value of $0.25 per common share at the grant date, based on the following:

- The issuance of Series E Convertible Preferred Stock at $0.68 per share in March, April and May 2010, resulting in cash proceeds of $45.7 million, and consideration of the voting, conversion, dividend, liquidation, and other rights and preferences of the preferred shares relative to those of the outstanding common shares;
- Substantial increase in the level of quarterly revenues from $5.4 million in the three months ended September 30, 2009 to $12.0 million and $11.6 million in the three months ended December 31, 2009 and March 31, 2010, respectively, and a concurrent improvement in gross profit percentage over such periods;
- Revised increased forecasts for operating performance for 2010 and subsequent years; and
- Consideration of our valuation as of January 31, 2011, which estimated the value of our common stock at $0.45 per share as of January 2011 (as discussed above); a retrospective straight-line extrapolation based on the fair value determined as of January 31, 2011 resulted in a revised estimated fair value of $0.25 per common share as of the June 3, 2010 grant date.

As a result, additional compensation expense of $264,000 related to the June 2010 grants will be recognized over the four year vesting period of the options.

January 2010. Our board of directors determined the exercise price of our common stock of $0.07 per share at the grant date based on our valuation as of October 31, 2009, which estimated the value of our common stock at $0.07 per share and included the following key assumptions:

- The business enterprise value based on a weighted income approach and market approach of $49.9 million;
- Discount rate of 43% based on the calculated weighted average cost of capital;
- Lack of marketability discount of 38% based upon an assumed time to a liquidity event to occur of approximately 2.5 years;
- Our financial condition and related need for additional working capital; and
- The sale of Series D Convertible Preferred Stock at $0.235 per share in April and June 2009; resulting in cash proceeds of approximately $24.2 million, and consideration of the voting, conversion, dividend, liquidation, and other rights and preferences of the preferred shares relative to those of the outstanding common shares.

Quantitative and Qualitative Disclosures about Market Risk

Concentrations of Credit Risk and Major Customers

We are potentially subject to financial instrument concentration of credit risk through our cash equivalents and trade accounts receivable. Credit risk with respect to accounts receivable is relatively concentrated, as three customers respectively represented 14%, 13% and 10% of the total accounts receivable balance as of December 31, 2010. We currently do not foresee a credit risk associated with these receivables. At December 31, 2009, three customers respectively accounted for approximately 21%, 12% and 10% of our total accounts receivable. In 2010, two customers, in the aggregate, accounted for approximately 25% of our net sales. In 2009, three customers, in the aggregate, accounted for approximately 39% of our net sales.

Interest Rate Sensitivity

We place our cash and cash equivalents with major financial institutions that management assesses to be of high credit quality, to limit the exposure of each investment. We had cash and cash equivalents of $8.6 million, $40.0 million and $26.5 million at December 31, 2009, December 31, 2010 and September 30, 2011, respectively, which was held for working capital purposes. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these investments, we do not believe that we have any material exposure to changes in the fair value as a result of changes in interest rates. Declines in interest rates, however, will reduce future investment income. Interest income was $34,000 in the nine months ended September 30, 2010 and $4,000 in the nine months ended September 30, 2011. Our revolving line of credit agreement was the only instrument we held with variable interest rates which could, if drawn upon, subject us to risks associated with changes in interest rates. As of December 31, 2010 and September 30, 2011, there were no amounts outstanding under this line of credit. If the interest rate on our line of credit rose 10%, our results from operations and cash flows would not be materially affected.

Foreign Currency Risk

Through September 30, 2011, all sales transactions were denominated in U.S. dollars. Beginning in the fourth quarter of 2010, we had an immaterial amount of purchase transactions denominated in Euros. Accordingly, we have limited exposure to foreign currency exchange rates and do not currently enter into foreign currency hedging transactions. In the future, as we expand our international operations, we may have greater exposure to foreign currency exchange risk which we intend to mitigate through foreign currency hedging transactions. However, these activities may be limited in the protection they provide us from foreign currency fluctuations and can themselves result in losses.

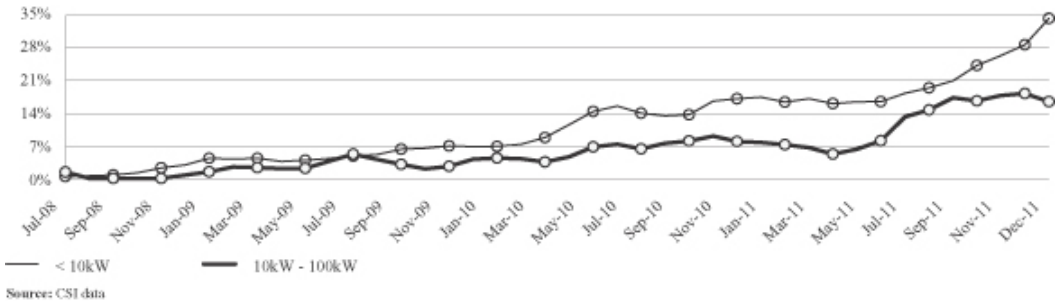
BUSINESS

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. To date, the solar industry has relied on the traditional central inverter approach to power conversion that has largely remained unchanged for the past two decades. We have built from the ground up a semiconductor-based microinverter system that converts energy at the individual solar module level and, combined with our proprietary networking and software technologies, provides advanced energy monitoring and control. Given the significant advantages over traditional central inverters, we believe that microinverter solutions will become the standard for residential and commercial solar.

We are the market leader in the microinverter category and have grown rapidly since our first commercial shipment in mid-2008, with more than 1,600,000 units shipped to date, representing over an estimated 40,000 solar installations. We were the first company to commercially ship microinverter systems in volume. Our products have been installed in all 50 U.S. states and eight Canadian provinces, and we are rapidly taking market share from traditional central inverter manufacturers. For example, in California and according to CSI, based on total wattage of installations, our market share of the <10kW residential solar photovoltaics, or PV, inverter market and the 10kW to 100kW small commercial solar PV inverter market has increased from 0% in July 2008 to 34.4% and 16.5%, respectively, based on the three month moving averages at the end of December 2011. According to a 2010 SEIA report, California was the largest single solar market in the United States accounting for over 30% of all solar installations.

California Residential and Small Commercial Market Share (July 2008 – December 2011)
Enphase Energy Market Share – 3 Month Moving Average



Our market share of the broader Americas market, based on total dollar sales volume across all inverter technologies and all installation sizes, had increased to 10.6% in 2010, according to IMS Research data.

Our microinverter solution brings a system-based, high technology approach to solar energy generation leveraging our design expertise across power electronics, semiconductors, networking and software technologies. Our microinverter system consists of three key components: the Enphase microinverter; the Envoy communications gateway; and the Enlighten web-based software:

- Our Enphase microinverter delivers efficient and reliable power conversion at the individual solar module level by introducing digital architecture that incorporates a custom ASIC, specialized power electronics devices and an embedded software subsystem that optimizes energy production from each module and manages the core ASIC functions. A residential solar installation consists of 5 to 50 microinverters; a small commercial solar installation consists of 50 to 500 microinverters.
- Our Envoy communications gateway is installed within the system owner’s home or business and serves as a networking hub that collects data from the microinverter array and sends the information to our hosted data center. One Envoy is typically sold with each solar installation and can support up to 100 Enphase microinverters.

- Our Enlighten web-based software collects and processes this information to enable system owners to monitor and analyze the performance of their solar PV system down to the individual solar module level. Enlighten also provides an online portal specifically designed for installers to enable them to track and manage all of their Enphase enabled projects. Historically, Enlighten service revenue has represented less than 1% of total revenues in each reporting period.

Together, our Enphase microinverter, Envoy communications gateway and Enlighten web-based software function as a single unified system that enhances energy production, simplifies design and installation, reduces costs, increases reliability and uptime, reduces fire risk, and provides the ability to monitor performance down to the module level in real-time compared to central inverter system. With an Enphase microinverter system, we believe system owners can achieve a higher return on investment over the lifetime of the solar system.

We sell our microinverter systems primarily to distributors who resell them to solar installers. Over 3,400 installers in North America have installed our microinverters through December 31, 2011, and this number is increasing by approximately 100 new installers per month. We also sell directly to large installers as well as through OEMs and strategic partners. We have achieved substantial growth since we commenced commercial production in 2008. The majority of our revenue has been generated by sales within the United States. Sales to customers in Canada commenced in 2009 and accounted for approximately 13% of our total revenue in 2010. In early 2011, we established sales offices in France and Italy and began selling into those geographies in the fourth quarter of 2011. Our total revenue was $1.7 million, $20.2 million, and $61.7 million for fiscal years 2008, 2009, and 2010, respectively, and was $41.0 million and $92.4 million for the first nine months of fiscal 2010 and 2011, respectively.

Industry Overview

Solar Energy Is a Large and Growing Industry

According to The Datamonitor Group, the global electricity market represented $1.6 trillion in annual consumption in 2009. With global electricity needs expected to increase by approximately 45% from 2009 to 2035, according to the U.S. Department of Energy, coupled with increasing energy security and environmental concerns associated with traditional fossil fuels, suppliers and users of electricity are seeking more renewable sources of energy. Among renewable sources of electricity, solar energy has the most potential to meet the world's growing electricity needs. The global solar PV market witnessed rapid growth from 7 GW, or $38 billion, of installed capacity coming online during 2009 to 18 GW, or $78 billion, in 2010, and is expected to grow to 43 GW in 2015, representing a compounded annual growth rate of 20%, according to iSuppli.

The solar PV market has grown in Europe, largely driven by subsidies that have been implemented by numerous countries to develop a renewable energy industry and create jobs at the local level. In Europe, these subsidies take the form of FiTs, which guarantee eligible renewable electricity generators a premium price for the electricity they produce over a long term time horizon. The U.S. solar PV market is growing rapidly, as there are both federal incentive programs for solar energy available such as the Business Energy Investment Tax Credits, as well state-level implementations of Renewable Portfolio Standards and other state, local and utility subsidies and other programs geared toward encouraging the development of solar energy. The U.S. solar PV market grew over 100% in 2010 over 2009 and is projected to become the largest solar PV market in the world by 2015 by number of annual installations as the price of solar approaches the price of other electricity sources on the grid. Almost 1 GW was installed in the United States across 50,000 homes, businesses and utilities in 2010, according to iSuppli.

Smaller solar installations typically attract higher FiT rates as the costs are higher and installed by residential owners rather than financial investors. Recent changes to local FiT rules by governments in Italy, Germany and Spain are favoring the smaller installations even more than before. As a result, growth in the global solar industry is expected to shift from utility-scale and commercial solar greenfield installations to residential and commercial rooftop solar installations.

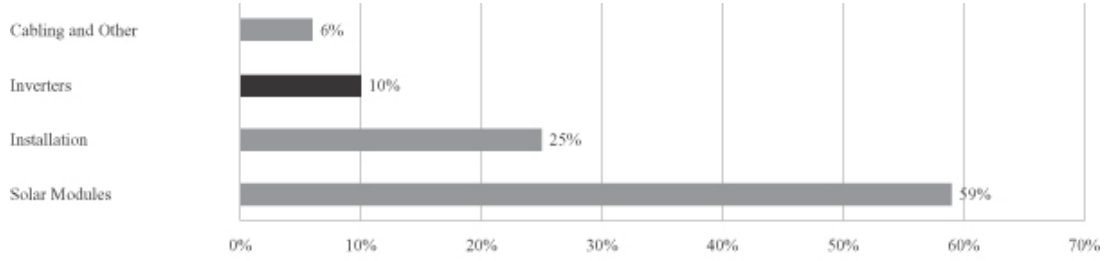
Solar Industry Segmentation

The solar PV market consists of two primary on-grid solar markets: distributed solar systems for residential and commercial buildings; and centralized large scale solar PV installations owned and operated by utilities. Residential deployments are typically small (<10 kW) roof-mounted installations to supplement power usage to residential dwellings. Commercial installations are small to large (>10 kW to 1 MW) deployments, typically also roof-mounted, to supplement electricity requirements of commercial buildings such as retail stores, apartment complexes, industrial manufacturing facilities and state and federally owned government office buildings. Utility-scale solar PV installations are very large (several MWs) PV arrays that are typically ground-mounted and located in remote regions that receive high solar irradiation, such as the American desert southwest region, and generate significant amounts of electricity that is transported by utility transmission lines to load centers. In 2010, the residential and commercial markets represented 72% of the U.S. solar inverter market, according to SEIA.

Typical Solar System Costs

There are four key components of the cost of installing a typical solar PV system: solar modules; installation; DC to AC inverters; and cabling and other. Solar modules represent 59% of the total cost. Installation represents 25% of the total cost and includes the costs of specialized solar installation and design professionals to construct the solar system at the home or business. The inverter represents 10% of the total cost and is used to transform the DC power generated by the solar module array to standard AC power used in homes and buildings. Finally, cabling and other represent 6% of the total cost and include wiring systems used to integrate the solar modules into the electrical systems. The wiring systems include disconnects for the DC side of the inverter, ground-fault protection, and over current protection for the solar modules.

Breakdown of Total Solar System Costs
% of Total System Cost

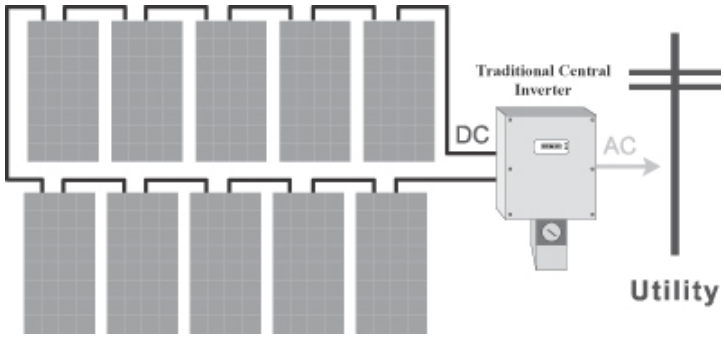


Source : iSuppli data

Inverter Industry

Historically, traditional central inverters have been the only inverter technology used for solar PV installations. In an installation consisting of a traditional central inverter, the solar PV modules are connected in series strings. In a large installation, there are multiple series strings connected in parallel. The aggregated voltage from each of these strings is then fed into a large central inverter. The central inverter performs two key functions: (i) it establishes a maximum power point tracking, or MPPT, operating point for the system and (ii) converts power from high-voltage DC to grid-complaint AC. Since the beginning of solar PV industry, traditional central inverters have continued to use high-voltage analog technologies to convert DC to AC requiring complex design and string calculations to ensure safe and reliable system operation. In 2010, 99% of the GW volume of solar inverters deployed were traditional central inverters. The worldwide market for inverter technology in 2010 was almost 20 GW, or $5.5 billion, and the market is expected to grow to 34 GW, or $8.2 billion, by 2014, according to IMS Research.

Traditional Central Inverter Architecture



Challenges of Traditional Central Inverters

As compared to microinverter systems, we believe that traditional central inverters have a number of design and performance challenges limiting innovation and their ability to reduce the cost of solar systems, including the following:

- *Productivity limits*. If solar modules are wired using a traditional central inverter—such that a group or "string" of modules are wired in series—an entire string's output is limited by the output of the lowest-performing module. If one module is dirty, shaded, or is not operating to its maximum specification, the whole string's output is lowered to the level of that module resulting in a loss of energy production. In addition, due to string design requirements, central inverters also limit the design and site selection for solar PV arrays, particularly in rooftop applications. As such, many of today's central inverter installations are not maximizing energy production and, therefore, the system owners are not realizing the full benefit of their investment.
- *Reliability issues*. Traditional central inverters are the single most common component of solar installations to fail, resulting in system downtime and adversely impacting total energy output. If a central inverter fails, the downtime is significant since the entire array will not be producing energy until the inverter is repaired or replaced. The high-DC voltage and power levels processed by central inverters result in higher inverter failure rates and shorter product life due to higher stress on components. As a result, central inverters typically carry warranties of only 5-10 years while solar modules have warranties of 25 years, potentially requiring several inverter repairs or replacements over the life of the solar PV system.
- *Complex design and installation requirements*. The central inverter-based solar PV installation requires greater effort on the part of the installer, both in terms of design and on-site labor. Central inverter installations require string design and calculations for safe and reliable operation, as well as specialized equipment such as DC combiners, conduits and disconnects. In addition, the use of high-voltage DC requires specialized knowledge and training and safety precautions to install central inverter technology. Installers must also know and inventory a family of inverters to manage different solar PV installation sizes. Once installed, the system is not expandable without a purchase of another central inverter. Central inverters also tend to be heavy, bulky and noisy and often have to be protected and located outside of plain view.
- *Lack of monitoring*. The majority of solar installations with central inverter technology offer limited monitoring capabilities. A failure of the central inverter will often go unnoticed for days or even weeks. Even if some form of monitoring is available, it is limited to the inverter and cannot monitor the health and performance of individual solar modules. Therefore, if a module fails or is not performing to specification, the resulting loss of energy can go unnoticed.

- *Safety issues*. Central inverter solar PV installations have a wide distribution of high-voltage DC wiring. If damaged, DC wires can generate sustained electrical arcs, reaching temperatures of more than 5,000 °F. This creates the risk of fire for solar PV installation owners and injury for installers and maintenance personnel. In fact, due to an increasing number of incidents, the 2011 National Electric Code now requires all inverters to be able to detect and interrupt DC arc faults.

These challenges of traditional central inverters have a direct impact on the cost and expected return on investment of solar installations to both installers and system owners:

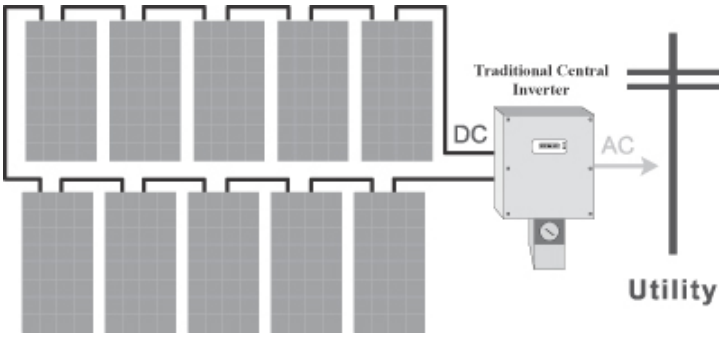
- *Installer*. Solar system installers aim for simple installation design, fast installation times and maximum system performance and predictability. The installation of high-voltage DC central inverter technology, however, requires significant preparation, precautionary safety measures, time-consuming string calculations, extensive design expertise and specialized installation equipment, training and knowledge. Together, these factors significantly increase complexity and cost of installation and limit overall productivity for the installer.
- *System owner*. Solar system owners aim for high energy production, low cost, high reliability and low maintenance requirements, as well as reducing fire risks. With central inverter solutions, owners often are unable to optimize the size or shape of their solar PV installations due to string design limitations, experience performance loss from shading and other obstructions, can face frequent system failures and lack the ability to effectively monitor the performance of their solar PV installation. In addition, central inverter installations operate at high-voltage DC which bears significant fire risks. Further, central inverter installations can affect architectural aesthetics of the house or commercial building.

Our Solution

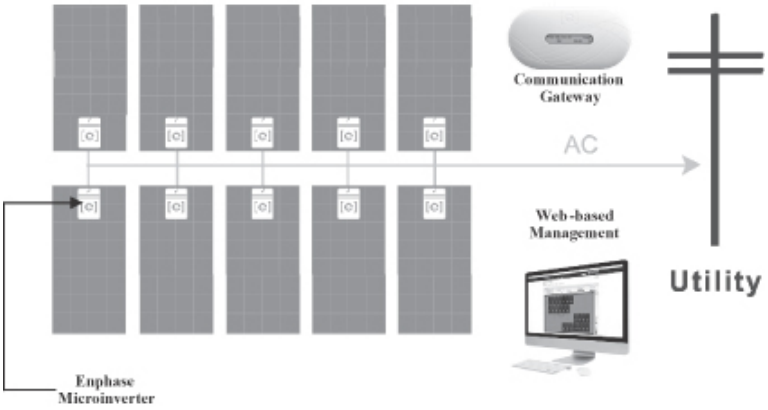
We design, develop, manufacture and sell the leading microinverter system for the solar PV industry. To date the solar industry has relied on the traditional central inverter approach that has largely remained unchanged for the past two decades. We have built from the ground up a semiconductor-based microinverter system that converts energy at the individual solar module level and, combined with our proprietary networking and software technologies, provides advanced energy monitoring and control. This is vastly different than the central inverter approach that can only convert energy of the entire array of solar modules from a single high voltage electrical unit, and lacks intelligence about the energy producing capacity of the solar array. The different approaches are depicted in the figure below.

Traditional Central Inverter System vs. Microinverter System

Traditional Central Inverter Approach



Enphase Microinverter System



Our microinverter solution brings a system-based, high technology approach to solar energy generation leveraging our design expertise across power electronics, semiconductors, networking, and embedded and web-based software technologies. Our microinverter system consists of the following hardware and service components: our Enphase microinverter; our Envoy communications gateway; and our Enlighten web-based software service. Since inception approximately 99% of our net revenues have been derived from the sale of hardware products.

- Our Enphase microinverter delivers efficient and reliable power conversion at the individual solar module level by introducing a digital architecture that incorporates custom ASICs, specialized power electronics devices and an embedded software subsystem that optimizes energy production from each module and manages the core ASIC functions. A residential solar installation consists of 5 to 50 microinverters; a small commercial solar installation consists of 50 to 500 microinverters.
- Our Envoy communications gateway is installed within the system owner's home or business and serves as a networking hub that collects data from the microinverter array and sends the information to our hosted data center. One Envoy is typically sold with each solar installation and can support up to 100 Enphase microinverters.
- Our Enlighten web-based software collects and processes this information to enable system owners to monitor and analyze the performance of their solar PV system at the individual solar module level. Enlighten also provides an online portal specifically designed for installers to enable them to track and manage all of their Enphase enabled projects and monitor and analyze the performance of their systems. Historically, Enlighten service revenue has represented less than 1% of total revenues in any given reporting period.

Together, our Enphase microinverter, Envoy communications gateway and Enlighten web-based software function as a single unified system that enhances energy production, simplifies design and installation, reduces costs, increases system uptime and reliability, reduces fire safety risk, and provides the ability to monitor performance at the individual module level in real-time. With an Enphase microinverter system, we believe solar system owners can achieve a higher return on investment over the lifetime of the solar system than would be achieved using a traditional central inverter approach.

Key elements of our solution include:

- *Productive—Superior Energy Production.* Our microinverter system enables the maximum possible energy production from each module, overcoming a fundamental design limitation of central inverters which are limited by the lowest performing module. We believe that our microinverter systems achieve higher energy production and can generate superior returns on investment relative to central inverter solutions for system owners.
- *Reliable—Longer Life and No Single Point of Failure.* Reduction of component count, primarily through semiconductor integration in our microinverter, allows us to design a reliable system that can withstand harsh environmental conditions. In addition, because we process low voltages and power levels, our components experience less stress and last longer than traditional central inverters. Furthermore, the distributed architecture of our microinverter system improves system uptime. If a microinverter unit fails, it results in lost energy production from a single solar module only and not the entire array. We estimate that our microinverter systems achieve system uptimes of over 99.8%. Enphase microinverters are fully certified and comply with certain electrical standards, such as UL 1741 of the National Electrical Code standard, or NEC, and safety standards, such as CSA in Canada or UL in the United States. We offer a 25-year limited warranty on our latest generation microinverter and 100% system uptime guarantee.
- *Simple—Ease of Design and Installation.* Using microinverter technology, an installer can design a system of any size and any roof configuration with a simple modular approach. After initial installation, the system can be easily expanded by even a single module. Our single inverter per module

approach converts directly to AC and enables a simpler, all AC design, eliminating the extra cost, training and complexity associated with typical high voltage DC implementation. Without these complexities, installation of microinverter technology is greatly simplified, improving installers' productivity. This also enables a new class of solar installer, such as electricians and general contractors. Finally, our microinverters are installed on the roof and hidden from view, with minimal impact to the aesthetics of a home or building.

- *Smart—Module-Level Monitoring and Analytics.* Our microinverter system allows us to collect energy production information in real time on a per solar module basis. This enables powerful system analytics and allows Enphase to offer installers and system owners visibility into how their system is performing and the ability to continuously optimize energy production—which is particularly important when operating commercial solar installations. Such services include system performance and diagnostics, benchmarking, as well as system and module alerts and fault statistics.
- *Safe—"All AC" Solution.* Perhaps most important to both installers and system owners, microinverters are safer because they process low DC voltages relative to central inverters. High voltage arc faults associated with traditional central inverter are the leading cause of fires of solar PV installations. Microinverter technology mitigates this safety risk.

Due to the benefits of our solution, we believe solar installers achieve greater productivity and competitive differentiation over installers of traditional central inverter solar PV installations, and the solar system owner achieves a higher return on investment with an Enphase microinverter system over the life of the solar system.

LCOE Case Studies

The levelized cost of energy, or LCOE, case studies selected represent residential (<10kW) and small commercial (10-100kW) solar energy systems, and we believe the LCOE results are typical of the system sizes represented. Each case study represents an actual Enphase installation.

Upfront System Costs

Each case study identifies four primary cost areas:

- *Modules and Racking*—The modules and racking line item includes the cost of the solar modules and the racking and labor to construct the solar module array. These costs are generally consistent for either inverter type. We estimated the solar module costs at the time of installation, and they represent about 40% of the total upfront system cost. We estimated the racking and solar module array construction costs using an industry guideline of roughly $1 per Watt, or approximately 20% of the total upfront system cost. Together, these costs account for roughly 60% of the total upfront system cost.
- *Inverter*—The inverter line item includes the cost of the inverters (either microinverters or traditional central inverters) and the electrical system and labor to install them. The inverter alone represents about 10% of the total upfront system cost and the electrical system and labor costs represent an additional 5% of the total upfront system cost. We estimated the traditional central inverter, microinverter, electrical system and labor costs at the time of installation.
- *Design, Permit and Other*—The design, permit and other costs include the cost to design and permit the solar energy system. We estimated these costs which represent 3-4% of the total upfront system cost. In general, we believe that traditional central inverter-based systems are more complex and require more design time, resources and expertise.
- *Profit and Sales Tax*—We estimated the profit mark-up and sales tax, which together represent about 22% of the total upfront system cost.

The total upfront system cost includes each of the costs listed above. The total upfront system cost is represented both in absolute dollars and on a dollar per watt basis in each case study table presented below. These costs exclude any available federal or state rebates and incentives for both the microinverter and central inverter figures.

LCOE and IRR

We determined the financial return of each system using LCOE and IRR analyses. Both analyses incorporate the savings in electricity costs offset by solar energy production, in addition to rebates and incentives.

Energy Harvest—Additional "energy harvest" refers to the additional energy production that would be achieved by an Enphase microinverter system, as compared to the estimated energy production of a traditional central inverter for an installation of a similar size, as a result of the microinverter system's ability to convert energy at the individual solar module level. We calculated estimated energy production by using PVWatts, an online calculation tool developed by the National Renewable Energy Laboratory and used by solar industry participants, to estimate the energy production of grid connected PV systems at locations around the world. Then we applied a 5-6% increase in energy production to the Enphase system to account for the additional energy harvest expected by the microinverter system.

System Uptime—System uptime impacts solar energy production and therefore the total lifetime cost of the system. The 98% system uptime for a traditional central inverter-based installation is the PVWatts default value, and the cost of an out of warranty central inverter replacement was factored in year 11. We estimated the uptime of the installed Enphase microinverter systems to be 99.8% based on an estimated failure rate of 0.3% for Enphase microinverter units, which we calculated based upon our analysis of the mean time between failure, or MTBF, of the Enphase microinverter units, and an assumed inverter replacement within 6 months of failure. We factored the cost of out of warranty microinverter replacements in years 16-20.

LCOE and IRR—LCOE represents the ratio of the total lifetime cost of the system, which is the sum of the total upfront system cost plus the present value of the total lifetime cost of the system, to its total lifetime energy output. Because of its additional energy harvest, the Enphase system provides a higher cumulative energy production and a lower LCOE. IRR represents the annualized effective compounded return rate or discount rate that makes the net present value of all cash flows (both positive and negative) from the solar installations equal to zero. The IRR figures in the case studies are based on the cash flows (both positive and negative) from the perspective of the system owner. The Enphase system offers a higher IRR because the higher cumulative energy production results in a higher effective rate of return.

Residential Installation

The solar installation illustrated below represents a typical residential solar installation employing either a traditional central inverter approach or an Enphase microinverter system. The residence is in Ontario, Canada and experiences moderate sunshine. It has a standard roof line with two arrays, maximizing the number of solar panels and achieving the desired 7.5 kW DC system size. Some shading exists, but did not factor significantly in determining whether to use a traditional central inverter or an Enphase microinverter system over a traditional central inverter.

Residential Installation with an 7.5 kW DC System[1][2]

IRR/LCOE Comparison

	Enphase Microinverter	Traditional Central Inverter
Total Upfront System Cost[3]	**$43,364**	**$41,838**
Modules and Racking[4]	$25,500	$25,500
Inverter[5]	$6,650	$5,270
Design, Permit and Other	$1,400	$1,600
Profit and Sales Tax	$9,814	$9,468
California Energy Commission (CEC) Efficiency	95%	96%
System Uptime	99.8%	98%
Inverter Warranty	15 years	10 years
Additional Energy Harvest	5%	N/A
$/Watt DC (Total System Cost)	$5.78	$5.53
LCOE[2][6][7]	**$0.18/kWh**	**$0.19/kWh**
IRR[2][6][7]	**9.4%**	**8.4%**

Source: Enphase estimates based on 7.5 kW DC system size

Note: (1) = Date of installation: December 11, 2010.
(2) = PVWatts estimated first full year energy production: 9.8kWh (Enphase); 9.3kWh (central).
(3) = Cost is to the system owner.
(4) = Solar module size: 230W DC; number of modules: 33; cost per module: $550. Module and racking costs include labor.
(5) = Inverter size and cost: 190W AC, $163 (Enphase); 8kW DC, $3,300 (central). Inverter costs include inverter, cabling and monitoring equipment, and labor.
(6) = Electricity rate: $.25/kWh with a 5% per year increase.
(7) = Assumes 20-year life. Includes incentives and rebates.

The Enphase microinverter system compares favorably to a traditional central inverter system even on a total upfront system cost basis (<4% premium for the Enphase system). For installers, the ease of installation, all AC system design and improved energy production more than compensates for the small upfront cost premium.

Small Commercial Installation

The 53.5 kW DC small commercial solar installation illustrated below consists of 228 solar modules. The building is in Arizona and experiences high sunshine. Some of the solar modules experience some shade from a small center tower visible in the picture. A single traditional central inverter system was also proposed as an alternative. The curved roof presented challenges for a central inverter requiring more complicated string design and sizing which increased the design time and cost. Because of the size of the installation, the central inverter required additional equipment to aggregate cable runs from multiple DC strings.

Small Commercial Installation with a 53.5 kW DC System[1][2]

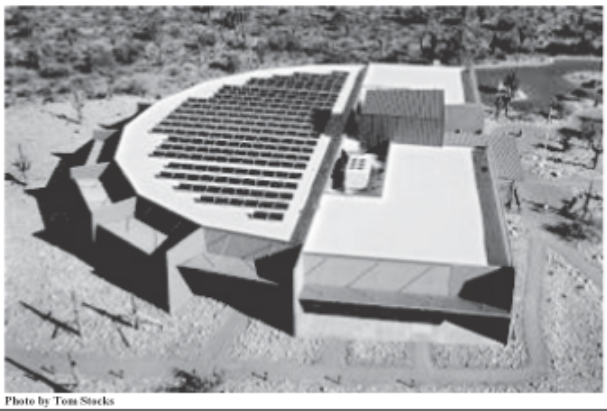


Photo by Tom Stocks

IRR/LCOE Comparison

	Enphase Microinverter	Traditional Central Inverter
Total Upfront System Cost[3]	**$267,758**	**$259,766**
Modules and Racking[4]	$155,150	$155,150
Inverter[5]	$46,013	$36,830
Design, Permit and Other	$6,000	$9,000
Profit and Sales Tax	$60,595	$58,786
CEC Efficiency	95%	96%
System Uptime	99.8%	98%
Inverter Warranty	15 years	10 years
Additional Energy Harvest	6%	N/A
$/Watt DC (Total System Cost)	$5.00	$4.86
LCOE[2][6][7]	**$0.11/kWh**	**$0.13/kWh**
IRR[2][6][7]	**16.8%**	**15.4%**

Source: Enphase estimates based on 53.5 kW DC system size

Note: (1) = Date of installation: October 2, 2010.
(2) = PVWatts estimated first full year energy production: 92.7kWh (Enphase); 86.8kWh (central).
(3) = Cost is to the system owner.
(4) = Solar module size: 230W DC; number of modules: 228; cost per module: $480. Module and racking costs include labor.
(5) = Inverter size and cost: 190W AC, $163 (Enphase); 53.5kW DC, $23,500 (central). Inverter costs include inverter, cabling and monitoring equipment, and labor.
(6) = Electricity rate: $.25/kWh with a 5% per year increase.
(7) = Assumes a 20-year life. Includes incentives and rebates.

The Enphase microinverter system, while more costly upfront, was simpler to design and did not require additional equipment. It also achieved the specific aesthetic goals of the building owner. Furthermore, the solar installation is monitored and a kiosk in the building lobby displays the Enlighten web-based monitoring system.

Competitive Strengths

We believe the following combination of capabilities and features of our business model distinguish us from our competitors and position us well to capitalize on the expected growth in the solar market and to become a global leader in the broader solar power industry:

- *Market Leader and Rapid Adoption.* We are the market leader in the microinverter product category, have developed strong brand recognition and offer a proven microinverter solution. Since the shipment of the first commercial product in 2008, we have successfully introduced three microinverter generations, raising average conversion efficiency from 94% to 96%, power from 175 to 215 watts, and have over 1,600,000 units shipped to date. We believe that our proven ability to innovate quickly will continue to allow us to build on our leading market position, and expand our product portfolio and market reach.
- *System Approach.* We built our solution from the ground up and employ a system approach with a powerful combination of digital electronics, networking and software technologies. Our system offers significant design and operating benefits beyond the core power conversion functionality underlying our microinverter. By integrating the Enphase microinverter technology with Envoy, our proprietary communications gateway, and our Enlighten web-based software, we deliver real-time module-level monitoring and analytics. As of December 31, 2011, our R&D organization included 96 engineers and is divided equally across critical power electronics and semiconductor, powerline communication and networking, and software design disciplines.
- *Strong Focus on Technology and Research and Development.* Our proximity to Silicon Valley and the past experience of our founders and executive officers in the technology industry have enabled us to recruit engineers with strong skills in power electronics, semiconductors, Powerline communications and networking, and software design, which we have complemented with significant solar industry expertise from other members of our team. We have a strong research and development team and a portfolio of intellectual property, or IP, spanning across the previously mentioned technology areas. As of December 31, 2011, we had 13 issued U.S. patents, two issued non-U.S. patents, 50 pending U.S. patent applications and 98 pending non-U.S. counterpart patent applications. We believe our combination of engineering, management and operational expertise from the high technology and the solar industry will help us to continue to rapidly innovate and cost efficiently introduce new microinverter solutions.
- *Field-Proven Reliability.* With over 1,600,000 of our microinverter units shipped across North America to date, our microinverters have established significantly improved reliability relative to traditional central inverter technology. Based on data from a sample of 2009 and 2010 North American residential and small commercial installations, Westinghouse Solar indicates that our microinverters have a failure rate of 0.207% compared to a significantly higher failure rate of 9.43% for traditional central inverters. We use proven technologies and design techniques to achieve higher reliability. In addition, we have designed and developed proprietary product verification test software and equipment and, as of December 31, 2011, employed a team of 33 engineers that ensures product quality and long-term reliability. As the result of ongoing advances in our microinverter system technology, we are confident enough in our product to offer our latest-generation microinverter product with a 25-year limited warranty consistent with the expected life of the solar PV installations.
- *Capital Efficient and Scalable Manufacturing.* Our design and R&D philosophy leads to a product design that enables us to employ a manufacturing model that we believe is superior to that of central inverter manufacturers. Our digital architecture allows us to leverage semiconductor integration to

reduce part count in a microinverter unit, which we believe will allow us to significantly reduce manufacturing costs. Our microinverter is built on a single PC board allowing for a greater degree of automation in the manufacturing process and further reducing manufacturing cost. In contrast, traditional central inverters have multiple PC boards and complex internal wiring requiring a greater amount of manual construction and thereby increasing the cost of manufacturing. We outsource all of our hardware manufacturing to manufacturing partners, including Flextronics. Our model results in a low fixed-cost structure and reduced capital expenditure and working capital requirements. In addition, our model provides greater flexibility to take advantage of market opportunities. For example, we recently expanded manufacturing to Canada to qualify for local content-based incentives and did so in less than three months with minimal capital expenditure. By expanding our production volume, we believe we can take advantage of economies of scale, enabling further reductions in the price per watt of our microinverter systems.

- *Rapidly Expanding Distribution Channels.* We shipped our first microinverter system in 2008. Over 3,400 installers in North America have installed our microinverters through December 31, 2011, and this number is increasing by approximately 100 installers per month. Our microinverter technology is enabling new channels and routes to market, including through opening new and larger distribution channels. For example, we have a supply and distribution agreement with Siemens Industry, Inc. to re-sell co-branded Enphase microinverter products and related solutions through Siemens' network of over 50,000 North American electrical contractors. Our agreement with Siemens extends until January 31, 2014 and is terminable by either party upon one-year prior notice. To date, our agreement with Siemens has yet to generate any meaningful revenue.
- *Intense Focus on Customer Service for Installers.* We believe we have cultivated an organizational focus on installer satisfaction that differentiates us from central inverter manufacturers, resulting in a high level of installer retention and "repeat" business. We work very closely with our installers to provide assistance necessary to help them across every aspect of the design and installation process. We provide full-day in-person training and online training to approximately 3,000 installers per year. Our system allows us to remotely design, activate, update, monitor and troubleshoot all of our connected solar installations and analyze energy production trends, enabling higher levels of customer satisfaction.

We believe these competitive strengths will enable us to maintain our leadership position as the residential and commercial solar market shifts from traditional central inverter to microinverter technology, and central and new players enter this market.

Our Strategy

Our objective is to continue to be the leading provider of microinverter systems for the solar industry worldwide and to accelerate the shift from traditional central inverters to microinverter technology. Key elements of our strategy include:

- *Continue to Penetrate Our Core Markets.* We intend to capitalize on our market leadership in the microinverter category and our growing momentum with installers and owners to further our market share position in our core markets in the United States and Canada. We currently focus our product offering for application in the residential and commercial markets. We plan to expand our sales and marketing and customer service efforts to increase our installer base and, in addition, extend enhanced field engineering capabilities to several larger direct commercial solar installers. In addition, our microinverter technology enables new entrants to become solar installers with minimal training. A majority of our installers are new to the solar industry and are installing solar modules for the first time. We intend to continue to bring new installers to the solar industry and expand our installer base.
- *Enter New Geographic Markets Rapidly.* We intend to expand into new markets with new products and local go-to-market capabilities. In early 2011, we established sales offices in France and Italy, and began selling into those geographies in the fourth quarter of 2011. We intend to open a sales office in

China to support local solar module partners, and to develop the residential and commercial solar opportunity for microinverter systems in Asia. We opened our new offices to enable us to diversify our customer base, gain market share in worldwide solar markets and reduce our geographic dependence, and enable us to become a global microinverter vendor with global market reach.

- *Increase Power and Efficiency and Reduce Cost per Watt.* Our engineering team is focused on continuing to increase average power conversion efficiency above 96% and AC output power beyond 215 watts. We intend to continue to leverage our semiconductor integration, power electronics expertise and manufacturing economies of scale to further reduce cost per watt. For example, our M215 Series microinverter is based on our next generation ASIC, which increases semiconductor content and integration of components, while at the same time lowering manufacturing costs and increasing conversion efficiency and reliability, improving the overall return on investment of the solar installation. We believe we are on a steeper cost per watt reduction curve relative to central inverters, enabling us to further penetrate the market.
- *Extend Our Technological Innovation.* We distinguish ourselves from other inverter companies with our system-based and high-tech approach, and the ability to leverage strong research and development capabilities. As of December 31, 2011, we had 13 issued U.S. patents, two issued non-U.S. patents, 50 pending U.S. patent applications and 98 pending non-U.S. counterpart patent applications. Ten of our issued U.S. patents directly relate to DC to AC power conversion for alternative energy power systems. The remaining three cover anti-islanding safety technology, measurement of grid voltage and monitoring circuits coupled to AC lines, respectively. Our design capabilities have allowed us to successively increase efficiency, power output and reliability, while reducing the cost per watt of our microinverter solution. As of December 31, 2011, we employed 96 engineers focused on design and development of our microinverter system and a dedicated group of power-electronics engineers employing proprietary system-modeling and simulation tools and specifying new components in advance of our next generation architecture. Further, we are working on a variant of our current-generation microinverter that enables an “AC module” for direct attachment of the microinverter to the backsheet of the solar modules, which further reduces installation cost and time, and we are developing our fourth-generation product designed to lower costs and facilitate our expansion strategy into large commercial solar installations and new geographies.
- *Expand Our Product Offering for Larger Commercial and Utility-Scale Installations.* We intend to expand our product offering by introducing new microinverter systems targeted at larger commercial and utility-scale installations. We expect these market segments to become a significant revenue opportunity for Enphase in the future. We also have programs in place focused on expanding our Enlighten web-based software platform and our networking capabilities for commercial and utility-scale installations.
- *Develop a Smart Energy Management Platform.* We intend to build upon our strong position as the leading supplier of microinverter and energy management systems to expand beyond solar and to create a smart energy management platform for integrated smart energy devices and services. For example, our smart thermostat device integrates with the Enlighten web-based software, allowing owners to manage their solar PV installations and control their heating and cooling system from a single web-based platform. We see opportunities beyond the thermostat and intend to develop additional energy management devices and services in the area of energy consumption monitoring and enable the growing network of solar installers to become energy consultants and service providers.

Our Products

Our microinverter system consists of three individual product components: our Enphase microinverter, Envoy communications gateway and Enlighten web-based software. These elements function as a single unified system that enhances energy production, simplifies design and installation, reduces costs, increases system uptime and reliability, reduces fire safety risk, and provides the ability to monitor performance down to the module level in real-time. Each of these elements and the specific products in our offering are displayed and described below:

Enphase System

1. Enphase Microinverter

- Maximizes energy production
- Installed on the racking beneath each solar module

2. Envoy Communications Gateway

- Monitors each module and microinverter in the array
- Connects to Enlighten servers through standard Internet router

3. Enlighten Software

- Continuously analyzes and reports the health and performance of the solar array
- Allows for remote system analysis and troubleshooting

Source: Enphase Energy

Enphase Microinverter

Our microinverter converts the DC output from a single solar module into grid compliant AC. It delivers efficient and reliable power conversion at the individual solar module level through a purpose built digital architecture that incorporates custom ASICs, specialized power electronics devices, custom magnetics, powerline communications, or PLC, and networking technology and an embedded software subsystem that optimizes energy production from each module and manages the core ASIC functions. We offer two microinverter product lines today:

- *Second Generation Microinverter.* Our second generation microinverter, including the M190, M210 and a twin pack version of the M190, the D380, has an average power conversion efficiency of 95%. It supports mono- and multi-crystalline solar modules from over 50 module vendors in 60-cell and 72-cell formats with nameplate power ratings of up to 240W STC. The maximum circuit size for this product is up to 15 microinverters. Each circuit is terminated directly to the AC load center using standard AC cabling. The microinverter is certified to UL1741 as a utility-interactive inverter, the U.S. and Canadian standard for static inverters and charge controllers for use in solar PV power systems, listed for sale in North America. We provide a 15-year limited warranty for our M190, M210 and D380 series microinverters.
- *Third Generation Microinverter.* Our third generation microinverter, the M215, is based on our next generation ASIC and increases the maximum rated AC output power to 215W, with average power conversion efficiency of 96%. Our M215 microinverter addresses 60-cell solar modules with nameplate power ratings of up to 260W STC. In addition, it incorporates a new, proprietary AC cable that increases the compatible system circuit size to up to 17 microinverters, allowing for greater installation flexibility and simplified cabling on the microinverter unit itself, reducing both cost and size. In addition to

receiving UL1741 certification, it has also received the European VDE and CE certifications for sale in Europe. We offer a 25-year limited warranty for our M215 series microinverter.

Both our M190 and M215 series microinverters are installed on the roof and hidden from view, with minimal impact on the aesthetics of a home or building.

We support our microinverters with our Entrust program, which provides system owners with a 100% uptime guarantee. Under the Entrust program, we reimburse the system owner for any lost energy for up to one month if a microinverter unit should fail. In addition to replacing a microinverter unit under warranty, we proactively notify the installer, and ship an advance replacement unit free of charge.

Envoy Communications Gateway

Our Envoy communications gateway is the networking hub for the microinverter array. It collects data from the solar module via our proprietary PLC technology and delivers it to our hosted, Enlighten web-based software application through an Ethernet connection to a broadband Internet router. The Envoy communication gateway can also provide critical information if no broadband connection is available through its imbedded web interface that provides configuration, control and system state information and is accessible by computer through an Ethernet connection and through its LCD display that provides high level status information. In addition, the Envoy communications gateway supports Zigbee, a low power wireless mesh communication protocol for communication with our Environ smart thermostat.

Enlighten Software

Installers and system owners use our Enlighten web-based software, which is included with the Envoy communications gateway, to track and display daily, weekly and annual energy production information. Installers also use the Enlighten installer dashboard to manage multiple systems from a single screen. In addition, we use Enlighten to activate a system and remotely troubleshoot, analyze and diagnose system problems. System owners and installers access our Enlighten web-based software through the following interfaces:

- *Enlighten Monitoring Service*. The Enlighten web-based monitoring service provides real-time information to the installer and system owner on the energy production of the solar array. This service can be accessed by installers or system owners from any personal computer or a mobile device with a web browser.
- *Installer Dashboard*. The installer dashboard is a web-based portal that is the first page each installer sees when he accesses his Enlighten account. It allows an Enphase installer to easily customize the page so several sites under management can be consolidated into a single view. In addition, we use the installer dashboard to communicate with our installers, with industry news, product updates and Enphase community postings.

Environ Smart Thermostat

Our Environ smart thermostat enables system owners to monitor and control heating and cooling of a home or business. This smart thermostat integrates with our Envoy communications gateway and our Enlighten web-based software. Users can control the temperature of their homes from anywhere they have access to a web browser, including a mobile device.

Our Technology

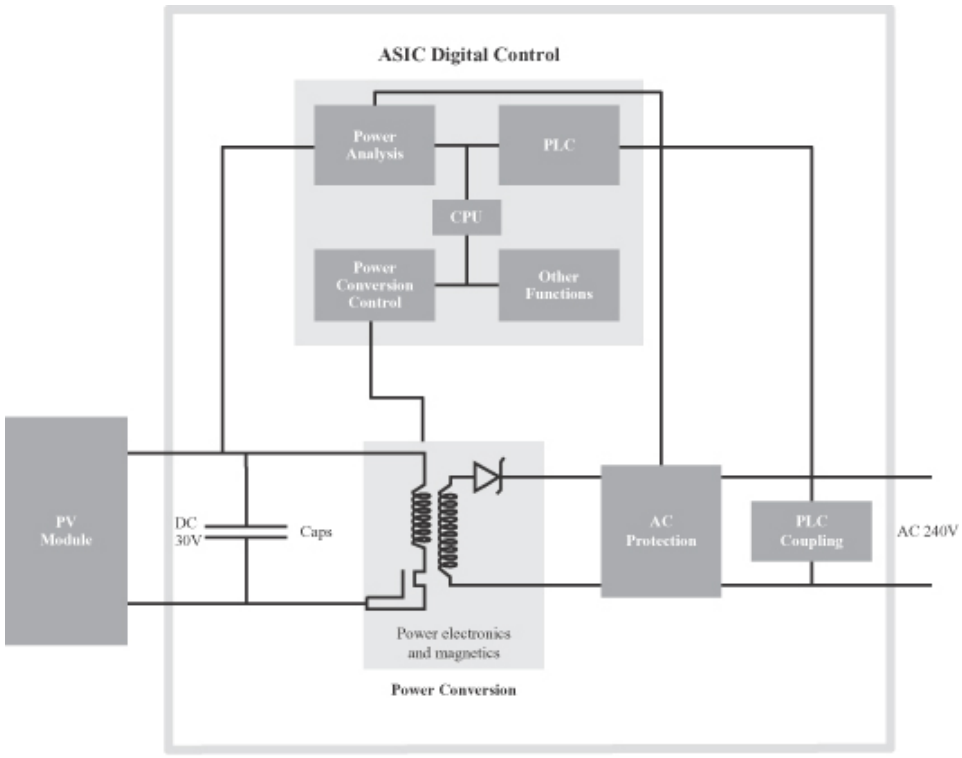
Three years after the introduction of our first generation microinverter system, we have successfully commercialized the technology, creating a new product category. Our system has the following critical attributes:

- Converts DC power from the solar module into grid-compliant AC power efficiently and with minimal loss;
- Achieves low cost per watt and LCOE;

- Provides a robust communications network enabling real-time management of the solar PV installation;
- Ensures a high level of safety both during and after installation;
- Connects to the grid safely and to specification;
- Ensures long-term durability in harsh outdoor environments; and
- Manufacturable in high volumes and at high yields.

The critical technologies enabling our system are in the areas of power electronics and magnetics, semiconductors, powerline communications and networking, and embedded and web-based software. An overview of each of these technology elements and the essential function each play in the overall microinverter system is described below:

Enphase Microinverter



Source: Enphase Energy

Power Electronics

The performance and efficiency of our Enphase microinverter is driven by its core architecture and design. Key functions of the design include specialized power electronics, custom magnetics and advanced ASIC-based digital control that enable our Enphase microinverter to efficiently convert DC from the solar module to grid-compliant AC at optimal efficiency. Our Enphase microinverters utilize a sophisticated predictive model to accomplish this conversion and output a digitally synthesized AC waveform. Our Enphase microinverter conforms to safety standards as defined by UL1741 in North America and VDE0126 in Europe. Our microinverters also analyze both the DC and AC electrical characteristics of the system to determine safe and reliable operation.

We also utilize proprietary simulation and validation tools capable of modeling most elements of our hardware solution to accurately predict performance prior to hardware design and fabrication or, alternately, to identify and optimize critical design parameters. We use these simulation and validation capabilities to develop new and more sophisticated control algorithms, and to reduce our engineering investments and time to market.

Magnetics

Microinverter power conversion efficiency, cost and reliability are a function of the magnetics designed in the system. We design and utilize custom magnetic cores and windings to maximize the power density of a chosen magnetics core geometry, which in addition to high performance and low cost allows us to achieve improved thermal performance, reliability and a very low mechanical profile, an important criteria for mounting underneath or onto a solar module. We work to optimize pin spacing and other electrical properties to ensure we meet stringent regulatory requirements for electromagnetic emission.

Semiconductors

Unlike early microinverter technology or current central inverters, the Enphase microinverter is a microelectronics device built around a digital architecture. Around 30% of the bill of materials of each Enphase microinverter is composed of semiconductor content. We are on our fifth generation of ASICs responsible for all critical digital control functions of our microinverter, including detailed power analysis, digital control of the power conversion subsystem and powerline communications and networking. Unlike traditional inverters, our microinverters process low amounts of power (215W AC) and switch low DC voltages (30 volts DC). These features, combined with the ability to leverage low cost silicon in standard packages and pin counts, make possible a high degree of semiconductor integration. As a result, much of the functionality of our Enphase microinverter can be integrated into a standard CMOS ASIC instead of discrete electrical components, resulting in lower costs and a simplified overall hardware design. Our intent is to leverage semiconductor integration in the solar industry in the same fashion that semiconductors benefited the personal computer, telecommunications and consumer electronics industries, delivering more functionality and lower costs.

Our ASIC performs the critical power analysis and power conversion control functions of the microinverter. The power analysis function processes critical sensory input from the solar module and the AC grid, such as voltage and frequency and other information that enables the precise control of the synthesized output AC waveform. Our ASIC also provides the advanced digital control and state machine logic that controls the power conversion function. A high speed power sequencer that controls the transfer of energy from the DC side of the system to the AC side at very high frequency drives the power metal-oxide-semiconductor field-effect transistors, or MOSFETs, in our microinverter. In addition, our digital control system uses an innovative predictive control technology that allows the solar PV installation to anticipate and adapt to changing operating conditions and protect against grid anomalies, such as power surges.

Powerline Communications and Networking

A powerline communications networking link exists between each microinverter in the array and the Envoy gateway. Our powerline communications link uses a proprietary networking technology developed by Enphase utilizing the same AC wiring to transmit and receive data between devices as is used to distribute electricity.

Our proprietary PLC technology is integrated into our custom ASIC. Our third generation microinverter, the M215, integrates our most advanced PLC technology, which offers improved modulation techniques and additional carrier frequencies to enhance performance. In addition, it increases the number of devices supported through more powerful data processing capabilities, and extends the range supported between devices with superior signal processing. Finally, it provides reduced communications latency with more frequent polling of end devices and improved link reliability through advanced error detection and correction.

An Enphase powerline communications installation must support a large number of microinverter endpoints transmitting a small amount of information on an infrequent basis over a dated electrical infrastructure with appliances, power strips, pumps, air conditioners, computers, televisions, and other electrical noise competing with the signal. The robustness of our PLC technology is a compelling attribute of our system and a primary focus of our intellectual property development and engineering resources. In addition, each communication link between a microinverter and the Envoy gateway is encrypted to enhance system security.

Embedded Software

The embedded software that runs in the CPU of our ASIC performs several key functions, including the MPPT algorithm that optimizes energy production from each solar module, the state machine that controls the microinverter's power analysis and power conversion functions, safety functions such as anti-islanding protection, which disables microinverter energy production when the AC grid is disconnected, and the energy information collected from each solar module and microinverter pair. It also actively monitors the operation of the solar PV installation. Finally, it enables the design of more complex functions in software such as sophisticated and intelligent mathematical modeling that reduces the burden on the hardware design.

Web-Based Software

In addition to the embedded software in each Enphase microinverter and Envoy communications gateway, our Enlighten web-based software provides a central point of monitoring and management for the installer and system owner. The system is built on an open source platform and is hosted externally by Rackspace US, Inc., a leading datacenter infrastructure provider. This allows us to minimize our fixed costs and leverage system uptime guarantees from our provider.

The core functionality of our web-based software includes:

- *Monitoring.* The Enphase system provides monitoring granularity down to the individual solar module level. This enables the installer and system owner to determine how much energy each solar module is producing and identify poorly performing modules that need to be washed or replaced, including their specific location in the array.
- *Array Builder and Installer Portal.* In addition to system level monitoring, analytics and diagnostics, the application is an invaluable tool for the installer for everything from system set-up with tools like the array builder to how they manage their entire fleet of systems with the web-based installer portal. An installer is able to visualize the amount of energy generated in a given day or over the life of the system to ensure its proper operation, identify which modules are not producing to specification and aggregate information from multiple systems for a unified, single view into all solar PV installations under management.
- *Home Energy Efficiency Device Control.* Enlighten is a web-based software application for managing solar energy production and controlling energy efficiency devices connected to the Zigbee smart energy profile. Energy efficiency and control represents a potential area of growth for the company as we leverage our communications infrastructure and channel to deliver these additional services.

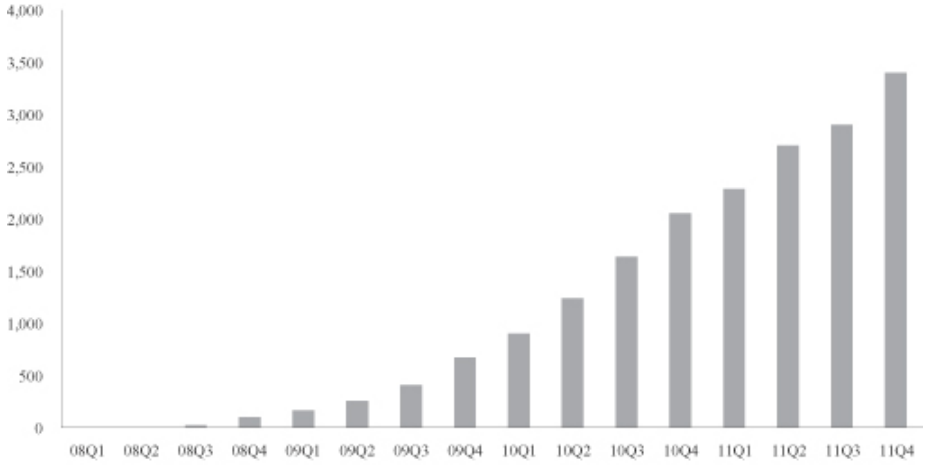
Our Enlighten web-based software also provides important back-end functionality to Enphase customer service. We use Enlighten to activate a microinverter array, troubleshoot an issue, communicate with the installer, issue and track return merchandise authorizations and analyze energy production trends.

Customers and Sales

Today, our microinverter system is sold in the United States, Canada, France, Italy and the Benelux region. We sell our microinverter systems primarily to distributors who resell to installers and integrators, who in turn integrate our products into complete solar PV installations for residential and commercial system owners.

We work with many of the solar distributors, including Focused Energy LLC, SolarNet Holdings, LLC, SunWize Technologies, Inc., and Solar Solutions and Distribution LLC. Over 3,400 installers have installed our microinverters through December 31, 2011, and this number is increasing by approximately 100 new installers per month.

Installer Customer Growth
(Number of Installers)



Source: Enphase Energy

In addition to our distributors, we sell directly to large installers, OEMs and strategic partners. Our OEM customers include solar module manufacturers who bundle our products and solutions with their solar module products and resell to both distributors and installers. Strategic partners include a variety of companies and arrangements, including industrial equipment suppliers and providers of solar financing solutions. For example, we have a supply and distribution agreement with Siemens to resell co-branded products and solutions to the electrical contractor distribution channel. We also sell the Enphase-branded product directly to electrical contractor distributors in North America.

To support our geographic expansion plans, we have also established sales and support offices in France and Italy with a go-to-market model similar to the model we use in the United States and Canada. We have established a representative office in China to enhance our support to the Chinese solar module manufacturers with a local on the ground resource, and to establish a sales presence in the country.

Manufacturing and Key Suppliers

We outsource the manufacturing of our products to two key manufacturing partners, Flextronics International Ltd. and Phoenix Contact GmbH & Co. KG. Flextronics assembles and tests our microinverter pursuant to a manufacturing services agreement which is renewable for successive one-year terms and is terminable for convenience by either party upon 90 days prior notice. Prices for such services are mutually agreed to by the parties on a quarterly basis and we are obligated to purchase manufactured products and raw materials that cannot be resold upon the termination of the agreement. Flextronics' assembly and test plants for us are located in Fuyong, China, and New Market, Ontario, Canada. Flextronics also provides receiving, kitting, storage, transportation, inventory visibility and other value-added logistics services at locations managed by Flextronics pursuant to a logistics services agreement which is renewable for successive one-year terms and is terminable for convenience by either party upon 90 days prior notice. Phoenix manufacturers the custom AC cable for our third generation M215 microinverter system pursuant to a cooperation agreement with purchase commitments extending through April 2018. Phoenix has agreed the that price it charges us will be no greater

than those that Phoenix charges other customers for similar products. The agreement further provides for minimum purchase requirements, and we are obligated to purchase manufactured products and raw materials that cannot be resold upon the termination of the agreement. Phoenix's facility is located in Blomberg, Germany.

We rely on several unaffiliated companies to supply certain components used in the fabrication of our microinverter system. For custom components, key sole source suppliers include Fujitsu Ltd. for our ASIC, Epcos AG for magnetic cores and Phoenix for AC cabling. Magnetic cores are purchased on a purchase order basis from Epcos AG. Our five-year master development and production agreement with Fujitsu extends until August 18, 2014 and is terminable for convenience by either party upon six months prior notice. Additional ASIC design projects are negotiated through mutual task orders governed by the master development agreement. For off-the-shelf components, key single source suppliers include Cree, Inc., for diodes and TDK-EPC Corporation for magnetic components.

Customer Service

We maintain high levels of customer engagement through our customer support group and the Enlighten web-based software portal, and have cultivated an organizational focus on customer satisfaction. Our dedicated customer support group, located at our headquarters in Petaluma, California, focuses on responding to inbound inquiries regarding any of our products and services. This support is provided free of charge to all of our customers in the United States and Canada. To support our international expansion into Europe, we have extended the customer support group to include local coverage based in Lyon, France and Milan, Italy. As of December 31, 2011, our Customer Support group consisted of 39 employees in the United States and three employees in Europe.

In addition, customized support programs are being developed for selected OEM partners, large direct installers and master distributors to help prioritize and track support issues for key partners and to provide a single point of contact.

Research and Development

We devote substantial resources to research and development with the objective of developing new products and systems, adding new features to existing products and systems and reducing unit costs of our Enphase microinverter system. Our development strategy is to identify features, products and systems for both software and hardware that reduce the cost and optimize the effectiveness of our microinverter solutions for our customers. We measure the effectiveness of our research and development against metrics, including product unit cost, efficiency, reliability, power output and ease-of-use.

We have a strong research and development team with wide-ranging expense in power electronics, semiconductors, powerline communications and networking, and software engineering. In addition, many members of our team have expertise in solar technologies. As of December 31, 2011, our research and development organization had a headcount of 129 people, 115 of whom are in the United States, one in Canada and 13 in New Zealand. Our research and development expense in 2008 was $5.4 million, in 2009 was $8.4 million, in 2010 was $14.3 million, and in the nine months ended September 30, 2011 was $17.9 million.

Intellectual Property

Our success depends, in part, on our ability to maintain and protect our proprietary technologies. We rely primarily on patent, trademark, copyright and trade secrets laws in the United States and similar laws in other countries, confidentiality agreements and procedures and other contractual arrangements to protect our technology. As of December 31, 2011, we had 13 issued U.S. patents, two issued non-U.S. patents, 50 patent applications pending for examination in the United States and 98 independent patent applications pending for

examination in other countries, all of which are related to U.S. applications. Ten of our issued U.S. patents directly relate to DC to AC power conversion for alternative energy power systems. The remaining three cover anti-islanding safety technology, measurement of grid voltage and monitoring circuits coupled to AC lines, respectively. Our issued patents are scheduled to expire between years 2027 and 2031.

We license certain power line communications technology and software for integration into our ASICs pursuant to a fully-paid, royalty-free license, which includes the right for us to source directly from the licensor's suppliers or manufacture certain ASIC hardware should the licensor fail, under certain conditions, to deliver such technology in the future. This license includes a limited exclusivity period during which the licensor has agreed not to license the licensed technology to any third party manufacturer of electronic components or systems for use in the solar energy market. The license carries a seventy-five year term, subject to earlier termination upon mutual agreement of the parties, or by us in connection with the insolvency of the licensor.

We also license digital intellectual property cores, or IP blocks, for integration into and distribution with certain electronic components built into our products, including our ASICs, complex programmable logic devices, or CPLDs, and field-programmable gate arrays, or FPGAs. This is a fully-paid, non-exclusive, non-transferrable, royalty-free license providing for the integration of such digital IP blocks in an unlimited number of electronic component designs and the distribution of such electronic components with our products. Other than in connection with the distribution of our products, our use of such digital IP blocks is limited to certain of our business sites. The license is perpetual, subject to earlier termination by either party upon the termination, suspension or insolvency of the other party's business, or by the licensor upon a breach of the license agreement by us. In addition, license open source software from third parties for integration into our Envoy products. Such open source software is licensed under open source licenses, including the Beer-Ware License, the GNU General Public License or the GNU Lesser General Public License, Artistic 2.0 License, Ruby License, OpenVPN License, BSD License, Apache License, and other open source licenses. These licenses are perpetual and require us to attribute the source of the software to the original software developer, which we provide via our website.

We continually assess appropriate occasions for seeking patent protection for those aspects of our technology, designs and methodologies and processes that we believe provide significant competitive advantages. A majority of our patents relate to DC to AC power conversion for alternative energy power systems, as well as power system monitoring, control and management systems.

With respect to, among other things, proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to safeguard our interests. We believe that many elements of our microinverter manufacturing process involve proprietary know-how, technology or data that are not covered by patents or patent applications, including technical processes, test equipment designs, algorithms and procedures.

All of our research and development personnel have entered into confidentiality and proprietary information agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of the inventions, designs and technologies they develop during the course of employment with us.

We also require our customers and business partners to enter into confidentiality agreements before we disclose any sensitive aspects of our microinverter, technology or business plans.

We have not been subject to any material intellectual property claims.

Competition

The markets for our products are extremely competitive, and we compete both with well-established traditional central inverter manufacturers and new technology start-ups. The principal areas in which we compete with other companies include:

- Product performance and features;
- Total cost of ownership (usually measured by LCOE);

- Breadth of product line;
- Local sales and distribution capabilities;
- Module compatibility and interoperability;
- Reliability and duration of product warranty;
- Technological expertise;
- Brand recognition and customer service and support;
- Compliance with industry standards and certifications and local electrical code;
- Size and financial stability of operations;
- Size of installed base; and
- Local manufacturing and product content.

Currently, competitors in the inverter market range from large, international companies such as Solar Technology AG, Fronius International GmbH and Power-One, Inc. to emerging companies offering alternative microinverter or other solar electronics products. We principally compete with the large, incumbent solar inverter companies because traditional central inverter solutions can be used as alternatives to our microinverter solution. We believe, however, that our microinverter solutions offer significant advantages and competitive differentiation relative to traditional central inverter technology, even when traditional central inverter technology is supplemented by DC-to-DC optimizers. SMA Solar Technology AG, Power-One Inc. and SunPower Corp., leading inverter vendors serving the residential and small commercial inverter markets, are expected to introduce microinverter products in 2012. In addition, several new entrants to the microinverter market, including some of our OEM customers and partners, have recently announced plans to ship or have already shipped products.

Employees

As of December 31, 2011, we employed 298 full-time employees. Of the full-time employees, 129 were engaged in research and development, 108 in sales and marketing, 44 in a general and administrative capacity and 17 in manufacturing and operations. Of these employees, 259 were in the United States, 12 in France, two in Canada, nine in Italy, 14 in New Zealand and two in China.

None of our U.S. employees is represented by a labor union with respect to his or her employment with us; however, our employees in France and Italy are represented by a collective bargaining agreement. We have not experienced any employment-related work stoppages, and we consider our relations with our employees to be good.

Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our operations. Currently, we are not involved in any material legal proceedings.

Facilities

Our current corporate headquarters is located in Petaluma, California, in an office consisting of approximately 23,000 square feet of office, testing and product design facilities and a portion of our U.S. customer service center. We have entered into agreements to lease space for a new corporate headquarters also to be located in Petaluma, California, in an office consisting of approximately 96,000 square feet. Based on

current estimates for completion of tenant improvements, we anticipate that we will partially occupy the new headquarters in the first quarter of 2012. The leases for the new corporate headquarters will expire 10 years from the date tenant improvements are substantially completed. Our current headquarters lease will expire when we have completely vacated the space, which we anticipate will be in the second quarter of 2012.

In addition to our headquarters, we lease approximately 10,500 square feet of warehouse, equipment assembly and general office space in Petaluma, California, on a month-to-month basis, an aggregate of approximately 13,000 square feet of office space in an additional building in Petaluma, California, under a lease that expires February 29, 2012, approximately 10,000 square feet of general office and engineering lab space in Santa Clara, California, pursuant to a lease that will expire on December 31, 2015, 3,500 square feet of general office space in Boise, Idaho, that is used for our tier-1 customer call center operations, pursuant to a lease that will expire in November 2016, and approximately 8,000 square feet of general office and engineering lab space in Christchurch, New Zealand, that will be used for research and development operations, pursuant to a lease that expires in August 2016. We also have a small amount of sales and support office space in Lyon, France, Milan, Italy and Shanghai, China.

We outsource the manufacturing to manufacturing partners, and currently do not own or lease or plan to own or lease manufacturing facilities.

We believe that our existing properties are in good condition and are sufficient and suitable for the conduct of our business for the foreseeable future. To the extent our needs change as our business grows, we believe that additional space and facilities will be available.

MANAGEMENT

Executive Officers and Directors

The following table sets forth the names, ages and positions of our executive officers and directors as of December 31, 2011:

Name	Age	Position(s)
Executive Officers		
Paul B. Nahi	48	President, Chief Executive Officer, and Director
Sanjeev Kumar	47	Chief Financial Officer
Raghuveer R. Belur	44	Vice President of Products, and Director
Martin Fornage	48	Chief Technology Officer
Jeff Loebbaka	50	Vice President of Worldwide Sales
Greg Steele	50	Vice President of Operations
Bill Rossi	49	Chief Marketing Officer
Dennis Hollenbeck	59	Vice President of Engineering
Directors		
Neal Dempsey(1)(2)(3)	70	Director
Steven J. Gomo(2)(3)	59	Director
Benjamin Kortlang(1)(2)	36	Director
Jameson J. McJunkin(1)	37	Director
Chong Sup Park(2)(3)	64	Director
Robert Schwartz(3)	50	Director
Stoddard M. Wilson(3)	46	Director

(1) Member of the Nominating and Corporate Governance Committee.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.

Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no familial relationships among our directors and executive officers. Set forth below is biographical information, including the experiences, qualifications, attributes or skills that caused our board of directors to determine that each member of our board of directors should serve as a director as of the date of this prospectus.

Executive Officers

Paul B. Nahi has served as our President and Chief Executive Officer and as a member of our board of directors since January 2007. From 2003 to December 2006, Mr. Nahi served as President and Chief Executive Officer of Crimson Microsystems, Inc., a fabless semiconductor company, where he was responsible for all aspects of the company's operations. From 1999 to 2003, Mr. Nahi served as Chief Executive Officer and co-founder of Accelerant Networks, Inc., a semiconductor company, acquired by Synopsys Inc. in February 2004. From 1998 to 1999, Mr. Nahi served as the General Manager of the Communications and Media Divisions for NEC Electronics Corp., a global electronics company. From 1994 to 1998, Mr. Nahi served as the Senior Director for Diamond Multimedia Systems, Inc., a computer peripheral device company. Mr. Nahi holds a bachelor of science degree in computer science and a master of business administration degree from the University of Southern California. Mr. Nahi brings to our board of directors demonstrated leadership and management ability at senior levels. In addition, his years of experience in the semiconductor and electronics industries provide a valuable perspective for our board. He also brings continuity to our board and historical knowledge of our company through his tenure as President and Chief Executive Officer.

Sanjeev Kumar has served as our Chief Financial Officer since December 2009. From December 2008 to July 2009, Mr. Kumar served as the Chief Financial Officer of HelioVolt Corporation, a producer of thin film solar products, where he was responsible for financial and accounting functions. From June 2006 to August 2008,

Mr. Kumar served as the Chief Financial Officer of Energy Conversion Devices, Inc., a supplier of thin-film flexible solar laminates and batteries used in hybrid vehicles, where he was responsible for financial and accounting functions. Prior to 2006, Mr. Kumar served in a number of different finance positions, most recently as the Chief Financial Officer of Rutherford Chemicals LLC, a specialty chemical company, as Chief Financial Officer of the U.S. operations of Rhodia S.A., a publicly held chemicals company, and as Assistant Treasurer, with Occidental Petroleum Corporation, an oil and gas exploration and production company. Mr. Kumar previously served on the Board of Directors of Solar Integrated Technologies Inc., a publicly-listed company in the United Kingdom and Ovonyx, Inc., a privately-held company commercializing its phase-change semiconductor memory technology. Mr. Kumar holds a bachelor of arts degree in business administration from California State University, Los Angeles and a master of business administration degree from the University of Southern California.

Raghuveer R. Belur co-founded Enphase Energy with Mr. Fornage in March 2006, and has served as a member of our board of directors since March 2006. Mr. Belur has served as our Vice President of Product since September of 2010 and previously as Vice President of Marketing from January 2007 to September of 2010. Mr. Belur was our initial Chief Executive Officer from March 2006 to January 2007. From September 1997 to August 1999, Mr. Belur served as an Engineer for Cerent Corporation, an optical equipment company acquired by Cisco Systems, Inc., in August 1999. Mr. Belur holds a master of science degree in electrical engineering from Texas A&M University and a master of business administration degree from the Haas School of Business at the University of California, Berkeley. As a co-founder of our company and through his position as Vice President of Products, Mr. Belur brings to our board of directors continuity and historic knowledge of our company. In addition, his years of marketing and engineering experience in the electronics industry provide valuable insights for our board.

Martin Fornage co-founded Enphase Energy with Mr. Belur in March 2006, and has served as our Chief Technology Officer since July 2006. From December 1992 to July 1998, Mr. Fornage was a Hardware Engineer at Advanced Fibre Communications, Inc., a telecommunications company acquired by Tellabs, Inc., in May 2004, where he led the Hardware Engineering group in 1997. From September 1998 to February 2006, Mr. Fornage led a consulting firm providing system and assembly level design services to several large telecommunications equipment manufacturers and other companies. Mr. Fornage received his “Ingenieur diplome d’etat” degree from ENSEA France.

Jeff Loebbaka has served as our Vice President of Worldwide Sales since May 2010. From July 2007 to June 2009, Mr. Loebbaka was Senior Vice President of Europe, Middle East and Africa, from July 2005 until June 2007, was Senior Vice President of Global Channel Sales and Marketing, and from October 2003 to June 2005, was Vice President Global Marketing at Seagate Technology LLC, a storage solutions provider. In these positions, he was responsible for sales functions within the geographic or business areas covered by his titles. From September 2000 to September 2003, Mr. Loebbaka served as Vice President and General Manager, and from June 1999 until August 2000, served as Vice President of Worldwide Channels and Corporate Marketing at Adaptec Inc., a RAID controller maker and data center company. From May 1996 to November 1998, Mr. Loebbaka was Vice President of Global Marketing at the Life Fitness Division of Brunswick Corporation, and from January 1995 until May 1996, was the Senior Director of Product Marketing at Zenith Data Systems, a division of Group Bull. Mr. Loebbaka held numerous marketing leadership roles at Apple Inc. from July 1987 until January 1995. Mr. Loebbaka holds a master of business administration degree from the Kellogg Graduate School of Management at Northwestern University and a bachelor of science in mechanical engineering from the University of Illinois.

Greg Steele has served as our Vice President of Operations since January 2008. From March 2006 to December 2007, Mr. Steele founded and served as the President of Wireless Hearing Solutions, an assistive listening device company, where he was responsible for all aspects of the company’s operations. From January 2003 to May 2005, Mr. Steele served as the Chief Executive Officer for the Nelson Family of Companies, a human capital and staffing firm. From December 1998 to June 2001, Mr. Steele served as Chief Operating

Officer, and from November 1994 to December 1998, served as Vice President of Operations for Advanced Fibre Communications, Inc., a telecommunications company acquired by Tellabs, Inc. in May 2004. From April 1984 to October 1990, Mr. Steele held various manufacturing and operations positions with Texas Instruments Inc., a global electronics company. From October 1990 to November 1994, Mr. Steele held various manufacturing and operations positions with DSC Communications Corporation, a telecommunications company. Greg Steele holds a bachelor of science degree in industrial engineering from Oregon State University.

Bill Rossi has served as our Chief Marketing Officer since September 2010. From December 2007 to July 2010, Mr. Rossi was head of Enterprise Marketing at Google Inc., an Internet search and services company, where he was responsible for marketing of Google applications to businesses. From December 2005 to December 2006, Mr. Rossi was Chief Executive Officer of Greenfield Networks Inc., an ethernet switch technology solutions company acquired by Cisco Systems, Inc., in December 2006, where he was responsible for all aspects of the company's operations. From November 1995 to November 2005, Mr. Rossi served as Vice President and General Manager of the Wireless Networking Business Unit at Cisco Systems, Inc. Mr. Rossi holds a master of business administration degree from Harvard Business School and a bachelor of arts and bachelor of science degree in electrical engineering from Dartmouth College.

Dennis Hollenbeck has served as our Vice President of Engineering since December 2010. From June 2005 to July 2006 Mr. Hollenbeck served as Vice President and General Manager for Maxtor Corp., a hard disc drive manufacturer, where he was responsible for engineering and operations. From June 2000 to September 2005, Mr. Hollenbeck served as Chief Operating Officer for eSilicon Corp., a custom chip design and fabrication service company. From July 1984 to June 2000, Mr. Hollenbeck held various positions with Quantum Corporation, a hard disc drive manufacturer. Mr. Hollenbeck holds a bachelor of engineering, electrical engineering from Youngstown State University.

Board of Directors

Neal Dempsey has served as a member of our board of directors since April 2010. Mr. Dempsey joined Bay Partners as a General Partner in 1989 and became a Managing Member in 2000. From December 1996 to April 2007, Mr. Dempsey served as a member of the board of directors of Brocade Communications Systems, Inc. Mr. Dempsey is presently a director of several privately-held companies and also serves as a director of FamiliesFirst, Inc., a Children and Family Services Agency. Mr. Dempsey holds a bachelor of arts degree from the University of Washington. As a venture capitalist, Mr. Dempsey has been involved with numerous technology companies in the communications, consumer services, energy services, enterprise software, software as a service, and wireless industries. Mr. Dempsey's years of venture capital investing, his previous experience as a public company director and his insights in building successful businesses provide a valuable perspective to the board of directors.

Steven J. Gomo has served as a member of our board of directors since March 2011. From August 2002 until October 2004, Mr. Gomo served as Senior Vice President of Finance and Chief Financial Officer, and from October 2004 until December 2011, as Executive Vice President of Finance and Chief Financial Officer, of NetApp, Inc., a computer storage and data management company. From November 2000 to April 2002, Mr. Gomo served as Chief Financial Officer of Gemplus International S.A., a smart card provider, and from February 1998 until August 2000, Mr. Gomo served as Chief Financial Officer of Silicon Graphics, Inc., a high-performance computer and computer graphics company. Prior to February 1998, Mr. Gomo held various finance, financial management, manufacturing, and general management positions at Hewlett-Packard Company. Mr. Gomo holds a master of business administration degree from Santa Clara University and a bachelor of science degree in business administration from Oregon State University. Mr. Gomo currently serves on the board of SanDisk Corporation. Mr. Gomo brings to our board valuable financial and business expertise through his years of experience as a chief financial officer with publicy traded companies. Mr. Gomo provides an important role in leading the board's activities on financial and auditing matters, as well as collaborating with our independent registered public accounting firm and management team in these areas.

Benjamin Kortlang has served as a member of our board of directors since May 2010. Since February 2008, Mr. Kortlang has been a Partner with Kleiner Perkins Caufield & Byers, a venture capital firm. From July 2000 to January 2008, Mr. Kortlang worked with Goldman, Sachs & Co., most recently co-heading Goldman's Alternative Energy Investing business. From June 2005 to February 2008, Mr. Kortlang was a Vice President within Goldman's Special Situations Group, before which he was a Vice President in Goldman's investment banking group focusing on Industrials and Natural Resources. From January 1996 to August 1998, Mr. Kortlang was an Associate with A.T. Kearney, Inc. where he focused on strategic and operations consulting in the energy, manufacturing, packaging, transportation and communications industries. From February 1993 to July 1994, Mr. Kortlang was a Business Analyst at National Australia Bank in strategic planning and macroeconomic forecasting. Mr. Kortlang holds a bachelor of business degree in economics and finance from Royal Melbourne Institute of Technology, a bachelor of commerce and an honors degree in econometrics from University of Melbourne and a master of business administration degree from the University of Michigan. As a venture capitalist, Mr. Kortlang's focus on growth-stage investing in alternative energy technologies provides a valuable industry perspective to our board. Mr. Kortlang's investing and business experience also provide our board with a valuable perspective on building alternative energy businesses.

Jameson J. McJunkin has served as a member of our board of directors since April 2009. Since April 2005, Mr. McJunkin has been a Managing Member of Madrone Capital Partners, a venture capital firm. From August 2000 to March 2005, Mr. McJunkin was a technology growth capital investor at TA Associates, Inc., a private equity firm. Prior to August 2000, Mr. McJunkin worked as a Product Manager at Cisco Systems, Inc. and as a strategy consultant at the Boston Consulting Group. Mr. McJunkin is a director of the Smithsonian National Air and Space Museum and several privately-held companies. He also serves on the Advisory Board for Rockport Capital Partners and The Global Environment Fund. Mr. McJunkin earned a bachelor of arts degree with high honors from the Woodrow Wilson School of Public and International Affairs at Princeton University and a master of business administration degree from the Stanford University Graduate School of Business. Mr. McJunkin has valuable experience as an investor in building emerging growth companies. His investing and business background, as well as his knowledge of the solar industry, provide a valuable perspective for our board of directors.

Dr. Chong Sup Park has served as a member of our board of directors since June 2011. Dr. Park served as President and Chief Executive Officer of Maxtor Corporation, a hard drive manufacturer, from February 1995 to August 1996, and from November 2004 to May 2006, prior to its acquisition by Seagate Technology LLC. Dr. Park served as Maxtor's director from February 1994 and its Chairman of the Board from May 1998 to May 2006. Dr. Park served as Investment Partner and Senior Advisor at H&Q Asia Pacific, a private equity firm, from April 2004 until September 2004, and as Managing Director of the firm from November 2002 to March 2004. Prior to joining H&Q, Dr. Park served as President and Chief Executive Officer of Hynix Semiconductor Inc., a DRAM and FLASH memory manufacturer, from March 2000 until May 2002, and from June 2000 to May 2002 he also served as its Chairman. Dr. Park currently serves as a member of the board of directors of Ballard Power Systems, Inc., Brooks Automation, Inc., Computer Sciences Corporation, and Seagate Technology. Within the past five years, Dr. Park also served as a member of the board of directors of STATS ChipPAC Ltd. and Smart Modular Technologies, Inc. Dr. Park earned his a bachelor of arts degree from Yonsei University, Seoul, a master of business administration degree from the University of Chicago, and a doctorate degree in business administration from Nova Southeastern University. Dr. Park brings to our board of directors valuable experience in leadership, technology, manufacturing, sales and marketing as a former board chair and Chief Executive Officer of global businesses in the storage, semiconductor and electronics industry. Dr. Park with his international background also adds business and cultural diversity to our board of directors' perspective.

Robert Schwartz has served as a member of our board of directors since February 2007. Since June 2000, Mr. Schwartz has been Managing Partner of Third Point Ventures, the Sunnyvale, California-based venture capital arm of Third Point LLC, which is a registered investment adviser based in New York and the investment manager of the Third Point Funds. Since 1984, Mr. Schwartz has also been the President of RF Associates North, Inc., a privately-held technical manufacturer's representative firm. Mr. Schwartz is presently a director of several

privately-held companies. Mr. Schwartz holds an undergraduate engineering degree from the University of California, Berkeley. Mr. Schwartz's background as an executive of a technical manufacturer's representative firm provides our board and management with important insights on supply chains and sales channels. In addition, his experience as a venture capital investor and his long-standing experience on our board enables him to provide key insight, historical knowledge and guidance to our management team and board of directors.

Stoddard M. Wilson has served as a member of our board of directors since April 2008. In February 1998, Mr. Wilson joined RockPort Partners as a General Partner, a merchant bank specializing in the energy and environmental sectors, and helped form their venture fund in 2001. From August 1996 to January 1998, Mr. Wilson served as a general manager of Montague Corporation, a manufacturing company. From July 1990 to June 1994, Mr. Wilson served as Director of External Affairs and held positions in Admissions, Development and Financial Assistance with Wilbraham & Monson Academy, a private secondary school. From June 1987 to May 1990, Mr. Wilson held technical, sales and marketing positions with AT&T Inc. Mr. Wilson is presently a director of several privately-held companies. Mr. Wilson holds two bachelor of arts degrees, in history and economics, from Brown University and a master of business administration degree from Harvard Business School. As a venture capitalist, Mr. Wilson's focus on energy and environmental technologies, as well as his experience in building and managing startup businesses, provides a valuable perspective to our board.

Director Independence

Upon the completion of this offering, our common stock is expected to be listed on the NASDAQ Global Market. Under the rules of the NASDAQ Stock Market, LLC, or NASDAQ, "independent" directors must make up a majority of a listed company's board of directors within a specified period following that company's listing date in conjunction with its initial public offering. In addition, applicable NASDAQ rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating committees be independent within the meaning of applicable NASDAQ rules. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

In June 2011, our board of directors undertook a review of the independence of each director and considered whether any director has a material relationship with us that could compromise his ability to exercise independent judgment in carrying out his responsibilities. As a result of this review, our board of directors determined that all of our directors, other than Messrs. Nahi and Belur, qualify as "independent" directors within the meaning of the NASDAQ rules. Accordingly, a majority of our directors are independent, as required under applicable NASDAQ rules. As required under applicable NASDAQ rules, we anticipate that our independent directors will meet in regularly scheduled executive sessions at which only independent directors are present.

Board Composition

Our board of directors is currently composed of nine members. Our certificate of incorporation and our bylaws permit our board of directors to establish by resolution the authorized number of directors, and nine directors are currently authorized. Our directors hold office until their successors have been elected and qualified, or the earlier of their death, resignation or removal.

Following the completion of this offering, at each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the class whose term is then expiring. The terms of the directors will expire upon the election and qualification of successor directors at the annual meeting of stockholders to be held during 2012 for the Class I directors, 2013 for the Class II directors and 2014 for the Class III directors. We intend to designate particular directors into each of these classes prior to the completion of this offering.

The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control. Under Delaware law, our directors may be removed for cause by the affirmative vote of the holders of a majority of our voting stock.

Board Committees

Our board of directors has an audit committee, a compensation committee and a nominating and corporate governance committee, each of which has the composition and responsibilities described below.

Audit Committee. Our audit committee oversees our corporate accounting and financial reporting processes. For that purpose, our audit committee, among other things:

- evaluates the qualifications and performance of our independent registered public accounting firm;
- determines and approves the scope of engagement and compensation of our independent registered public accounting firm;
- confers with management and our independent registered public accounting firm regarding the effectiveness of our internal control over financial reporting; and
- establishes procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.

Our audit committee also has certain responsibilities, including without limitation, the following:

- selecting and hiring the independent registered public accounting firm;
- evaluating the independent registered public accounting firm;
- approving audit and non-audit services and fees; reviewing and discussing with management and the independent registered public accounting firm our annual audited and quarterly financial statements, the results of the independent audit and the quarterly reviews, and the reports and certifications regarding internal control over financial reporting and disclosure controls; and
- reviewing reports and communications from the independent registered public accounting firm.

The members of our audit committee are Messrs. Dempsey, Gomo, Park, and Kortlang. Our board of directors has determined that Mr. Gomo is an “audit committee financial expert” as defined under applicable SEC rules. Mr. Gomo has been appointed to serve as the chairman of our audit committee. Each member of our audit committee meets the requirements for independence for audit committee service under the current requirements of the NASDAQ Global Market and Rule 10A-3 under the Exchange Act.

Compensation Committee. Our compensation committee oversees our corporate compensation policies, plans and benefits programs. The functions of the committee include:

- reviewing and approving the compensation and other terms of employment of our executive officers and senior members of management and reviewing and approving corporate performance goals and objectives relevant to such compensation; and
- administering our stock option plans, stock purchase plans, compensation plans and similar programs, including the adoption, amendment and termination of such plans.

The members of our compensation committee are Messrs. Dempsey, Gomo, Park, Schwartz, and Wilson. Dr. Park has been appointed to serve as the chairman of our compensation committee effective upon the completion of this offering. We believe that each member of our compensation committee meets the requirements for independence under the current requirements of the NASDAQ Global Market, is a non-employee director as defined by Rule 16b-3 promulgated under the Exchange Act, and is an outside director as defined pursuant to Section 162(m) of the Code.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Messrs. Dempsey, Kortlang and McJunkin, each of whom is a non-employee member of our board of directors. Mr. Dempsey is the chairman of our nominating and corporate governance committee. Our board of

directors has determined that each of the directors serving on our nominating and corporate governance committee is independent within the meaning of the listing standards of the NASDAQ Global Market. The functions of this committee include:

- assessing the performance of our management and our board of directors;
- identifying, reviewing, and evaluating candidates to serve on our board of directors, including nominations by stockholders of candidates for election to our board of directors;
- reviewing and evaluating incumbent directors;
- making recommendations to our board of directors regarding the membership of the committees of the board of directors; and
- developing a set of corporate governance principles.

Compensation Committee Interlocks and Insider Participation

Our compensation committee currently consists of Messrs. Dempsey, Gomo, Park, Schwartz, and Wilson. None of the members of our compensation committee has, at any time, been one of our officers or employees. None of our executive officers serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee. For more information, see “Certain Relationships and Related Party Transactions” appearing elsewhere in this prospectus.

Code of Business Conduct and Ethics

Our board of directors adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Upon the completion of this offering, the code of business conduct and ethics will be available on our website at *www.enphase.com*. We intend to disclose future amendments to the code, or any waivers of its requirements on our website to the extent permitted by the applicable rules and exchange requirements. The inclusion of our website address in this prospectus does not include or incorporate by reference the information on our website into this prospectus.

Non-Employee Director Compensation

Except as described below, during 2011 our non-employee directors did not receive any cash compensation, stock awards or other compensation for their services as members of our board of directors or any committee of our board of directors. Except as described below, as of December 31, 2011 none of our non-employee directors held any outstanding stock options or stock awards.

In connection with the appointment of Mr. Gomo to our board in March 2011, he received a stock option to purchase 300,000 shares of common stock with an exercise price of $0.45 per share. This option grant vests as to 6,250 shares per month, beginning from March 10, 2011. In connection with the appointment of Dr. Park to our board in June 2011, he received a stock option to purchase 300,000 shares of common stock with an exercise price of $1.05 per share. This option grant vests as to 6,250 shares per month, beginning from June 23, 2011.

Director compensation table

The following table sets forth information regarding fees paid to our non-employee directors for their service on our board of directors during the year ended December 31, 2011.

Name	Fees earned or paid in cash	Option awards[1]	Total
Neal Dempsey	$ —	$ —	$ —
Steven J. Gomo	—	170,919	170,919
Benjamin Kortlang	—	—	—
Jameson J. McJunkin	—	—	—
Chong Sup Park	—	199,443	199,443
Robert Schwartz	—	—	—
Stoddard M. Wilson	—	—	—

(1) Amounts reflect the grant date fair value of stock options granted in 2011 calculated in accordance with applicable accounting guidance for share-based payment transactions. The valuation assumptions used in determining such amounts are described in Note 10 to Consolidated Financial Statements appearing elsewhere in this prospectus.

New Director Compensation Program

Effective upon completion of this offering our non-employee directors will receive the following cash compensation:

Annual retainer board member	$35,000
Additional retainer audit committee chair[1]	18,000
Additional retainer audit committee member[2]	8,000
Additional retainer compensation committee chair[1]	12,000
Additional retainer compensation committee member[2]	6,000
Additional retainer nominating and governance committee chair[1]	8,000
Additional retainer nominating and governance committee member[2]	3,000

(1) Assumes five committee meetings per year, after which a $1,500 per meeting fee will apply.
(2) Assumes five committee meetings per year, after which a $1,000 per meeting fee will apply.

In addition, each board member will receive an initial option grant with a target value of $120,000, with 25% of the shares vested on the grant date and 25% vesting on each annual anniversary thereafter, and an annual option grant with a target value of $75,000 vesting after one year, in each case using a Black-Scholes option value model and with an exercise price per share equal to the fair market value on the date of grant.

We also intend to seek to recruit and/or appoint either a non-employee chairman of our board of directors or a lead independent director. We expect that an annual cash retainer will be established for this position, and the chairman or lead independent director will be eligible to receive stock option grants in light of his or her role and responsibilities. We expect that the overall compensation for this position will reflect the value brought by the specific individual appointed to this position, based on the responsibility and time commitments associated with this role, as well as market conditions at the relevant time.

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program, and each compensation component that we provide. In addition, we explain how and why we arrived at specific compensation policies and decisions involving our executive officers, including Messrs. Nahi, Kumar, Hollenbeck, Loebbaka and Steele, who are referred to as our named executive officers and are listed in the "Summary Compensation Table" set forth under "Executive Compensation," during 2011.

This Compensation Discussion and Analysis contains forward-looking statements that are based on our current plans, considerations, expectations, and determinations regarding future compensation programs. The actual compensation programs that we adopt may differ materially from currently planned programs that are summarized in this discussion.

Executive Compensation Philosophy and Objectives

We compete with many other companies in seeking to attract and retain a skilled management team. To meet this challenge, we have employed a compensation philosophy of offering our executive officers competitive compensation and benefits packages that focus on long-term value creation and rewarding the management team members for achieving our financial and strategic objectives.

We have oriented our executive compensation program to accomplish the following objectives:

- provide total compensation opportunities, which enable us to recruit and retain executives with the experience and skills to manage our growth and lead us to the next stage of development;
- create a direct and meaningful link between our business results, individual performance, and rewards;
- establish a clear alignment between the interests of our executives and the interests of our stockholders;
- reinforce a culture of ownership, excellence, and urgency; and
- offer total compensation that we believe is competitive and fair.

Compensation Program Design

To date, the compensation of our executive officers, including our named executive officers, has consisted of base salaries, cash bonuses, equity compensation in the form of stock options and restricted stock awards, employee benefits, relocation packages and certain post-employment arrangements.

The key component of our executive compensation program has been equity awards for shares of our common stock. As a privately-held company prior to this offering, we have emphasized the use of equity to provide incentives for our executive officers to focus on the growth of our overall enterprise value and, correspondingly, to create value for our stockholders. We have used stock options as our primary equity award vehicle. We believe that stock options offer our employees, including our named executive officers, a valuable long-term incentive that aligns their interests with the long-term interests of our stockholders.

We also offer cash compensation in the form of base salaries and cash bonuses that we believe, overall, are competitive within the market range for companies of similar size, stage of development, and growth potential.

We have not adopted policies or guidelines for allocating compensation between current and long-term compensation, between cash and non-cash compensation, or among different forms of non-cash compensation. Instead, we review each component of executive compensation separately and also take into consideration the value of each executive's compensation package as a whole, both based on its value and its relative size in comparison to the other members of the executive team.

Compensation-Setting Process

To obtain the skills and experience that we believe are necessary to lead our growth, most of our executive officers were hired from larger organizations and have significant experience in their roles. Their initial compensation arrangements were determined in individual negotiations with each executive in connection with his joining us, taking into account his qualifications, experience, and prior compensation levels.

Since July 2010, our compensation committee has been responsible for overseeing our executive compensation program, as well as determining and approving the ongoing compensation arrangements for our Chief Executive Officer and our other executive officers, including our named executive officers. Typically, our Chief Executive Officer makes recommendations to our compensation committee regarding compensation matters, except with respect to his own compensation, and will often attend the compensation committee meetings, while excusing himself from any discussions involving his own compensation. The recommended compensation of our Chief Executive Officer is proposed by our compensation committee. Once finalized, typically recommendations for executive compensation are presented by our compensation committee to our board of directors for its approval, though our compensation committee has the authority to approve the compensation of the executive officers within guidelines pre-determined by our board of directors. In July 2010, our board of directors approved a compensation committee charter that delegates to our compensation committee the authority to establish and review the compensation of our executive officers, including our named executive officers.

Our compensation committee is authorized to retain the services of executive compensation advisors from time to time, as it sees fit, in connection with the establishment of cash and equity compensation plans and arrangements and related policies. In August 2010, our compensation committee engaged Compensia, Inc., a national compensation consulting firm providing executive compensation advisory services, to assist it in evaluating our executive compensation philosophy, to provide market data on executive compensation practices and to provide guidance on administering our executive, employee and equity compensation programs. Compensia serves at the discretion of our compensation committee.

Use of Competitive Data

Beginning in 2011, to assess the competitiveness of our executive compensation program and current compensation levels and to assist it in setting compensation levels, our compensation committee refers to compensation data compiled with respect to the compensation of executives in comparable positions at a group of comparable companies, which we refer to as the peer group. The companies comprising the peer group have been selected on the basis of their similarity to us in size (as determined by revenue and market capitalization) and product or service similarity. Compensation data for the companies comprising the peer group is gathered from public filings and from Compensia's proprietary compensation databases.

For 2011, based on consultations with Compensia, our compensation committee approved the following companies as our peer group for purposes of determining compensation:

A123 Systems, Inc.	Digi International Inc.	Maxwell Technologies, Inc.
Acme Packet, Inc.	Echelon Corporation	Nanometrics Incorporated
Advanced Energy Industries, Inc.	EMCORE Corporation	Powersecure International, Inc.
Aruba Networks, Inc.	Energy Conversion Devices, Inc.	SatCon Technology Corporation
CalAmp Corp.	EnerNOC, Inc.	Sonus Networks, Inc.
Codexis, Inc.	Fortinet, Inc.	Vicor Corporation
Comverge, Inc.	Isilon Systems, a division of EMC Corporation	

Our compensation committee intends to review the composition of the peer group periodically and make adjustments to its composition as necessary.

In addition to the peer group, beginning in 2011, our compensation committee reviewed survey data from the Radford Global Technology Survey to supplement its understanding of the market for executive compensation.

While our compensation committee reviews the compensation data for, and compensation practices from, the peer group to inform its decision-making process, it does not set compensation components to meet specific benchmarks. Our compensation committee uses peer-group data as a point of reference so that it can set total compensation levels that it believes are reasonably competitive, but also believes that over-reliance on benchmarking can result in compensation that is unrelated to the value delivered by our executives. While compensation levels may differ among executives on competitive factors, and the role, responsibilities and performance of each specific executive, there are no material differences in the compensation philosophies, objectives or policies for our executives, including our named executive officers.

Executive Compensation Program Components

The following describes each component of our executive compensation program, the rationale for each, and how awards are determined.

Base Salary

In February 2011, we adjusted the base salaries of our named executive officers (retroactive to January 2011) as follows:

- We increased the base salary of Mr. Nahi by $60,000 to $310,000 to reflect his successful execution of our business strategy during 2010, particularly in increasing the market penetration of our products and growing our sales. This increase was also based on his success in positioning our company, consistent with this strategy, for a potential initial public offering of our equity securities, and the competitive market for chief executive officers of technology and alternative energy companies, as reflected in the market survey data and our peer group as reported to our compensation committee by Compensia. This adjustment raised Mr. Nahi's base salary to a level of approximately the 50th percentile of the appropriate market data as reported by Compensia.
- We set the base salary of Mr. Hollenbeck at the time he joined us in December 2010, based on our negotiations with him, our understanding of market compensation levels from the data provided by Compensia and the judgment of our compensation committee on the competitive landscape. We did not make any adjustment to his base salary in 2011.
- We increased the base salary of Mr. Loebbaka, our Vice President of Worldwide Sales, by $10,000 to reflect the competitive market for sales executives of technology and alternative energy companies, as reflected in the market data as reported by Compensia. This adjustment raised his base salary to a level of approximately the 50% percentile of the appropriate market data reported by Compensia.
- We increased the base salary of Mr. Steele, our Vice President of Operations, by $25,000 to reflect his performance in executing our business strategy, the market data and our desire to ensure that there was minimal differentiation in the base salaries of our senior executive officers. This adjustment raised his base salary to a level approximately between the 50th and 75th percentiles of the appropriate market data reported by Compensia.
- Mr. Kumar did not receive a base salary adjustment in 2011 because it was determined that his current base salary was competitive against the market.

Cash Bonuses

We use cash bonuses to motivate our executive officers to achieve our annual financial and strategic objectives. In some cases, the initial cash bonus opportunities of our executive officers were established through

arm's-length negotiation at the time of hiring. Aside from pre-agreed upon bonus opportunities, bonus opportunities historically have been provided on a discretionary basis by our compensation committee.

For 2011, for all of our executive officers other than Messrs. Nahi and Loebbaka, we developed a formalized bonus program for all employees based on input from Compensia on public company market practices for bonus plan design. For our named executive officers, we set maximum bonus amounts and performance goals. For these executives, our 2011 bonus plan is based 60% on achievement of corporate goals and 40% on achievement of individual performance goals.

For the named executive officers participating in the executive bonus program, target bonuses, as a percentage of base salary, are as follows: 40% for Mr. Kumar and 25% for Messrs. Hollenbeck and Steele. These target percentages were determined by our compensation committee based on its judgment taking into consideration the projected scaling of our business in 2011, Mr. Nahi's recommendations, our compensation committee's evaluation of the individual contributions and responsibilities of each executive officer and the executive compensation market data provided by Compensia that showed that overall our 2010 bonuses were lower than bonus levels for comparable public companies.

For the 2011 executive bonus program, the Compensation Committee established corporate goals with respect to revenue and gross margin, with the target for both goals required to be achieved for any payout for this portion of the bonus plan. If both goals are achieved at between 100% and 150% of the target, then the payout percentage for the corporate goal portion of the bonus is the lowest of the two percentages achieved. If both goals are achieved at greater than 150% of the target, then the payout for the corporate goal portion of the bonus is increased to 200% of the target amount.

For the 2011 executive bonus program, each participating executive received a set of individual goals. The executive can earn up to but no more than 40% of his target bonus for achievement of these individual goals. Mr. Nahi worked with each executive to set individual goals based on the personal performance of the executive and the performance of his department. These were formalized in February 2011. Our executive's individual goals consisted of the following:

- Mr. Kumar's goals consisted of implementing new accounting systems for public company reporting requirements, including the appropriate level of internal controls, responsibility for our financing strategy prior to an initial public offering, or IPO, responsibility for the IPO filing and related requirements, and preparing the finance department for public company reporting requirements.
- Mr. Hollenbeck's goals consisted of responsibility for key new product launches, strengthening the development capabilities of the engineering department and developing future products.
- Mr. Steele's goals consisted of ensuring sufficient production of key products and then reducing per unit costs while increasing product quality.

As in prior years, Mr. Nahi's bonus is determined by the Compensation Committee on a discretionary basis. For 2011, Mr. Nahi can earn a bonus of up to 50% of his base salary. In determining Mr. Nahi's discretionary bonus, the Committee may consider our 2011 financial performance, product and engineering milestones, penetration of new geographic markets, strategic leadership and progress towards an initial public offering.

Mr. Loebbaka participates in a quarterly sales objective bonus plan instead of the executive annual bonus program. For 2011, his annualized target bonus is 62% of his base salary, or $145,000. Mr. Loebbaka's quarterly bonus was based on achievement of quarterly revenue-based sales performance targets, weighted at 75% of his aggregate sales objective bonus, and specified non-revenue-based objectives weighted at 25% of his aggregate sales objective bonus. Mr. Loebbaka's revenue-based sales target for 2011 was $130.6 million and his non-revenue-based key sales objectives were set by the Chief Executive Officer periodically and consisted of management and development of key customer accounts, both developing new client relationships and maintaining and increasing existing client relationships, overseeing expansion of sales into new regions and similar client and business development goals. Mr. Loebbaka exceeded his target sales objective bonus plan amount, earning a total of $210,431, consisting of $158,775 for his revenue-based performance target and $51,656 with respect to his performance against his non-revenue based sales objectives as determined by the Chief Executive Officer.

At this time, our compensation committee has not made final determinations of the payouts under the 2011 bonus plan. It is expected that these determinations will be made in the middle of the first quarter of 2012.

The cash bonuses paid to our named executive officers for 2011 will be set forth in the "Summary Compensation Table" under "Executive Compensation" once determined by the Board of Directors.

We do not have a formal policy regarding adjustment or recovery of bonus awards or payments if the relevant performance measures upon which they are based are restated or otherwise adjusted in a manner that would have originally reduced the size of the awards or payments.

Equity Compensation

We use equity awards to incentivize and reward our executive officers, including our named executive officers, for long-term corporate performance based on the value of our common stock and, thereby, to align the interests of our executive officers with those of our stockholders.

To date, we have not applied a rigid formula in determining the size of the initial equity awards that have been granted to our named executive officers. Instead, these awards were established through arms-length negotiation at the time of hiring. In these negotiations, our board of directors has exercised its judgment, taking into consideration, among other things, the prospective role and responsibility of the executive, competitive factors, the amount of equity-based equity compensation held by the executive officer at his former employer, and the cash compensation received by the executive officer. Based upon these factors, our board of directors has determined the size of each award at levels it considered appropriate to create a meaningful opportunity for reward predicated on the creation of long-term stockholder value.

Thereafter, our board of directors has granted equity awards to our executive officers, including our named executive officers, on an ad hoc basis when it deemed additional grants were appropriate. In making these awards, our board has exercised its judgment as to the amount and form of the awards, taking into consideration our performance, the board's evaluation of the expected and actual performance of each executive officer, his individual contributions and responsibilities, the dilution of the executive as a result of our financings and market conditions.

In making the allocations of both initial equity awards and additional awards, our board of directors has considered objectives such as motivating executives to achieve company objectives, providing incentives to promote our growth and create stockholder value, and aligning the financial interests of our executive officers with those of our stockholders. The board of directors has also considered the potential dilutive effect on our stockholders.

In 2011, we granted stock options to Messrs. Hollenbeck and Steele, our Vice President of Engineering and our Vice President of Operations, respectively. Mr. Hollenbeck received his grant in connection with his initial employment with us. Mr. Steele received an additional "refresh" grant.

- In the case of Mr. Hollenbeck, we granted him a stock option to purchase 1,921,558 shares of our common stock with an aggregate grant date fair value of approximately $632,117 in January 2011. The size of this award was determined based on our negotiations with Mr. Hollenbeck, our objective of inducing Mr. Hollenbeck to accept employment and our Board of Directors' collective experience with market practices for equity compensation for top engineering executives.
- In the case of Mr. Steele, we granted him a "refresh" stock option to purchase 400,000 shares of our common stock with an aggregate grant date fair value of approximately $265,925 in September 2011. The purpose of the grant was to provide Mr. Steele with an additional long-term incentive opportunity and to promote our retention objectives. The size of this award was determined by evaluating his outstanding and unvested equity holdings, his performance and our Board of Directors' collective experience with market practices for equity compensation for top operations executives. Our board of directors believed that this award was an appropriate means of rewarding his near-term performance, while, at the same time, reinforcing his ties to our company and incentivizing him to continue to successfully execute our strategy.

The equity awards granted to our named executive officers during 2011 are set forth in the "Summary Compensation Table" and "Grants of Plan-Based Awards" table under "Executive Compensation."

To date, we have not granted any additional equity compensation to our named executive officers in 2012.

Following the completion of this offering, we expect our compensation committee to oversee the development of an annual equity compensation "refresh" program.

Retirement and Other Benefits

We have established a tax-qualified Section 401(k) retirement savings plan for our executives, including our named executive officers, and other employees who satisfy certain eligibility requirements. Under this plan, participants may elect to make pre-tax contributions of up to 100% of their current compensation, not to exceed the applicable statutory income tax limitation (which was $16,500 in 2011 for employees under 50 years of age and $22,000 for employees who are 50 years of age or older). In 2011, we contributed three percent of each employee's base salary into his or her 401(k) account.

Additional benefits received by our executives, including our named executive officers, include medical, dental, and vision benefits, medical and dependent care flexible spending accounts, short-term and long-term disability insurance, accidental death and dismemberment insurance and basic life insurance coverage. We provide these benefits to our executives on the same basis as to all of our full-time employees. We provided relocation packages for our Chief Financial Officer and our Vice President of Worldwide Sales in connection with their initial employment prior to 2011. The amount of each relocation package was determined based on our arm's-length negotiations with each executive officer, our compensation committee's knowledge of the costs and size of executive relocation packages, as well as input from our external recruiter.

Historically, other than the relocation packages discussed above, we have not provided perquisites or other personal benefits to our executives, including our named executive officers. However, in the future we may provide such items in limited circumstances, such as when we believe it is appropriate to assist an individual in the performance of his or her duties, to make our executives more efficient and effective, and to recruit, motivate, or retain executives. All future practices with respect to perquisites or other personal benefits for executives will be approved and subject to periodic review by our compensation committee.

Post-Employment Compensation

In connection with the hiring of each of our named executive officers, we entered into an employment agreement or offer letter that typically provided for his base salary, bonus opportunity, initial stock option grant, employee benefits and, in some cases, potential benefits upon a termination of employment, including a termination of employment following a change in control of us. In June 2011, our compensation committee and board of directors undertook a review of these termination benefits across our executive team. As a result of this review, the committee and our board determined that these arrangements should be updated to provide more consistency for these benefits among our executives as well as provide benefits that we and Compensia believe are generally comparable to our peer group of companies. Accordingly, our board of directors approved our entering into new executive severance agreements with Mr. Nahi, and new change in control and severance agreements with Messrs. Kumar, Loebbaka, Hollenbeck and Steele. For a summary of the material terms and conditions of the employment agreements for our named executive officers, see "Executive Compensation—Employment Agreements."

We believe that the severance and change in control benefits set forth in each named executive officer's employment agreement assisted us in attracting our executive officers. We also believe that these benefits help our executive officers maintain continued focus and dedication to their assigned duties to maximize stockholder value if there is a potential transaction that could involve a change in control of our company. For a summary of

the material terms and conditions of these provisions, see “Executive Compensation—Potential Payments Upon Termination or Change in Control.”

Tax and Accounting Considerations

Deductibility of Executive Compensation

As a private company, in making our compensation decisions, we have not considered Section 162(m) of the Internal Revenue Code, or the Code, which disallows a tax deduction to any publicly-held corporation for any remuneration in excess of $1 million paid in any taxable year to its chief executive officer and each of its other named executive officers (other than its chief financial officer) unless an exception applies. We expect our compensation arrangements put in place prior to our initial public offering and for several years thereafter will be exempt under Section 162(m) of the Code.

Once our exemption period expires, we expect that our compensation committee may, where reasonably practicable, consider compensation that would qualify for the “performance-based compensation” exemption from the deductibility limit. Our compensation committee may, in its judgment, authorize compensation payments that do not comply with an exemption from the deductibility limit when it believes that such payments are appropriate to attract and retain executive talent.

Taxation of “Parachute” Payments

Sections 280G and 4999 of the Code provide that executive officers and directors who hold significant equity interests and certain other service providers may be subject to an excise tax if they receive payments or benefits in connection with a change in control of our company that exceeds certain prescribed limits, and that our company (or a successor) may forfeit a deduction on the amounts subject to this additional tax. We do not currently provide any executive, including any named executive officer, with a “gross-up” or other reimbursement payment for any tax liability that he may owe as a result of the application of Sections 280G or 4999.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides information for the years presented regarding the compensation of our principal executive officer, principal financial officer, and each of our three other most highly compensated persons serving as executive officers as of December 31, 2011. We refer to these persons as our named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus[1] ($)	Option Awards[2] ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Paul B. Nahi	2011	310,000	[3]	—		9,868[4]	319,868
President and Chief Executive Officer	2010	250,000	30,000	952,319	10,000[5]	7,431[4]	1,249,750
Sanjeev Kumar	2011	225,000		—	[6]	8,405[7]	233,405
Chief Financial Officer	2010	225,000	—	224,924	50,000[8]	71,305[7]	571,229
Dennis Hollenbeck	2011	250,000		632,117	[9]	8,256[10]	890,373
Vice President of Engineering							
Jeff Loebbaka	2011	235,000		—	210,431[11]	8,344[12]	453,775
Vice President of Worldwide Sales	2010	147,115[13]	—	396,889	133,325[14]	26,593[12]	703,922
Greg Steele	2011	225,000		265,925	[15]	7,285[16]	498,210
Vice President of Operations							

(1) Amounts reported in column reflect discretionary cash bonuses determined by the board of directors.

(2) Amounts reported in column reflect the aggregate grant date fair value of stock options granted pursuant to our 2006 Equity Incentive Plan during the relevant fiscal years, calculated in accordance with applicable accounting guidance for share-based payment transactions and excludes the impact of estimated forfeitures related to service-based vesting conditions. The valuation assumptions used in determining such amounts are described in Note 10 to Consolidated Financial Statements appearing elsewhere in this prospectus.

(3) Mr. Nahi is eligible to receive a discretionary cash bonus for 2011 of up to $155,000, expected to be determined in the first quarter of 2012; however, no bonus determination has been made by the board as of the date of this prospectus.

(4) For 2011, amount consists of contributions by us of $7,350 to Mr. Nahi's 401(k) account, $1,960 for financial planning services and $558 in basic life insurance premiums paid by us. For 2010, amount consists of $7,350 of company contributions to Mr. Nahi's 401(k) account and $81 in basic life insurance premiums paid by us.

(5) Amount reflects a cash bonus determined by the board of directors pursuant to Mr. Nahi's achievement against certain pre-determined performance criteria. For more information regarding Mr. Nahi's performance plan-based cash bonus, see "Compensation Discussion and Analysis—Executive Compensation Program Components."

(6) Mr. Kumar is eligible to receive a cash bonus under our 2011 bonus program of up to $144,000 based upon achievement against predetermined performance criteria, expected to be determined in the first quarter of 2012; however, no bonus determination has been made by the board as of the date of this prospectus.

(7) For 2011, amount consists of contributions by us of $6,880 to Mr. Kumar's 401(k) account, $1,120 for financing planning services and $405 in basic life insurance premiums paid by us. For 2010, amount consists of $294 in interest forgiven by us and a tax gross-up of $3,019 paid by us in connection with the advance payment of Mr. Kumar's cash bonus in the form of a loan and subsequent loan forgiveness; relocation benefits consisting of temporary housing, destination and relocation bonus amounts totaling $61,161; contributions by us of $6,750 to Mr. Kumar's 401(k) account; and $81 paid by us on Mr. Kumar's behalf for basic life insurance premiums. For more information regarding Mr. Kumar's cash bonus and related loan forgiveness, see "Certain Relationships and Related Party Transactions—Loan to Officer."

(8) Mr. Kumar's cash bonus was paid in advance in the form of a loan in a principal amount of $50,000, which loan was subsequently forgiven following Mr. Kumar's achievement of certain bonus related performance targets. For more information regarding Mr. Kumar's cash bonus and related loan forgiveness, see "Certain Relationships and Related Party Transactions—Loan to Officer."

(9) Mr. Hollenbeck is eligible to receive a cash bonus under our 2011 bonus program of up to $100,000 based upon achievement against predetermined performance criteria, expected to be determined in the first quarter of 2012; however, no bonus determination has been made by the board as of the date of this prospectus.

(10) Amount consists of contributions by us of $7,350 to Mr. Hollenbeck's 401(k) account and $450 paid by us in basic life insurance premiums.

(11) Amount represents $210,431 paid to Mr. Loebbaka under our 2011 sales objective bonus plan. For more information regarding Mr. Loebbaka's sales objective bonus plan, see "Compensation Discussion and Analysis—Executive Compensation Program Components."

(12) For 2011, amount consists of contributions by us of $7,186 to Mr. Loebbaka's 401(k) account, $735 for financing planning services and $423 in basic life insurance premiums paid by us. For 2010, amount consists of relocation benefits for temporary housing and relocation bonus amounts totaling $22,133, contributions by us of $4,413 to Mr. Loebbaka's 401(k) account and $47 paid by us in basic life insurance premiums.
(13) Amount represents a partial year of base salary of $225,000 since his hire date of May 3, 2010.
(14) Amount represents $133,325 paid to Mr. Loebbaka under our 2010 sales commission plan.
(15) Mr. Steele is eligible to receive a cash bonus under our 2011 bonus program of up to $90,000 based upon achievement against predetermined performance criteria, expected to be determined in the first quarter of 2012; however, no bonus determination has been made by the board as of the date of this prospectus.
(16) Amount consists of contributions by us of $6,880 to Mr. Steele's 401(k) account and $405 paid by us in basic life insurance premiums.

Grants of Plan-Based Awards

The following table provides information regarding grants of plan-based awards to each of our named executive officers during 2011.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (per Share)[1] ($/Share)	Grant Date Fair Value of Stock and Option Awards[2] ($)
		Threshold ($)	Target ($)	Maximum ($)			
Paul B. Nahi	—		—	—	—	—	—
Sanjeev Kumar	—	—	90,000[3]	144,000[3]	—	—	—
Dennis Hollenbeck	1/21/2011	—	62,500[4]	100,000[4]	1,921,558[5]	0.28	632,117
Jeff Loebbaka	—	—	145,000[6]	—	—	—	—
Greg Steele	9/15/2011	—	56,250[7]	90,000[7]	400,000[5]	1.05	265,925

(1) Our common stock was not publicly traded during 2011, and the exercise price of the options was determined by our board of directors based on its determination of the fair market value of our common stock on the grant date. For more information on our methodology for determining the exercise price of the options, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Management Estimates—Stock-Based Compensation" appearing elsewhere in this prospectus.

(2) In accordance with SEC rules, this column represents the aggregate grant date fair value of each equity award, calculated in accordance with applicable accounting guidance for stock-based payment transactions. For additional information on the valuation assumptions underlying the value of these awards, see Note 10 to Consolidated Financial Statements appearing elsewhere in this prospectus. For more information on our methodology for determining the exercise price of the options, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Management Estimates—Stock-Based Compensation" appearing elsewhere in this prospectus.

(3) Reflects the target and maximum amounts payable to Mr. Kumar pursuant to his performance plan-based cash bonus for the year ended December 31, 2011. No minimum threshold amount was established. For more information regarding Mr. Kumar's performance plan-based cash bonus, see "Compensation Discussion and Analysis—Executive Compensation Program Components."

(4) Reflects the target and maximum amounts payable to Mr. Hollenbeck pursuant to his performance plan-based cash bonus for the year ended December 31, 2011. No minimum threshold amount was established. For more information regarding Mr. Hollenbeck's performance plan-based cash bonus, see "Compensation Discussion and Analysis—Executive Compensation Program Components."

(5) The vesting schedules for these options are described in the footnotes to the Outstanding Equity Awards at December 31, 2011 table below.

(6) Reflects the target amount payable to Mr. Loebbaka pursuant to our sales objective bonus plan for the year ended December 31, 2011. No minimum threshold or maximum amounts beyond the target amount were established. For more information regarding Mr. Loebbaka's sales objective bonus, see "Compensation Discussion and Analysis—Executive Compensation Program Components."

(7) Reflects the target and maximum amounts payable to Mr. Steele pursuant to his performance plan-based cash bonus for the year ended December 31, 2011. No minimum threshold amount was established. For more information regarding Mr. Steele's performance plan-based cash bonus, see "Compensation Discussion and Analysis—Executive Compensation Program Components."

The material terms of the named executive officers' offer letters and employment agreements are described in greater detail below under the section titled "Employment Agreements." The explanations of the amounts of compensation awarded in 2011, including how each individual element of compensation was determined, are set forth in the section titled "Compensation Discussion and Analysis."

Outstanding Equity Awards at December 31, 2011

The following table presents certain information concerning outstanding equity awards held by each of our named executive officers as of December 31, 2011.

	Option awards			
Name	Number of Securities Underlying Unexercised Options Exercisable[1] (#)	Number of Securities Underlying Unexercised Options Unexercisable[1] (#)	Option Exercise Price[2] ($/Share)	Option Expiration Date
Paul B. Nahi	800,000[3]	—	0.26	6/25/2018
	5,000,204	2,750,102[4]	0.03	7/15/2019
	1,776,860	2,712,051[5]	0.18	7/14/2020
Sanjeev Kumar	1,071,875	986,125[6]	0.07	1/14/2020
	238,536	364,083[5]	0.18	7/14/2020
Dennis Hollenbeck	480,389	1,441,169[7]	0.28	1/20/2021
Jeff Loebbaka	877,634	1,339,548[8]	0.18	6/2/2020
Greg Steele	132,926	2,829[9]	0.10	2/28/2018
	95,204	19,041[10]	0.26	11/20/2018
	214,615	380,308[4]	0.03	7/15/2019
	245,416	374,584[5]	0.18	7/14/2020
	25,000	375,000[11]	1.05	9/14/2021

(1) Vesting of each stock option is contingent upon the executive officer's continued service, except as may be accelerated on certain events described below under "Potential Payments Upon Termination or Change in Control."

(2) For more information on our methodology for determining the exercise price of the options, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Management Estimates—Stock-Based Compensation" appearing elsewhere in this prospectus.

(3) The shares subject to the stock option are early exercisable and vest over a four-year period, with 1/4th of the shares vested on January 1, 2008, and the remainder vesting in 36 equal monthly installments on the first day of each succeeding calendar month thereafter.

(4) The shares subject to the stock option vest over a four-year period commencing April 24, 2009, with 1/48th of the shares vesting on a monthly basis.

(5) The shares subject to the stock option vest over a four-year period commencing May 21, 2010, with 1/48th of the shares vesting on a monthly basis.

(6) The shares subject to the stock option vest over a four-year period, with 1/4th of the shares vested on November 30, 2010, and the remainder vesting in 36 equal monthly installments on the first day of each succeeding calendar month thereafter.

(7) The shares subject to the stock option vest over a four-year period, with 1/4th of the shares vested on December 20, 2011, and the remainder vesting in 36 equal monthly installments on the first day of each succeeding calendar month thereafter.

(8) The shares subject to the stock option vest over a four-year period, with 1/4th of the shares vested on May 3, 2011, and the remainder vesting in 36 equal monthly installments on the first day of each succeeding calendar month thereafter.

(9) The shares subject to the stock option vest over a four-year period, with 1/4th of the shares vested on January 28, 2009, and the remainder vesting in 36 equal monthly installments on the first day of each succeeding calendar month thereafter.

(10) The shares subject to the stock option vest over a four-year period, with 1/4th of the shares vested on August 15, 2009, and the remainder vesting in 36 equal monthly installments on the first day of each succeeding calendar month thereafter.

(11) The shares subject to the stock option vest over a four-year period commencing September 15, 2011, with 1/48th of the shares vesting on a monthly basis.

Option Exercises and Stock Vested

The following table shows information regarding option exercises and the vesting of restricted stock held by our named executive officers during 2011.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise[1] ($)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting[3] ($)
Paul B. Nahi	500,000		25,876[2]	
Sanjeev Kumar	—		—	
Dennis Hollenbeck	—		—	
Jeff Loebbaka	—		—	
Greg Steele	546,000		—	

(1) The value realized upon the exercise of an option represents the difference between the aggregate market price of the shares of our common stock underlying that option on the date of exercise, which we have assumed to be $, the midpoint of the range listed on the cover page of this prospectus, and aggregate exercise price of the option.

(2) More information about the restricted stock held by Mr. Nahi can be found under "Employment Agreements" below.

(3) The value realized upon vesting was calculated by multiplying the number of shares of common stock that vested during 2011 by an assumed initial public offering price of $, the midpoint of the price range set forth on the cover page of this prospectus.

Employment Agreements

Definitions

Except as otherwise set forth below, for purposes of the employment related agreements entered into with our named executive officers, the following definitions apply:

"*Cause*" means (i) gross negligence or willful misconduct in the performance of duties to us where such gross negligence or willful misconduct has resulted or is likely to result in substantial and material damage to us or our subsidiaries; (ii) a material failure to comply with our written policies after having received from us notice of, and a reasonable time to cure, such failure; (iii) repeated unexplained or unjustified absence from us; (iv) conviction of a felony or a crime involving moral turpitude causing material harm to our standing and reputation; or (v) unauthorized use or disclosure of any proprietary information or trade secrets of us or any other party to whom he owes an obligation of non-disclosure as a result of his relationship with us, which use or disclosure causes or is likely to cause us material harm. Cause is determined by our board of directors acting in good faith and based on information then known to it.

"*Change in Control*" means (i) any sale or exchange of the capital stock by our shareholders in one transaction or series of related transactions where more than 50% of our outstanding voting power is acquired by a person or entity or group of related persons or entities, (ii) any reorganization, consolidation or merger of us where our outstanding voting securities immediately before the transaction represent or are converted into less than fifty percent 50% of the outstanding voting power of the surviving entity (or its parent corporation) immediately after the transaction, (iii) the consummation of any transaction or series of related transactions that results in the sale of all or substantially all of our assets or (iv) any "person" or "group" (as defined in the Securities Exchange Act of 1934, as amended) becoming the "beneficial owner" (as defined in Rule 13d-3 under said Act) directly or indirectly of securities representing more than 50% of the voting power of our stock then outstanding.

"*Good Reason*" means, without his written consent, (i) a material reduction or change in job duties, responsibilities or authority inconsistent with his position with us and his prior duties, responsibilities or authority, provided, however, that any change in his position after a Change in Control shall not constitute grounds for a termination for Good Reason so long as he remains a member of our senior management (or

becomes a member of the senior management of the surviving or acquiring entity) at the same or higher base salary as immediately prior to the Change in Control with equivalent authority and responsibility, (ii) a material reduction of his then current base salary by more than 10%, excluding an across the board reduction in the salary level of other of our executives by the same percentage as part of a general salary level reduction; (iii) a relocation of the principal place for performance of his duties to us to a location more than 40 miles from our then current location; or (iv) a material breach by us of the executive's employment or executive agreement provided that he gives us written notice of the event forming the basis of the Good Reason resignation within 60 days of the date we give written notice to him of our affirmative decision to take an action set forth above, we fail to cure such basis for the Good Reason resignation within 30 days after receipt of his written notice and he terminates employment within 30 days following the expiration of the cure period.

Paul B. Nahi

On January 1, 2007, we entered into an offer letter with Mr. Nahi to serve as our President and Chief Executive Officer, on an at-will basis. The offer letter provided for an initial annual base salary of $60,000 per year, which has subsequently increased to the current amount of $310,000 per year. The letter also provided for the opportunity to purchase 952,000 shares of our restricted common stock and a commitment by us to issue, upon the final closing of our Series B preferred stock financing, an additional number of shares of common stock to bring his total equity ownership to 6.5% of the number of fully-diluted shares of common stock then outstanding (which issuance was subsequently completed in September 2008). The letter indicates Mr. Nahi's general eligibility for employee benefits, additional stock grants and long-term incentives. In June 2011, we entered into an executive severance agreement with Mr. Nahi that provides for the payment of severance benefits to Mr. Nahi in the event of the termination of his employment in the scenarios described below. This agreement superseded the severance provisions contained in Mr. Nahi's original offer letter.

Termination Without Cause or Resignation for Good Reason. Under the executive severance agreement, in the event that we terminate Mr. Nahi's employment without Cause or he voluntarily resigns for Good Reason, subject to signing an effective release of claims, Mr. Nahi will receive the following severance benefits: (i) six months' base salary and health insurance benefits paid over the six month severance period on our normal payroll dates, and (ii) 25% of each outstanding equity award shall automatically become immediately vested. In addition, each vested and unexercised equity award shall remain exercisable for a period of 12 months following such termination or resignation.

Termination Without Cause or Resignation with Good Reason in Connection With or Following a Change in Control. Under the executive severance agreement, in the event that we terminate Mr. Nahi's employment without Cause or he voluntarily resigns with Good Reason in connection with or within 24 months after a Change in Control, subject to signing an effective release of claims, Mr. Nahi will receive the following severance benefits: (i) six months' base salary and health insurance benefits paid over the six month severance period on our normal payroll dates, and (ii) 100% of each outstanding equity award shall automatically become immediately vested. In addition, each vested and unexercised equity award shall remain exercisable for a period of 12 months following such termination or resignation.

Sanjeev Kumar

On November 12, 2009, we entered into an offer letter with Mr. Kumar to serve as our Chief Financial Officer, on an at-will basis. The offer letter provided for an initial annual base salary of $225,000 per year and an initial stock option grant to purchase up to 2,058,000 shares of our common stock. The letter also provided for a loan in the amount of $50,000, which was evidenced by a full-recourse promissory note dated June 14, 2010. The letter indicates Mr. Kumar's eligibility for reimbursement of up to $55,000 in qualified relocation expenses. In November 2010, in light of Mr. Kumar's achievement of certain bonus performance targets, the outstanding principal and accrued interest under the loan was forgiven and the note was cancelled. The letter also indicates Mr. Kumar's general eligibility for annual variable pay based on completion of performance objectives, stock option grants and long-term incentives. In June 2011, we entered into a change in control agreement with

Mr. Kumar that provides for the payment of severance benefits to Mr. Kumar in the event of the termination of his employment following a change in control in the scenarios described below. This agreement superseded the severance provisions contained in Mr. Kumar's original offer letter.

Termination Without Cause or Resignation for Good Reason in Connection With or Following a Change in Control. Under the change in control agreement, in the event that we terminate Mr. Kumar's employment without Cause or he voluntarily resigns for Good Reason in connection with or within 24 months after a Change in Control, subject to signing an effective release of claims, Mr. Kumar will receive the following severance benefits: (i) six months' base salary and health insurance benefits paid out over the six month severance period on our normal payroll dates, and (ii) 100% of each outstanding equity award shall automatically become immediately vested.

Dennis Hollenbeck

On December 14, 2010, we entered into an offer letter with Mr. Hollenbeck to serve as our Vice President of Engineering, on an at-will basis. The offer letter provides for an initial annual base salary of $250,000 per year and an initial stock option grant to purchase up to 1,921,558 shares of our common stock. The agreement indicates Mr. Hollenbeck's general eligibility for an annual cash bonus in the discretion of the Board of Directors, employee benefits and stock option grants. In June 2011, we entered into a change in control agreement with Mr. Hollenbeck that provides for the payment of severance benefits to Mr. Hollenbeck in the event of the termination of his employment following a change in control in the scenarios described below.

Termination Without Cause or Resignation for Good Reason in Connection With or Following a Change in Control. Under the change in control agreement, in the event that we terminate Mr. Hollenbeck's employment without Cause or he voluntarily resigns for Good Reason in connection with or within 24 months after a change in control, subject to signing an effective release of claims, Mr. Hollenbeck will receive the following severance benefits: (i) three months' base salary and health insurance benefits paid out over the three month severance period and (ii) 100% of each outstanding equity award shall automatically become immediately vested.

Jeff Loebbaka

On April 19, 2010, we entered into an offer letter with Mr. Loebbaka to serve as our Vice President of Worldwide Sales, on an at-will basis. The offer letter provides for an initial annual base salary of $225,000 per year. The letter also provides for a proposed initial stock option grant to purchase up to 2,217,182 shares of our common stock, subject to approval of our board of directors. The letter indicates Mr. Loebbaka's eligibility for incentive compensation of up to $145,000 during his first twelve months of employment based on completion of sales targets and reimbursement of up to $50,000 in qualified relocation expenses. The letter also indicates Mr. Loebbaka's general eligibility for annual variable pay based on completion of performance objectives, stock option grants and long-term incentives. The letter further provides that in the event that we terminate Mr. Loebbaka's employment without Cause prior to the twelve month anniversary of his first day of employment, Mr. Loebbaka would receive the following severance benefits; three months' base salary and three months' health benefit insurance premiums paid out over the three month severance period on our normal payroll dates. Our obligation to provide these severance benefits expired in April 2011. In June 2011, we entered into a change in control agreement with Mr. Loebbaka that provides for the payment of severance benefits to Mr. Loebbaka in the event of the termination of his employment following a change in control in the scenarios described below. This agreement superseded the severance provisions contained in Mr. Loebbaka's original offer letter.

Termination Without Cause or Resignation for Good Reason in Connection With or Following a Change in Control. Under the change in control agreement, in the event that we terminate Mr. Loebbaka's employment without Cause or he voluntarily resigns for Good Reason in connection with or within 24 months after a change in control, subject to signing an effective release of claims, Mr. Loebbaka will receive the following severance benefits: (i) three months' base salary and health insurance benefits paid out over the three month severance period and (ii) 100% of each outstanding equity award shall automatically become immediately vested.

Gregory S. Steele

On November 15, 2007, we entered into an offer letter with Mr. Steele to serve as our Vice President of Operations, on an at-will basis. The offer letter provides for an initial annual base salary of $136,000 per year, which has subsequently increased to the current amount of $225,000 per year. The agreement indicates Mr. Steele's general eligibility for an annual cash bonus in the discretion of the Board of Directors, employee benefits and stock option grants. In June 2011, we entered into a change in control agreement with Mr. Steele that provides for the payment of severance benefits to Mr. Steele in the event of the termination of his employment following a change in control in the scenarios described below.

Termination Without Cause or Resignation for Good Reason in Connection With or Following a Change in Control. Under the change in control agreement, in the event that we terminate Mr. Steele's employment without Cause or he voluntarily resigns for Good Reason in connection with or within 24 months after a change in control, subject to signing an effective release of claims, Mr. Steele will receive the following severance benefits: (i) three months' base salary and health insurance benefits paid out over the three month severance period and (ii) 100% of each outstanding equity award shall automatically become immediately vested.

Potential Payments Upon Termination or Change in Control

The section below describes the payments that we would have made to our named executive officers in connection with certain terminations of employment and/or certain corporate transactions like a change in control, if such events had occurred on December 31, 2011. For further information, see the section above entitled "Executive Compensation—Employment Agreements."

Potential Payments Upon a Change in Control, Stock Awards Not Assumed

Pursuant to our 2006 Equity Incentive Plan, in the event that there had been a Corporate Transaction (as defined below) on December 31, 2011, and if the surviving or acquiring corporation had elected not to assume or substitute for outstanding options (or assume the repurchase rights held in respect of shares purchased under such options or awards, as applicable), the vesting of outstanding options or awards held by each of our named executive officers on such date would have accelerated (and the repurchase rights with respect to the shares issued upon exercise of such options or under the awards would have lapsed) by one calendar month for each calendar month the named executive officer had been employed by us, up to a maximum of twelve months, in addition to any other applicable vesting.

For purposes of our 2006 Equity Incentive Plan, "Corporate Transaction" means (i) a dissolution or liquidation of our company, (ii) a merger or consolidation after which our stockholders immediately prior to such merger (other than any stockholder which merges, or which owns or controls another entity that merges, with us in such merger) cease to own at least a majority of their shares of our capital stock, (iii) the sale of substantially all of our assets in one transaction or series of related transactions followed by the liquidation of our company, or (iv) the sale by our stockholders of at least a majority of the outstanding shares of our capital stock in one transaction or series of related transactions.

2011 Potential Payments Upon Termination or Change in Control

The following table shows the amounts each of our named executive officers would receive in the event of his or her termination and/or upon a change in control, assuming the event took place on December 31, 2011, the last business day of our most recently completed fiscal year. All severance benefits are contingent upon the individual's execution of a general release of all claims.

Named Executive Officer	Termination or Change in Control Event[1]	Salary ($)	Bonus ($)	Benefits ($)	Equity Acceleration ($)[2]	Total ($)
Paul B. Nahi	Termination without cause or resignation with good reason	$155,000[3]	$ —	$ 9,217[4]	$	$
	Change in control—awards assumed and termination without cause or resignation with good reason[5]	155,000[3]	—	9,217[4]		
	Change in control—awards not assumed and termination without cause or resignation with good reason[6]	155,000[3]	—	9,217[4]		
	Change in control—awards not assumed and continued employment[7]	—	—	—		
Sanjeev Kumar	Termination without cause or resignation for good reason	—	—	—		
	Change in control—awards assumed and termination without cause or resignation for good reason[5]	112,500[3]	—	9,217[4]		
	Change in control—awards not assumed and termination without cause or resignation for good reason[6]	112,500[3]	—	9,217[4]		
	Change in control—awards not assumed and continued employment[7]	—	—	—		
Dennis Hollenbeck	Termination without cause	—	—	—		
	Change in control—awards assumed and termination without cause or resignation for good reason[5]	62,500[8]	—	36[9]		
	Change in control—awards not assumed and termination without cause or resignation for good reason[6]	62,500[8]	—	36[9]		
	Change in control—awards not assumed and continued employment[7]	—	—	—		
Jeff Loebbaka	Termination without cause	—	—	—		
	Change in control—awards assumed and termination without cause or resignation for good reason[5]	58,750[8]	—	4,609[9]		
	Change in control—awards not assumed and termination without cause or resignation for good reason[6]	58,750[8]	—	4,609[9]		
	Change in control—awards not assumed and continued employment[7]	—	—	—		
Gregory S. Steele	Termination without cause	—	—	—		
	Change in control—awards assumed and termination without cause or resignation for good reason[5]	56,250[8]	—	4,609[9]		
	Change in control—awards not assumed and termination without cause or resignation for good reason[6]	56,250[8]	—	4,609[9]		
	Change in control—awards not assumed and continued employment[7]	—	—	—		

(1) No compensation is payable where there is a change in control, awards are assumed and employment continues.
(2) The value realized is the gain that our named executive officers would receive, calculated as the difference between an assumed initial public offering price of $, the midpoint of the price range set forth on the cover page of this prospectus and the exercise price of the named executive officers' unvested options or awards subject to acceleration following a change in control event.
(3) Represents six months' base salary calculated at a rate in effect on December 31, 2011.
(4) Represents six months' of continued health insurance coverage for such named executive officer at the applicable benefit rate for 2011.
(5) Represents benefits received by such named executive officer upon a change in control in which the surviving or acquiring entity elects to assume or substitute outstanding options or awards concurrent with the termination without cause of or resignation with good reason by such named executive officer.
(6) Represents benefits received by such named executive officer upon a change in control in which the surviving or acquiring corporation elects not to assume or substitute outstanding options or awards concurrent with the termination without cause of or resignation with good reason by such named executive officer.
(7) Represents benefits received by such named executive officer upon a change in control in which the surviving or acquiring corporation elects not to assume or substitute outstanding options or awards and such named executive officer's employment continues.
(8) Represents three months' base salary calculated at a rate in effect on December 31, 2011.
(9) Represents three months' of continued health insurance coverage for such named executive officer at the applicable benefit rate for 2011.

Employee Benefit Plans

2006 Equity Incentive Plan

Our board of directors adopted, and our stockholders approved, the 2006 Equity Incentive Plan, as amended, or 2006 Plan, in March 2006. The 2006 Plan provides for the grant of incentive stock options, nonstatutory stock options and rights to acquire restricted stock. Upon the execution and delivery of the underwriting agreement for this offering, no additional stock options or other stock awards will be granted under the 2006 Plan. All outstanding stock options and other stock awards previously granted under the 2006 Plan will remain subject to the terms of the 2006 Plan.

Share Reserve. There are 68,400,797 shares of common stock reserved for issuance under the 2006 Plan. As of December 31, 2011, 6,927,149 shares of common stock had been issued upon the exercise of stock options or pursuant to stock awards granted under the 2006 Plan, net of repurchases, options to purchase 56,805,555 shares of common stock were outstanding at a weighted-average exercise price of $0.20 per share and 4,668,093 shares remained available for future grant under the 2006 Plan. Following the completion of this offering, no further grants will be made under the 2006 Plan.

Administration. Our board of directors administers our 2006 Plan. Our board of directors, however, may delegate this authority to a committee created and appointed by the board of directors to administer the 2006 Plan. Our board of directors or the authorized committee, referred to as the plan administrator, has the authority to construe, interpret, amend and suspend the 2006 Plan, as well as to determine the terms of an option or amend the terms of an option. However, no amendment may materially and adversely affect the rights under any outstanding option unless the holder consents to that amendment.

Eligibility. The 2006 Plan provides for the grant of stock awards to our employees, directors and consultants. Incentive stock options may be granted only to employees. Nonstatutory stock options and stock awards may be granted to employees, directors and consultants.

Stock Option Provisions Generally. In general, the exercise price of a stock option cannot be less than 100% of the fair market value of our common stock on the date of grant. However, an incentive stock option granted to a person who on the date of grant owns more than 10% of the voting power of all classes of our outstanding stock or any of our affiliates must have a term of no more than five years and an exercise price that is at least 110% of the fair market value on the date of grant.

Generally, an optionee may not transfer his or her stock option other than by will or by the laws of descent and distribution. Shares subject to options under the 2006 Plan generally vest and become exercisable in periodic installments. In general, the term of stock options granted under the 2006 Plan cannot exceed ten years. The aggregate fair market value, determined at the time of grant, of shares of our common stock with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year under all of our stock plans may not exceed $100,000. Options or portions thereof that exceed such limit generally will be treated as nonstatutory stock options. Subject to capitalization adjustments, no more than 10,000,000 shares of common stock may be issued under the 2006 Plan pursuant to the exercise of incentive stock options.

Unless otherwise provided by an optionee’s stock option agreement, if an optionee’s service relationship with us, or any of our affiliates, ceases for any reason other than disability, death, or for cause, the optionee generally may exercise the vested portion of any options for a period of three months following the cessation of service. If an optionee’s service relationship with us, or any of our affiliates, ceases due to disability or death, or an optionee dies within three months following cessation of service, the optionee or a beneficiary may generally exercise any vested options for a period of twelve months after such disability or death. In the event of a termination for cause, options generally terminate immediately upon the termination of the optionee’s service. In no event may an option be exercised beyond the expiration of its term.

Rights to Acquire Restricted Stock. Rights to acquire restricted stock may be granted pursuant to restricted stock purchase agreements adopted under the 2006 Plan. The purchase price for restricted stock awards may be paid using cash, cancellation of indebtedness, promissory note, past services provided to us or our affiliates, or other legal consideration permitted by our board of directors or the authorized committee in its discretion. The purchase price of restricted stock awards cannot be less than 100% of the fair market value of our common stock on the date of grant or the date the purchase is consummated, except in the case of a person who on the date of grant owns or is deemed to own more than 10% of the total combined voting power of all classes of our outstanding stock or any of our affiliates, in which case the purchase price must be at least 110% of the fair market value on the date of grant or the date the purchase is consummated. Shares of common stock acquired under restricted stock awards rights may, but need not, be subject to a share repurchase option in our favor in accordance with a vesting schedule to be determined by our board, in which case, if a participant's service relationship with us terminates, we may repurchase or otherwise reacquire any or all of the shares of common stock subject to the restricted stock award that has not vested as of the date of termination. A holder of a restricted stock award may not transfer his or her stock award other than by will or by the laws of descent and distribution.

Changes to Capital Structure. In the event that there is a specified type of change in our capital structure, such as a stock split or recapitalization, appropriate adjustments will be made to the number of shares subject to the 2006 Plan and to the number of shares and price per share of all outstanding options and stock awards.

Corporate Transactions. In the event of certain specified significant corporate transactions involving us, such as our liquidation or dissolution, a merger or consolidation that results in a material change in the ownership of our company, the sale of substantially all of our assets, or the sale of at least a majority of our outstanding capital stock, the surviving or acquiring corporation may assume or substitute equivalent options or stock awards for the outstanding stock options and awards granted under the 2006 Plan. If, in the event of such a corporate transaction (and in the case of a merger, consolidation, or sale of substantially all of our assets, our stockholders after such event cease to hold at least 80% of the shares of our capital stock held by them prior to such event), the surviving or acquiring corporation elects not to assume or substitute equivalent options or stock awards for outstanding options or stock awards, then the vesting of outstanding options and awards under the 2006 Plan will accelerate, prior to the consummation of such corporate transaction, by one calendar month for each calendar month the optionee or holder of stock awards has been employed by us, up to a maximum of twelve months, in addition to any other applicable vesting. Options or stock awards not exercised prior to the consummation of such corporate transaction shall expire on the occurrence of such corporate transaction, as the board of directors or authorized committee shall determine.

2011 Equity Incentive Plan

Our board of directors adopted the 2011 Equity Incentive Plan, or 2011 Incentive Plan, in June 2011 as a successor to the 2006 Plan. Subject to stockholder approval, we expect the 2011 Incentive Plan will become effective immediately upon the execution and delivery of the underwriting agreement for this offering. The 2011 Incentive Plan will terminate ten years after the effective date of this offering, unless sooner terminated by our board of directors. Our board of directors may amend or suspend the 2011 Incentive Plan at any time, although no such action may impair the rights under any then-outstanding award without the holder's consent.

Stock Awards. The 2011 Incentive Plan provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards, and other forms of equity compensation, or collectively, stock awards, all of which may be granted to employees, including officers, and to non-employee directors and consultants. Additionally, the 2011 Incentive Plan provides for the grant of performance cash awards. Incentive stock options may be granted only to employees. All other awards may be granted to employees, including officers, and to non-employee directors and consultants.

Share Reserve. Initially, the aggregate number of shares of our common stock that may be issued pursuant to stock awards under the 2011 Incentive Plan after the 2011 Incentive Plan becomes effective is 24,000,000

shares. Then, the number of shares of our common stock reserved for issuance under the 2011 Incentive Plan will automatically increase on January 1st each year, starting on January 1, 2013 and continuing through January 1, 2021, by 4.5% of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year, or such lesser number of shares of common stock as determined by our board of directors. The maximum number of shares that may be issued pursuant to the exercise of incentive stock options under the 2011 Incentive Plan is 120,000,000 shares.

No person may be granted stock awards covering more than 2,000,000 shares of our common stock under our 2011 Incentive Plan during any calendar year pursuant to stock options, stock appreciation rights and other stock awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the fair market value on the date the stock award is granted. Additionally, no person may be granted in a calendar year a performance stock award covering more than 1,000,000 shares or a performance cash award having a maximum value in excess of $1,000,000. Such limitations are designed to help assure that any deductions to which we would otherwise be entitled with respect to such awards will not be subject to the $1,000,000 limitation on the income tax deductibility of compensation paid to any covered executive officer imposed by Section 162(m) of the Code.

If a stock award granted under the 2011 Incentive Plan expires or otherwise terminates without being exercised in full, or is settled in cash, the expiration, termination or settlement shall not reduce (or otherwise offset) the number of shares of common stock that may be available for issuance under the 2011 Incentive Plan. In addition, the following types of shares under the 2011 Incentive Plan may become available for the grant of new stock awards under the 2011 Incentive Plan: (1) shares that are forfeited to or repurchased by us prior to becoming fully vested; (2) shares withheld to satisfy income or employment withholding taxes; or (3) shares used to pay the exercise price of an option. Shares issued under the 2011 Incentive Plan may be previously unissued shares or reacquired shares bought by us on the open market. As of the date hereof, no awards have been granted and no shares of our common stock have been issued under the 2011 Incentive Plan.

Administration. Our board of directors, or a duly authorized committee thereof, has the authority to administer the 2011 Incentive Plan. Our board of directors has delegated its authority to administer the 2011 Incentive Plan to our compensation committee under the terms of the compensation committee's charter. Our board of directors may also delegate to one or more of our officers the authority to (1) designate employees (other than other officers) to be recipients of certain stock awards, and (2) determine the number of shares of common stock to be subject to such stock awards, provided that our board of directors must specify the total number of shares of common stock that may be subject to stock awards granted by such officer and that such officer may not grant a stock award to himself or herself. Subject to the terms of the 2011 Incentive Plan, our board of directors or the authorized committee or officer, referred to as the plan administrator, determines recipients, dates of grant, the numbers and types of stock awards to be granted and the terms and conditions of the stock awards, including the period of their exercisability and vesting schedule applicable to a stock award. Subject to the limitations set forth below, the plan administrator will also determine the exercise price, strike price or purchase price of awards granted and the types of consideration to be paid for the award.

The plan administrator has the authority to reduce the exercise price (or strike price) of any outstanding option or stock appreciation right, cancel and re-grant any outstanding option or stock appreciation right or take any other action that is treated as a repricing under U.S. generally accepted accounting principles, with the consent of any adversely affected participant.

Stock Options. Incentive and nonstatutory stock options are granted pursuant to stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for a stock option, within the terms and conditions of the 2011 Incentive Plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2011 Incentive Plan vest at the rate specified by the plan administrator.

The plan administrator determines the term of stock options granted under the 2011 Incentive Plan, up to a maximum of 10 years. Unless the terms of an optionee's stock option agreement provide otherwise, if an optionee's service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the optionee may generally exercise any vested options for a period of three months following the cessation of service. The option term may be extended in the event that exercise of the option or sale of shares received upon exercise of the option following such a termination of service is prohibited by applicable securities laws or our insider trading policy. If an optionee's service relationship with us, or any of our affiliates, ceases due to disability or death, or an optionee dies within a certain period following cessation of service, the optionee or a beneficiary may generally exercise any vested options for a period of 12 months. In the event of a termination for cause, options generally terminate immediately upon the occurrence of the event giving rise to the right to terminate the individual for cause. In no event may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include (1) cash, check, bank draft or money order, (2) a broker-assisted cashless exercise, (3) the tender of shares of our common stock previously owned by the optionee, (4) a net exercise of the option if it is a nonstatutory stock option, and (5) other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. An optionee may designate a beneficiary, however, who may exercise the option following the optionee's death.

Tax Limitations on Incentive Stock Options. The aggregate fair market value, determined at the time of grant, of our common stock with respect to incentive stock options that are exercisable for the first time by an optionee during any calendar year under all of our stock plans may not exceed $100,000. Options or portions thereof that exceed such limit will generally be treated as nonstatutory stock options. No incentive stock option may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (1) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and (2) the term of the incentive stock option does not exceed five years from the date of grant.

Restricted Stock Awards. Restricted stock awards are granted pursuant to restricted stock award agreements adopted by the plan administrator. Restricted stock awards may be granted in consideration for (1) cash, check, bank draft or money order, (2) past services rendered to us or our affiliates, or (3) any other form of legal consideration (including future services) that may be acceptable to our board of directors and permissible under applicable law. Common stock acquired under a restricted stock award may, but need not, be subject to a share repurchase option in our favor in accordance with a vesting schedule to be determined by the plan administrator. Rights to acquire shares under a restricted stock award may be transferred only upon such terms and conditions as set by the plan administrator.

Restricted Stock Unit Awards. Restricted stock unit awards are granted pursuant to restricted stock unit award agreements adopted by the plan administrator. The plan administrator will determine the vesting terms of restricted stock unit awards. The plan administrator will determine the consideration to be paid, if any, by the participant upon delivery for each share subject to a restricted stock unit award, which may be paid in any form of legal consideration acceptable to the plan administrator. A restricted stock unit award may be settled by cash, delivery of stock, a combination of cash and stock as deemed appropriate by the plan administrator, or in any other form of consideration set forth in the restricted stock unit award agreement. Additionally, dividend equivalents may be credited in respect of shares covered by a restricted stock unit award. Except as otherwise provided in the applicable award agreement, restricted stock units that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

Stock Appreciation Rights. Stock appreciation units are granted pursuant to stock appreciation right agreements adopted by the plan administrator. The plan administrator determines the strike price for a stock appreciation right, which generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Upon the exercise of a stock appreciation right, we will pay the participant an amount equal to the product of (1) the excess of the per share fair market value of our common stock on the date of exercise over the strike price, multiplied by (2) the number of shares of common stock with respect to which the stock appreciation right is exercised. A stock appreciation right granted under the 2011 Incentive Plan vests at the rate specified in the stock appreciation right agreement as determined by the plan administrator. The appreciation distribution with respect to a stock appreciation right may be paid in common stock, in cash, in any combination of the two or in any other form of consideration, as determined by our board of directors and specified in the stock appreciation right agreement.

The plan administrator determines the term of stock appreciation rights granted under the 2011 Incentive Plan, up to a maximum of ten years. Unless the terms of a participant's stock appreciation right agreement provides otherwise, if a participant's service relationship with us, or any of our affiliates, ceases for any reason other than cause, disability or death, the participant may generally exercise any vested stock appreciation right for a period of three months following the cessation of service. The stock appreciation right term may be further extended in the event that exercise of the stock appreciation right or the sale of shares received upon exercise of the stock appreciation right following such a termination of service is prohibited by applicable securities laws. If a participant's service relationship with us, or any of our affiliates, ceases due to disability or death, or a participant dies within a certain period following cessation of service, the participant or a beneficiary may generally exercise any vested stock appreciation right for a period of 12 months. In the event of a termination for cause, stock appreciation rights generally terminate immediately upon the occurrence of the event giving rise to the right to terminate the individual for cause. In no event may a stock appreciation right be exercised beyond the expiration of its term.

Performance Awards. The 2011 Incentive Plan permits the grant of performance-based stock and cash awards that may qualify as performance-based compensation not subject to the $1,000,000 limitation on the income tax deductibility of compensation paid to a covered executive officer imposed by Section 162(m) of the Code. To help assure that the compensation attributable to performance-based awards will so qualify, our compensation committee can structure such awards so that stock or cash will be issued or paid pursuant to such award only after the achievement of certain pre-established performance goals during a designated performance period.

The performance criteria used to establish performance goals for a performance plan may be based on one or more of the following: (1) earnings (including earnings per share and net earnings); (2) earnings before interest, taxes and depreciation; (3) earnings before interest, taxes, depreciation and amortization; (4) total stockholder return; (5) return on equity or average stockholder's equity; (6) return on assets, investment, or capital employed; (7) stock price; (8) margin (including gross margin); (9) income (before or after taxes); (10) operating income; (11) operating income after taxes; (12) pre-tax profit; (13) operating cash flow; (14) sales or revenue targets; (15) increases in revenue or product revenue; (16) expenses and cost reduction goals; (17) improvement in or attainment of working capital levels; (18) economic value added (or an equivalent metric); (19) market share; (20) cash flow; (21) cash flow per share; (22) share price performance; (23) debt reduction; (24) implementation or completion of projects or processes; (25) customer satisfaction; (26) stockholders' equity; (27) capital expenditures; (28) debt levels; (29) operating profit or net operating profit; (30) workforce diversity; (31) growth of net income or operating income; (32) billings; and (33) to the extent that an award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by our board of directors.

The performance goals may be based on a company-wide basis, with respect to one or more business units, divisions, affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise

(1) in the award agreement at the time the award is granted or (2) in such other document setting forth the performance goals at the time the goals are established, the plan administrator will appropriately make adjustments in the method of calculating the attainment of performance goals as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects, as applicable, for non-U.S. dollar denominated goals; (3) to exclude the effects of changes to U.S. generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; and (5) to exclude the effects of any "extraordinary items" as determined under generally accepted accounting principles. In addition, the plan administrator retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of the goals and to define the manner of calculating the performance criteria it selects to use for a performance period. The performance goals may differ from participant to participant and from award to award.

Other Stock Awards. The plan administrator may grant other awards based in whole or in part by reference to our common stock. The plan administrator will set the number of shares under the stock award and all other terms and conditions of such awards.

Changes to Capital Structure. In the event that there is a specified type of change in our capital structure, such as a stock split or recapitalization, the plan administrator shall appropriately and proportionately adjust: (a) the class(es) and maximum number of shares reserved for issuance under the 2011 Incentive Plan, (b) the class(es) and maximum number of shares that may be issued upon the exercise of incentive stock options, (c) the class(es) and maximum number of shares subject to stock awards that can be granted in a calendar year (as established under the 2011 Incentive Plan pursuant to Section 162(m) of the Code) and (d) the class(es) and number of shares and price per share of stock subject to outstanding stock awards.

Corporate Transactions. In the event of certain specified significant corporate transactions, unless otherwise provided in the instrument evidencing the stock award or any other written agreement between us or any affiliate and the holder of the stock award, the plan administrator has the discretion to take any of the following actions with respect to stock awards:

- arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company;
- arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company;
- accelerate the vesting of the stock award and provide for its termination prior to the effective time of the corporate transaction;
- arrange for the lapse of any reacquisition or repurchase right held by us;
- cancel or arrange for the cancellation of the stock award in exchange for such cash consideration, if any, as our board of directors may deem appropriate; or
- make a payment equal to the excess of (a) the value of the property the participant would have received upon exercise of the stock award over (b) the exercise price otherwise payable in connection with the stock award.

Our board of directors is not obligated to treat all stock awards, even those that are of the same type, in the same manner.

Change in Control. The plan administrator may provide, in an individual award agreement or in any other written agreement between a participant and us, that the stock award will be subject to additional acceleration of vesting and exercisability in the event of a certain specified change in control. However, in the absence of such a provision, no such acceleration of the stock award will occur.

2011 Employee Stock Purchase Plan

Our board of directors adopted the 2011 Employee Stock Purchase Plan, or ESPP, in June 2011. Subject to stockholder approval, we expect the ESPP will become effective immediately upon the execution and delivery of the underwriting agreement for this offering.

Share Reserve. The ESPP initially authorizes the issuance of 6,080,000 shares of our common stock pursuant to purchase rights granted to our employees or to employees of any of our designated affiliates. The number of shares of our common stock reserved for issuance will automatically increase on January 1 each year, starting January 1, 2013 and continuing through January 1, 2021, in an amount equal to the lower of (1) 1% of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year, (2) 3,000,000 shares of our common stock or (3) a number of shares of common stock as determined by our board of directors. If a purchase right granted under the ESPP terminates without having been exercised, the shares of our common stock not purchased under such purchase right will be available for issuance under the ESPP.

Administration. Our board of directors, or a duly authorized committee thereof, has the authority to administer the ESPP. Our board of directors has delegated its authority to administer the ESPP to our compensation committee. Our board of directors or the authorized committee is referred to as the plan administrator.

Purchase Rights. The ESPP is implemented through a series of offerings of purchase rights to eligible employees. Purchase rights are generally not transferable. Under the ESPP, we may specify offerings with a duration of not more than 27 months, and may specify one or more shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our common stock will be purchased for the employees who are participating in the offering. An offering may be terminated early under certain circumstances such as a material change in control of Enphase. The plan administrator has the discretion to structure an offering so that if the fair market value of the shares of our common stock on the first day of a new purchase period within such offering is less than or equal to the fair market value of the shares of our common stock on the first day of the offering, then (a) that offering shall terminate immediately, and (b) the participants in such terminated offering shall be automatically enrolled in a new offering beginning on the first day of such new purchase period.

Payroll Deductions. Generally, all regular employees, including executive officers, employed by us or by any of our designated affiliates, may participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings toward the purchase of our common stock under the ESPP. Unless otherwise determined by the plan administrator, common stock will be purchased for participating employees at a price per share equal to the lower of (a) 85% of the fair market value of a share of our common stock on the first date of an offering, or (b) 85% of the fair market value of a share of our common stock on the date of purchase.

Limitations. Employees may have to satisfy one or more of the following service requirements before participating in the ESPP, as determined by the plan administrator: (a) customary employment with us or one of our affiliates for more than 20 hours per week and more than five months per calendar year or (b) continuous employment with us or one of our affiliates for a minimum period of time prior to the first date of an offering, provided that such minimum period may not to exceed two years. No employee may purchase shares under the ESPP at a rate in excess of $25,000 worth of our common stock, based on the fair market value per share of our common stock at the beginning of an offering, for each calendar year in which such purchase right is outstanding. Finally, no employee will be eligible for the grant of any purchase rights under the ESPP if, immediately after such rights are granted, such employee owns our stock possessing five percent or more of the total combined voting power or value of all classes of our outstanding capital stock.

Changes to Capital Structure. In the event that there is a specified type of change in our capital structure such as a stock split or recapitalization, appropriate adjustments will be made to (a) the class(es) and maximum number of shares reserved under the ESPP, (b) the class(es) and maximum number of shares by which the share

reserve may increase automatically each year, (c) the class(es) and number of shares subject to, and purchase price applicable to, all outstanding purchase rights, and (d) any limits on the class(es) and number of shares that may be purchased in an ongoing offering.

Corporate Transactions. In the event of certain significant corporate transactions, such as an acquisition of the company that results in a material change in the ownership of the company, any then-outstanding purchase rights under the ESPP may be assumed, continued or substituted for by any surviving or acquiring entity or its parent company, provided that the rights of any participant under any such assumption, continuation or substitution will not be impaired. If the surviving or acquiring entity or its parent company elects not to assume, continue or substitute for such purchase rights, then the participants' accumulated contributions will be used to purchase shares of our common stock within 10 business days prior to such corporate transaction, and such purchase rights will terminate immediately thereafter.

Plan Amendments. The plan administrator has the authority to amend, suspend or terminate the ESPP, provided any such action will not be taken without the consent of an adversely affected participant except as necessary to comply with any laws, listing requirements or governmental regulations or to maintain favorable tax, listing or regulatory treatment. We will obtain stockholder approval of any amendment to our ESPP as required by applicable law.

401(k) Plan

We offer a 401(k) plan to all employees who meet specified eligibility requirements. Eligible employees may contribute up to the lesser of 100% of their eligible compensation or the maximum amount as permitted each calendar year under the Code. We make a nonelective employer contribution each year equal to 3% of each participant's eligible compensation during the applicable plan year.

Indemnification of Directors and Officers and Limitation of Liability

Our certificate of incorporation includes a provision that eliminates, to the fullest extent permitted by law, the personal liability of a director for monetary damages resulting from breach of his fiduciary duty as a director.

Our bylaws, as in effect upon completion of this offering, provide that:

- we are required to indemnify our directors and officers to the fullest extent permitted by the Delaware General Corporation Law, subject to very limited exceptions;
- we may indemnify our other employees and agents as provided in indemnification contracts entered into between us and our employees and agents;
- we are required to advance expenses, as incurred, to our directors and officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to very limited exceptions; and
- the rights conferred in the bylaws are not exclusive.

In addition to the indemnification required in our certificate of incorporation and bylaws, we have entered into indemnity agreements with each of our current directors and officers. These agreements provide for the indemnification of our directors and officers for all reasonable expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were our agents. We have also obtained directors' and officers' insurance to cover our directors, officers and some of our employees for liabilities, including liabilities under securities laws. We believe that these indemnification provisions and agreements and this insurance are necessary to attract and retain qualified directors and officers.

A stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. At present, there is no pending litigation or proceeding involving any of our directors, officers or employees regarding which indemnification by us is sought, nor are we aware of any threatened litigation that may result in claims for indemnification.

Compensation Risk Assessment

In 2011, at the direction of our compensation committee, Compensia, assisted by management, conducted a review of our compensation policies and practices and their risk profiles. Compensia's findings were presented to our compensation committee for consideration, and then presented to the full board of directors. After consideration of the information presented, our board of directors concluded that our compensation programs are designed with an appropriate balance of risk and reward in relation to our overall business strategy and do not encourage excessive or unnecessary risk-taking behavior. These compensation plans and programs operate within our larger corporate governance and review structure that serves and supports risks mitigation. Our board of directors has concluded that any risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on our business.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a summary of transactions since January 1, 2009 to which we were or are a party in which the amount involved exceeded or exceeds $120,000 and in which any of our directors, executive officers, holders of more than 5% of any class of our voting securities or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements with directors and executive officers, which are described where required under the "Executive Compensation" and "Management—Non-Employee Director Compensation" sections of this prospectus.

Private Placement Financings

Preferred Stock Financings

The following table summarizes purchases of our Series D Preferred Stock and Series E preferred stock since January 1, 2009 by holders of more than 5% of our capital stock and their affiliated entities and by certain of our directors and executive officers.

Name	Series D Preferred Stock	Aggregate Purchase Price of Series D Preferred Stock	Series E Preferred Stock	Aggregate Purchase Price of Series E Preferred Stock
Applied Ventures, LLC[1]	7,744,680	$ 1,820,000	2,250,520	$ 1,530,354
Funds affiliated with Third Point LLC[2]	16,513,442	3,703,260	6,876,823	4,676,240
RockPort Capital Partners II, L.P.[3]	21,665,232	5,002,630	6,490,751	4,413,711
Madrone Partners, L.P.[4]	29,787,234	7,000,000	5,320,085	3,617,658
Funds affiliated with Bay Partners[5]	4,255,320	1,000,000	8,823,530	6,000,000
KPCB Holdings, Inc., as nominee[6]			18,382,352	12,499,999
Robert Schwartz[7]	212,766	50,000	32,352	21,999
Paul B. Nahi[8]	212,766	50,000		
Martin Fornage[9]	425,532	100,000	14,706	10,000
Raghuveer R. Belur[10]	212,766	50,000	14,706	10,000
Approximate Price Per Share	$ 0.2350		$ 0.68	
Dates of Purchase	4/24/2009		3/15/2010 4/5/2010 5/21/2010	

(1) These shares are held by Applied Ventures, LLC, and include Series E preferred stock purchased on March 15, 2010.

(2) Includes 10,761,163 shares of Series D preferred stock held by Third Point Offshore Master Fund L.P., 1,538,009 shares of Series D preferred stock held by Third Point Partners L.P., 2,943,443 shares of Series D preferred stock held by Third Point Partners Qualified L.P. and 1,270,827 shares of Series D preferred stock held by Third Point Ultra Master Fund L.P. Includes 4,637,526 shares of Series E preferred stock held by Third Point Offshore Master Fund L.P., 813,858 shares of Series E preferred stock held by Third Point Partners L.P., 781,471 shares of Series E preferred stock held by Third Point Partners Qualified L.P. and 643,968 shares of Series E preferred stock held by Third Point Ultra Master Fund L.P., purchased on March 15, 2010. Robert Schwartz, one of our directors, is Managing Partner of Third Point Ventures, but does not have any voting or dispositive power with respect to the shares of stock held by the funds affiliated with Third Point Ventures. Mr. Schwartz disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(3) These shares are held by RockPort Capital Partners II, L.P., and include Series E preferred stock purchased on March 15, 2010. Stoddard M. Wilson, one of our directors, is a General Partner of RockPort Capital Partners, and as such may be deemed to share voting and dispositive power with respect to all shares of stock held by RockPort Capital Partners II, L.P. Mr. Wilson disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

(4) These shares are held by Madrone Partners, L.P., and include Series E preferred stock purchased on March 15, 2010. Jameson J. McJunkin is one of our directors and is a Managing Member of Madrone Capital Partners, and as such may be deemed to share voting and dispositive power with respect to all shares of stock held by Madrone Partners, L.P. Mr. McJunkin disclaims beneficial ownership of such securities except to the extent of his pecuniary interest therein.

(5) Includes 4,234,044 shares of Series D preferred stock held by Bay Partners XI, L.P. and 21,276 shares of Series D preferred stock held by Bay Partners XI Parallel Fund, L.P. Includes 8,779,412 shares of Series E preferred stock held by Bay Partners XI, L.P. and 44,118 shares of Series E preferred stock held by Bay Partners XI Parallel Fund, L.P., purchased on March 15, 2010. Neal Dempsey is one of our directors and is a Managing Member with Bay Partners, and as such may be deemed to

share voting and dispositive power with respect to all shares of stock held by funds affiliated with Bay Partners. Mr. Dempsey disclaims beneficial ownership of such securities except to the extent of his pecuniary interest therein.

(6) Includes 17,523,896 shares of Series E preferred stock held by KPCB Green Growth Fund, LLC, 12,020 shares of Series E preferred stock held directly by Benjamin Kortlang and 846,436 shares of Series E preferred stock in the aggregate beneficially owned by individuals and entities affiliated with KPCB Green Growth Fund, LLC, purchased on May 21, 2010. The managing member for KPCB Green Growth Fund, LLC is KPCB GGF Associates, LLC. Benjamin Kortlang is one of our directors and is a member of the KPCB Green Growth Associates, LLC. The shares held by KPCB Green Growth Fund, LLC, Benjamin Kortlang and affiliated individuals and entities are held for convenience in the name of "KPCB Holdings, Inc. as nominee," for the accounts of the individual managers, Benjamin Kortlang and other individuals and entities that each exercise their own voting and dispositive control over the shares for their own accounts. KPCB Holdings, Inc. has no voting, dispositive or pecuniary interest in any such shares.

(7) These shares are held by Mr. Schwartz, a member of our board of directors and Managing Partner of Third Point Ventures, and include Series E preferred stock purchased on April 5, 2010.

(8) These shares are held by Mr. Nahi, our President, Chief Executive Officer and a member of our board of directors.

(9) These shares are held by Mr. Fornage, our Chief Technology Officer, and include Series E preferred stock purchased on April 5, 2010.

(10) These shares are held by Mr. Belur, our Vice President of Products and a member of our board of directors, and include Series E preferred stock purchased on April 5, 2010.

2009 Bridge Loan Financing

On March 31, 2009, we sold secured convertible promissory notes to purchase shares of our equity securities to five of our existing investors for an aggregate purchase price of $1.5 million. The notes accrued interest at a rate of 8% per year and were due and payable by December 31, 2009. On April 24, 2009, the notes, and accrued interest of $7,890.42, were converted into 7,548,886 shares of Series D convertible preferred stock, representing a purchase price discount of approximately 15% to such investors.

The following table summarizes the participation in the 2009 bridge financing by holders of more than 5% of our capital stock and their affiliated entities:

Name	Aggregate Principal Amount	Aggregate Shares of Series D Preferred Stock Issued Upon Conversion of 2009 Convertible Promissory Notes
Funds affiliated with Third Point LLC[1]	$ 1,000,000	5,032,590
RockPort Capital Partners II, L.P.[2]	500,000	2,516,296

(1) Consists of: (a) 3,268,049 shares of Series D preferred stock issued to Third Point Offshore Master Fund L.P. upon the conversion of a principal amount of $649,377 and $3,415.90 in interest; (b) 470,748 shares of Series D preferred stock issued to Third Point Partners L.P. upon the conversion of a principal amount of $93,540 and $492.05 in interest; (c) 908,362 shares of Series D preferred stock issued to Third Point Partners Qualified L.P. upon the conversion of a principal amount of $180,496 and $949.46 in interest; and (d) 385,431 shares of Series D preferred stock issued to Third Point Ultra Master Fund L.P. upon the conversion of a principal amount of $76,587 and $402.87 in interest. Robert Schwartz, a member of our board of directors, is Managing Partner of Third Point Ventures, but does not have any voting or dispositive power with respect to the shares of stock held by the funds affiliated with Third Point Ventures. Mr. Schwartz disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(2) Consists of 2,516,296 shares of Series D preferred stock issued to RockPort Capital Partners II, L.P. upon the conversion of a principal amount of $500,000 and $2,630.14 in interest. Stoddard M. Wilson, a member of our board of directors, is a General Partner of RockPort Capital Partners, and as such may be deemed to share voting and dispositive power with respect to all shares of stock held by RockPort Capital Partners II, L.P. Mr. Wilson disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

Material Rights of Preferred Stock

The following is a brief description of the material rights of each series of our preferred stock issued to holders of more than 5% of our capital stock and their affiliated entities and by certain of our directors and executive officers. We anticipate that all outstanding shares of our preferred stock will automatically convert into shares of our common stock immediately prior to the closing of this offering pursuant to the terms of our certificate of incorporation. However, in the event that the requirements for such automatic conversion are not

satisfied, we will solicit the requisite stockholder approval for the conversion of all outstanding shares of convertible preferred stock effective immediately prior to the closing of this offering.

Dividends—The holders of Series E, D, C, B and A convertible preferred stock are entitled to receive dividends, if, when and as declared by the board of directors, in an amount per share equal to the following (in order of right of payment):

	Dividend Per Share
Series E	$ 0.0544
Series D	0.0188
Series C	0.103
Series B	0.053
Series A	0.025

No dividends have been declared on the Series E, D, C, B and A convertible preferred stock.

Conversion—The Series E, D, C, B and A convertible preferred stock will be automatically converted into common stock: (a) immediately prior to the closing of a firmly underwritten public offering pursuant to the Securities Act if aggregate gross proceeds to the company in such offering equal or exceed $30,000,000 and the public offering price is not less than $0.68 per share, or a "Qualified Public Offering"; and (b) upon our receipt of the written consent of the holders of (i) 60% of the Series E convertible preferred stock voting as a separate series, with respect to the conversion of all outstanding shares of Series E convertible preferred stock, (ii) a majority of the Series E convertible preferred stock voting as a separate series in connection with an initial public offering that is not a Qualified Public Offering, or (iii) a majority of the holders of the Series A, B, C and D convertible preferred stock voting together on an as-converted basis with respect to the conversion of all outstanding shares of Series A, B, C and D convertible preferred stock. Upon such conversion, each share of Series E, D, C, B and A convertible preferred stock will be converted into the number of shares of common stock as set forth below:

	Shares of Common Stock
Series E	1
Series D	1
Series C	2.514
Series B	1.898
Series A	1.226

Redemption—The Series E, D, C, B, and A convertible preferred stock are not redeemable.

Liquidation Rights—In the event of any liquidation, dissolution, or winding-up of Enphase, holders of Series E, D, C, B and A convertible preferred stock are entitled to receive, in addition to all declared but unpaid dividends, an amount per share equal to the following (in order of right of payment):

	Liquidation Preference Per Share
Series E	$ 0.6800
Series D	0.5875
Series C	1.2847
Series B	0.6625
Series A	0.3200

Voting—The holders of Series E, D, C, B and A convertible preferred stock are entitled to the number of votes equal to the number of shares of common stock into which the preferred stock is convertible, subject to certain limitations. The primary holders of Series E, D, C and B convertible preferred stock are entitled to elect the following number of members to our board of directors:

	Number of Directors
Series E	2
Series D	1
Series C	1
Series B	1

Protective Provisions—We cannot, without the consent of at least 60% of the then outstanding convertible preferred stock voting together as a single class on an as-converted basis, (i) change the rights, preferences, or privileges of the convertible preferred stock or any series of convertible preferred stock so as to materially and adversely affect the convertible preferred stock or any series of convertible preferred stock, (ii) increase or decrease the total number of authorized shares of convertible preferred stock, (iii) authorize or issue any shares of a new class or series of capital stock (or rights to acquire such new class or series of capital stock) having rights, preferences or privileges senior or equivalent to the Series E, D, C, B or A convertible preferred stock, (iv) cause or effect a change of control, liquidation, dissolution or winding up of Enphase, (v) redeem any shares of common stock except for certain permitted repurchases, (vi) increase or decrease the authorized number of directors on our board of directors unless approved unanimously by our board of directors, (vii) declare or pay any dividends or declare or make any other distribution, purchase, redemption or acquisition on any of our capital stock, except for certain permitted repurchases (viii) amend or alter our certificate of incorporation or bylaws, or (ix) consummate a public offering of the common stock of Enphase.

In addition, we cannot, without the consent of (i) at least 60% of the then outstanding Series E convertible preferred stock voting as a separate series (a) change the rights, preferences, or privileges of the Series E convertible preferred stock or (b) authorize or issue more than 75 million shares of Series E convertible preferred stock, (ii) at least 60% of the then outstanding shares of Series D convertible preferred stock voting as a separate series, change the rights, preferences, or privileges of the Series D convertible preferred stock, (iii) at least 60% of the then outstanding shares of Series C convertible preferred stock voting as a separate series, change the rights, preferences, or privileges of the Series C convertible preferred stock, and (iv) at least a majority of the then outstanding shares of Series B convertible preferred stock voting as a separate series, change the rights, preferences, or privileges of the Series B convertible preferred stock.

The rights of each series of our preferred stock, including those describe above, will terminate upon the conversion of all outstanding shares of convertible preferred stock immediately prior to the closing of this offering.

Convertible Debt Facility

In June 2011, we entered into a junior secured convertible loan facility, or Convertible Facility, with certain existing preferred stockholders that provided for up to $50.0 million in borrowings, of which we borrowed $12.5 million in an initial advance upon signing. In November 2011, we amended the Convertible Facility to provide for an aggregate of up to $80.0 million in borrowings. We borrowed $7.5 million in a second advance in November 2011 and may borrow up to an additional $60.0 million prior to the earlier of (i) a subsequent equity financing of more than $10.0 million or (ii) June 14, 2013, subject to the attainment of certain financial and operating conditions. The Convertible Facility bears an interest rate of 9.0%, with interest payable in kind at maturity, which is the earlier to occur of the closing of (i) our initial public offering, (ii) a change in control or (iii) June 14, 2014. The initial and second advances of $12.5 million and $7.5 million, respectively, together with accrued interest, are convertible into common stock at an initial conversion price of $0.98 per share, subject to

adjustments. Additional borrowings and accrued interest are repayable at the holders' option as follows: up to 50% convertible into common stock at a price of $0.98 per share and the remainder in cash. In addition, we may prepay, at our election, up to 50% of any additional borrowings and related accrued interest at any time. The Convertible Facility is secured by substantially all of our assets except intellectual property and contains certain required covenants.

In consideration for the lenders' commitment under this facility, we issued an aggregate of 3,202,298 shares of common stock at a purchase price of $0.58 per share to fourteen of the lenders and issued to the remaining lenders warrants to purchase up to an aggregate amount of 1,194,235 shares of our common stock for an exercise price of $0.58 per share. The warrants are immediately exercisable. Warrants to purchase 695,586 shares of our common stock will expire on June 14, 2016, and warrants to purchase 498,649 shares of our common stock will expire on November 16, 2016, subject to earlier termination upon an acquisition of us in which the consideration payable to holders of our common stock consists of cash and/or a class of securities that are registered under the Securities Exchange Act of 1934, as amended.

The following table summarizes the initial amounts invested, as well as the aggregate commitment amounts, of one of our directors and of holders of more than 5% of our capital stock and their affiliated entities with respect to the Convertible Facility.

Name	Amount of Initial Note Investment	Amount of Second Note Investment	Aggregate Commitment Amount	Number of Common Shares Purchased	Number of Common Shares Underlying Warrant Issued
Applied Ventures, LLC	$ 610,525	$ 394,362	$ 4,019,548	—	221,505
Funds affiliated with Third Point LLC(1)	1,986,035	1,282,858	13,075,570	—	720,555
Madrone Partners, L.P.(2)	1,536,451	992,454	10,115,618	557,443	—
Funds affiliated with Bay Partners(3)	569,522	504,199	4,294,823	239,534	—
KPCB Holdings, Inc., as nominee(4)	6,250,000	3,750,000	40,000,000	2,198,275	—
Robert Schwartz(5)	12,500	—	50,000	—	2,586

(1) Includes initial and second note investments of $1,339,323.45 and $865,121.51, respectively, by Third Point Offshore Master Fund L.P., $173,535.27 and $112,093.23, respectively, by Third Point Partners L.P., $287,197.55 and $185,512.15, respectively, by Third Point Partners Qualified L.P. and $185,978.55 and $120,130.83, respectively, by Third Point Ultra Master Fund L.P. Also includes warrants to purchase 485,923 shares of Common Stock issued to Third Point Offshore Master Fund L.P., 62,959 shares of Common Stock issued to Third Point Partners L.P., 104,198 shares of Common Stock issued to Third Point Partners Qualified L.P. and 67,475 shares of Common Stock issued to Third Point Ultra Master Fund L.P. Robert Schwartz, one of our directors, is Managing Partner of Third Point Ventures, but does not have any voting or dispositive power with respect to the shares of stock held by the funds affiliated with Third Point Ventures.

(2) Jameson J. McJunkin is one of our directors and is a Managing Member of Madrone Capital Partners. Mr. McJunkin disclaims beneficial ownership of such securities except to the extent of his pecuniary interest therein.

(3) Includes initial and second note investments of $566,674.05 and $501,677.29, respectively, by Bay Partners XI, L.P. and $2,848.00 and $2,521.33, respectively, by Bay Partners XI Parallel Fund, L.P. Also includes 238,336 shares of Common Stock purchased by Bay Partners XI, L.P. and 1,198 shares of Common Stock purchased by Bay Partners XI Parallel Fund, L.P. Neal Dempsey is one of our directors and is a Managing Member with Bay Partners. Mr. Dempsey disclaims beneficial ownership of such securities except to the extent of his pecuniary interest therein.

(4) KPCB Holdings, Inc. serves as agent to the lenders with respect to the Convertible Facility. Includes initial and second note investments of $5,958,125.00 and $3,574,875.00, respectively, by KPCB Green Growth Fund, LLC, $4,087.50 and $2,452.50, respectively, by Benjamin Kortlang and $287,787.50 and $172,672.50, respectively, by individuals and entities affiliated with KPCB Green Growth Fund, LLC. Also includes 2,095,616 shares of Common Stock issued to KPCB Green Growth Fund, LLC, 1,438 shares of Common Stock issued to Benjamin Kortlang and 101,222 shares of Common Stock issued to individuals and entities affiliated with KPCB Green Growth Fund, LLC. The managing member for KPCB Green Growth Fund, LLC is KPCB GGF Associates, LLC. Benjamin Kortlang is one of our directors and is a member of the KPCB Green Growth Associates, LLC. The securities held by KPCB Green Growth Fund, LLC, Benjamin Kortlang and affiliated individuals and entities are held for convenience in the name of "KPCB Holdings, Inc. as nominee," for the

accounts of the individual managers, Benjamin Kortlang and other individuals and entities that each exercise their own voting and dispositive control over the securities for their own accounts. KPCB Holdings, Inc. has no voting, dispositive or pecuniary interest in any such securities.

(5) Robert Schwartz, a member of our board of directors, is a Managing Partner of Third Point Ventures.

Loan to Officer

In connection with the hiring of Sanjeev Kumar, our Chief Financial Officer, we extended a loan to him in the principal amount of $50,000, with an interest rate of 0.74% per annum, as an advance on his first-year performance bonus, which was evidenced by a full-recourse promissory note dated June 14, 2010. In November 2010, in light of Mr. Kumar's 2010 performance to date, including his substantial progress toward achieving his 2010 performance goals and the substantial progress made in improving our financial systems and controls, the outstanding principal and accrued interest under the loan was forgiven and the note was cancelled.

Investors' Rights Agreement

In connection with our preferred stock financings, we entered into an investors' rights agreement with certain purchasers of our preferred stock, including the following principal stockholders, directors and executive officers:

Funds affiliated with Third Point LLC
RockPort Capital Partners II, L.P.
Madrone Partners, L.P.
KPCB Holdings, Inc., as nominee
Applied Ventures, LLC
Funds affiliated with Bay Partners
Paul B. Nahi
Raghuveer R. Belur
Martin Fornage
Robert Schwartz

Pursuant to this agreement, we granted such stockholders certain registration rights with respect to certain shares of our common stock held or issuable upon conversion of the shares of preferred stock held by them. For a description of these registration rights, see "Description of Capital Stock—Registration Rights." In addition to the registration rights, the investors' rights agreement provides for certain rights to receive financial information and rights of first refusal to participate in subsequent equity financings. The provisions and covenants contained in the investors' rights agreement, including with respect to information rights, rights of first refusal and various other affirmative covenants by the company, and other than those relating to registration rights and general contract provisions, will terminate upon the completion of this offering.

Voting Agreement

Pursuant to our 2010 voting agreement that we entered into with certain holders of our common stock and certain holders of our preferred stock:

- KPCB Holdings, Inc., as nominee, has the right to designate a director to our board of directors, which is currently Mr. Kortlang;
- funds affiliated with Bay Partners have the right to designate a director to our board of directors, which is currently Mr. Dempsey;
- funds affiliated with Madrone Capital Partners have the right to designate a director to our board of directors, which is currently Mr. McJunkin;
- funds affiliated with RockPort Capital Partners have the right to designate a director to our board of directors, which is currently Mr. Wilson;
- funds affiliated with Third Point LLC have the right to designate a director to our board of directors, which is currently Mr. Schwartz;

- Messrs. Nahi, Belur and Fornage have the right to designate, by a majority of the voting shares of common stock then held by them, two members of our board of directors, one of which shall be our then-current Chief Executive Officer, currently Mr. Nahi, and one of which is currently Mr. Belur; and
- the then-serving members of our board of directors have the right to nominate, by unanimous agreement, one director to our board of directors, which directorship is currently held by Mr. Gomo.

This voting agreement will terminate upon the completion of this offering and there will be no further contractual arrangements regarding the election of our directors.

Indemnification of Officers and Directors

Our amended and restated certificate of incorporation and bylaws provide that we shall indemnify each of our directors and officers to the fullest extent permitted by the Delaware General Corporation Law. Further, we have entered into indemnification agreements with each of our directors and officers. For further information, see the section entitled “Executive Compensation—Indemnification of Directors and Officers and Limitation of Liability.”

Transactions with Affiliate Controlled Companies

In December 2011, we entered into sales transactions with two PV systems development companies that are majority-owned by KPCB Holdings, Inc., as nominee, and of which Benjamin Kortlang, a member of our board of directors, is a member of the board of directors. Pursuant to these transactions, these companies and one of their managed project finance funds agreed to purchase approximately $20 million of our microinverters through our distributors at our regular authorized distributor price. As part of these transactions, we provided our standard product warranty and Enlighten solar installation monitoring services to end users.

Policies and Procedures for Related Party Transactions

We believe that we have executed all of the transactions set forth above on terms no less favorable to us than we could have obtained from unaffiliated third parties. It is our intention to ensure that all future transactions between us and our officers, directors and principal stockholders and their affiliates, are approved by the audit committee of our board of directors, and are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

Following this offering, all future related party transactions will be reviewed and approved by our audit committee. Pursuant to our written code of business conduct and ethics, the audit committee is responsible for approving, prior to our entry into any transaction involving related parties, all transactions in which we are a participant and in which any parties related to us has or will have a direct or indirect material interest.

In reviewing and approving these transactions, our audit committee will obtain, or will direct our management to obtain on its behalf, all information that the committee believes to be relevant and important to a review of the transaction prior to its approval. Following receipt of the necessary information, a discussion will be held of the relevant factors, if deemed to be necessary by the committee, prior to approval. If a discussion is not deemed to be necessary, approval may be given by written consent of the committee. No related party transaction will be entered into prior to the completion of these procedures.

Our audit committee will approve only those related party transactions that are determined to be in, or not inconsistent with, our best interests and those of our stockholders, taking into account all available facts and circumstances as the committee or the chairman determines in good faith to be necessary. No member of our audit committee will participate in any review, consideration or approval of any related party transaction with respect to which the member or any of his or her immediate family members is the related party.

Promoters

Raghuveer R. Belur and Martin Fornage, our co-founders and original stockholders, are deemed to be our “promoters” as these terms are defined under the federal securities laws. Messrs. Belur and Fornage have not received, and are not expected to receive, any compensation or consideration in their capacity as promoters.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our common stock as of December 31, 2011 by:

- each person or group of affiliated persons known by us to be the beneficial owner of more than 5% of our common stock;
- each of our named executive officers;
- each of our directors; and
- all executive officers and directors as a group.

The percentage ownership information shown in the table below is based upon 243,972,186 shares of common stock outstanding as of December 31, 2011, assuming the conversion of all outstanding preferred stock into 228,552,739 shares of our common stock. The percentage ownership information indicated in the following table reflects the sale by us of shares of common stock in this offering.

Information with respect to beneficial ownership has been furnished by each director, officer or beneficial owner of more than 5% of our common stock. We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of shares to persons who possess sole or shared voting or investment power with respect to such shares. The information does not necessarily indicate beneficial ownership for any other purpose. Under these rules, the number of shares of common stock deemed outstanding includes shares issuable upon exercise of options, warrants or other convertible securities held by the respective person or group which may be exercised or converted within 60 days after December 31, 2011 and assumes the conversion of the principal and accrued interest outstanding under our junior convertible notes into shares of common stock immediately prior to the closing of this offering at a conversion price of $0.98 per share, assuming the conversion occurs on February 29, 2012. These shares are deemed to be outstanding and beneficially owned by the person holding those options for the purpose of computing the percentage ownership of that person or entity, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person or entity. Unless otherwise indicated and subject to applicable community property laws, to our knowledge, each stockholder named in the following table possesses sole voting and investment power over the shares listed, except for those jointly owned with that person’s spouse. Unless otherwise indicated below, the address of each person listed on the table is c/o Enphase Energy, Inc., 201 1st Street, Suite 100, Petaluma, California 94952, USA.

	Number of Shares Beneficially Owned	Percentage of Common Stock Beneficially Owned	
		Prior to Offering	After Offering
Name and Address of Beneficial Owner 5% Stockholders:			
Funds affiliated with Third Point LLC(1)	49,605,075	20.00%	
RockPort Capital Partners II, L.P.(2)	42,832,562	17.60	
Madrone Partners, L.P.(3)	38,375,765	15.60	
KPCB Holdings, Inc., as nominee(4)	31,307,751	12.30	
Applied Ventures, LLC(5)	16,149,967	6.60	
Funds affiliated with Bay Partners(6)	14,466,071	5.90	
Named executive officers and directors:			
Paul B. Nahi(7)	10,062,630	4.00	
Sanjeev Kumar(8)	1,421,270	*	
Jeff Loebbaka(9)	970,017	*	
Dennis Hollenbeck(10)	560,454	*	
Greg Steele(11)	1,356,788	*	
Neal Dempsey(12)	14,466,071	5.90	
Steven J. Gomo(13)	68,750	*	
Benjamin Kortlang(14)	31,307,751	12.30	
Jameson J. McJunkin(15)	38,375,765	15.60	
Chong Sup Park(16)	50,000	*	
Robert Schwartz(17)	50,068,328	20.20	
Stoddard M. Wilson(18)	42,832,562	17.60	
All executive officers and directors as a group (15 persons)(19)	211,801,462	73.90	

* Represents less than 1%

(1) Consists of: (a)(i) 30,603,100 shares, (ii) 2,363,181 shares issuable upon the conversion of principal and interest outstanding under a convertible promissory note as of February 29, 2012, and (iii) warrants exercisable for 485,923 shares within 60 days of December 31, 2011, held by Third Point Offshore Master Fund L.P.; (b)(i) 3,965,225 shares, (ii) 306,195 shares issuable upon the conversion of principal and interest outstanding under a convertible promissory note as of February 29, 2012, and (iii) warrants exercisable for 62,959 shares within 60 days of December 31, 2011, held by Third Point Partners L.P.; (c)(i) 6,562,370 shares, (ii) 506,748 shares issuable upon the conversion of principal and interest outstanding under a convertible promissory note as of February 29, 2012, and (iii) warrants exercisable for 104,198 shares within 60 days of December 31, 2011, held by Third Point Partners Qualified L.P.; and (d)(i) 4,249,550 shares, (ii) 328,151 shares issuable upon the conversion of principal and interest outstanding under a convertible promissory note as of February 29, 2012, and (iii) warrants exercisable for 67,475 shares within 60 days of December 31, 2011, held by Third Point Ultra Master Fund L.P. Mr. Schwartz, a member of our board of directors, is a Managing Partner of Third Point Ventures, but does not have any voting or dispositive power with respect to the shares held by Third Point Ventures and its affiliated entities. Mr. Schwartz disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. ThirdPoint LLC, and Daniel S. Loeb in his capacity as the Chief Executive Officer of Third Point LLC, have voting and dispositive power over shares held by Third Point Offshore Master Fund L.P., Third Point Partners L.P., Third Point Partners Qualified L.P. and Third Point Ultra Master Fund L.P. Mr. Loeb disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. The address of Third Point Partners is 390 Park Avenue, 18th Floor, New York, NY 10022.

(2) Voting and dispositive powers are shared by the Managing Members of the General Partner of RockPort Capital Partners II, L.P. Its Managing Members are William James, David Prend, Alexander Ellis, III, Charles McDermott, Janet James and Stoddard Wilson, a member of our board of directors. Messrs. James, Prend, Ellis, McDermott and Wilson, and Ms. James, disclaim beneficial ownership of these shares except to the extent of their pecuniary interest therein. The address of Rockport Capital Partners is 160 Federal Street, 18th Floor, Boston, MA 02110-1700.

(3) Includes 2,711,003 shares issuable upon the conversion of principal and interest outstanding under a convertible promissory note as of February 29, 2012. Greg Penner, Thomas Patterson and Jameson McJunkin, a member of our board of directors, share voting and dispositive power over shares held by Madrone Capital Partners; however, Messrs. Penner, Patterson and McJunkin disclaim beneficial ownership of these shares except to the extent of their pecuniary interest therein. The address of Madrone Partners is 3000 Sand Hill Road, Building 1, Suite 150, Menlo Park, CA 94025.

(4) Consists of: (a)(i) 19,619,511 shares and (ii) 10,226,167 shares issuable upon the conversion of principal and interest outstanding under a convertible promissory note as of February 29, 2012, held by KPCB Green Growth Fund, LLC;(b)(i) 13,460 shares and (ii) 7,016 shares issuable upon the conversion of principal and interest outstanding under a convertible promissory note as of February 29, 2012, held by Benjamin Kortlang, a member of our board of directors; and (c)(i) 947,656 shares and (ii) 493,941 shares issuable upon the conversion of principal and interest outstanding under a convertible promissory note as of February 29, 2012, in the aggregate beneficially owned by individuals and entities affiliated with KPCB Green Growth Fund, LLC. The managing member for KPCB Green Growth Fund, LLC is KPCB GGF Associates, LLC. Brook H. Byers, L. John Doerr, Joseph Lacob, Raymond J. Lane and Theodore E. Schlein, the Managing Directors of KPCB GGF Associates, LLC, and Ben Kortlang, a member of KPCB GGF Associates, LLC, exercise shared voting and dispositive control over the shares directly held by KPCB Green Growth Fund, LLC. The shares held by KPCB Green Growth Fund, LLC, Benjamin Kortlang and affiliated individuals and entities are held for convenience in the name of "KPCB Holdings, Inc. as nominee," for the accounts of the individual managers, Benjamin Kortlang and other individuals and entities that each exercise their own voting and dispositive control over the shares for their own accounts. KPCB Holdings, Inc. has no voting, dispositive or pecuniary interest in any such shares. The address of KPCB Green Growth Fund, LLC is 2750 Sand Hill Road, Menlo Park, CA 94025.

(5) Includes: (a) 1,077,245 shares issuable upon the conversion of principal and interest outstanding under a convertible promissory note as of February 29, 2012, and (b) warrants exercisable for 221,505 shares within 60 days of December 31, 2011. J. Christopher Moran, in his capacity as General Manager of Applied Ventures, LLC, has sole voting and dispositive power over shares held by Applied Ventures, LLC. J. Christopher Moran, Dr. Omkaran Nalamasu, Dr. Mark R. Pinto and Larry Sparks, in their capacity as members of the Venture Investment Committee of Applied Materials, Inc., have shared voting and dispositive power over shares held by Applied Ventures, LLC; however, Messrs. Moran and Sparks, and Drs. Nalamasu and Pinto disclaim beneficial ownership of these shares. The address of Applied Ventures, LLC is 3050 Bowers Avenue, Santa Clara, CA 95054.

(6) Consists of: (a)(i) 66,592 shares and (ii) 5,738 shares issuable upon the conversion of principal and interest outstanding under a convertible promissory note as of February 29, 2012, held by Bay Partners XI Parallel Fund, L.P.; and (b)(i) 13,251,792 shares and (ii) 1,141,949 shares issuable upon the conversion of principal and interest outstanding under a convertible promissory note as of February 29, 2012, held by Bay Partners XI, L.P. Stuart G. Phillips and Neal Dempsey, a member of our board of directors, are Managers of Bay Management Company XI, LLC and share voting and dispositive power over shares held by Bay Partners XI Parallel Fund, L.P. and Bay Partners XI, L.P. Messrs. Phillips and Dempsey disclaim beneficial ownership of these shares except to the extent of their pecuniary interest therein. The address of Bay Partners is 490 South California Avenue, Suite 200, Palo Alto, CA 94306.

(7) Includes: (a) 250,000 shares of common stock held by Paul B. Nahi and Sheila B. Nahi, as Trustees of the Kayla Nahi Trust u/a/d December 21, 2009; (b) 250,000 shares of common stock held by Paul B. Nahi and Sheila B. Nahi, as Trustees of the Skylar Lisle Nahi Trust u/a/d December 21, 2009; and (c) stock options for 8,107,864 shares of our common stock exercisable within 60 days of December 31, 2011.

(8) Consists solely of stock options to purchase 1,421,270 shares of our common stock exercisable within 60 days of December 31, 2011.

(9) Consists solely of stock options to purchase 970,017 shares of our common stock exercisable within 60 days of December 31, 2011.

(10) Consists solely of stock options to purchase 560,454 shares of our common stock exercisable within 60 days of December 31, 2011.

(11) Includes stock options to purchase 810,788 shares of our common stock exercisable within 60 days of December 31, 2011.

(12) Consists solely of the shares described in Note (6) above. Mr. Dempsey disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest therein.

(13) Consists solely of stock options to purchase 68,750 shares of our common stock exercisable within 60 days of December 31, 2011.

(14) Consists solely of the shares described in Note (4) above. Mr. Kortlang disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest therein.

(15) Consists solely of the shares described in Note (3) above. Mr. McJunkin disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest therein.

(16) Consists solely of stock options to purchase 50,000 shares of our common stock exercisable within 60 days of December 31, 2011.

(17) Includes: (a) the shares described in Note (1) above, which Mr. Schwartz disclaims beneficial ownership of, except to the extent of his pecuniary interest therein; (b) 13,598 shares issuable upon the conversion of principal and interest outstanding under a convertible promissory note as of February 29, 2012; and (c) warrants to purchase 2,586 shares within 60 days of December 31, 2011.

(18) Consists solely of the shares described in Note (2) above. Mr. Wilson disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest therein.

(19) Includes: (a) 158,223,649 shares; (b) 18,103,687 shares issuable upon the conversion of principal and interest outstanding under convertible promissory notes as of February 29, 2012; (c) warrants exercisable for 723,141 shares within 60 days of December 31, 2011, held by one of our directors and entities affiliated with certain of our directors; and (d) 34,632,235 shares beneficially owned by our executive officers, of which stock options for 23,547,938 shares of common stock are exercisable within 60 days of December 31, 2011.

DESCRIPTION OF CAPITAL STOCK

Upon consummation of this offering, our authorized capital stock will consist of shares of common stock, $0.0001 par value per share, and shares of preferred stock, $0.0001 par value per share. A description of the material terms and provisions of our amended and restated certificate of incorporation and amended and restated bylaws affecting the rights of holders of our capital stock is set forth below. The description is intended as a summary, and is qualified in its entirety by reference to the form of our amended and restated certificate of incorporation and the form of our amended and restated bylaws to be adopted prior to the completion of this offering and filed with the registration statement of which this prospectus is a part.

As of December 31, 2011, and after giving effect to the automatic conversion of all outstanding shares of our preferred stock into 228,552,739 shares of our common stock, there were outstanding:

- 243,972,186 shares of common stock held by 118 stockholders;
- 56,805,555 shares of common stock issuable upon exercise of outstanding stock options; and
- 3,245,814 shares of common stock issuable upon exercise of outstanding warrants, assuming the automatic conversion of outstanding warrants to purchase shares of our convertible preferred stock into warrants to purchase our common stock immediately prior to the completion of this offering.

Common Stock

Dividend Rights. Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine.

Voting Rights. Each holder of common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Our certificate of incorporation does not provide for the right of stockholders to cumulate votes for the election of directors. Our certificate of incorporation effective upon completion of this offering establishes a classified board of directors, to be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms.

No Preemptive or Similar Rights. Our common stock is not entitled to preemptive rights and is not subject to conversion, redemption or sinking fund provisions. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of any series of our preferred stock that we may designate and issue in the future.

Right to Receive Liquidation Distributions. Upon our dissolution, liquidation or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Fully Paid and Nonassessable. All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering will be, fully paid and nonassessable.

Preferred Stock

Upon the completion of this offering, each outstanding share of preferred stock will be converted into common stock.

Each share of Series E, D, C, B and A convertible preferred stock is convertible at the option of the holder into the number of shares of common stock which results from dividing the original issue price for such series of convertible preferred stock by the conversion price for such series of convertible preferred stock, subject to certain adjustments, as set forth below:

	Original Issue Price	Conversion Price	Shares of Common Stock
Series E	$ 0.680	$ 0.680	1
Series D	0.235	0.235	1
Series C	1.2847	0.511	2.514
Series B	0.6625	0.349	1.898
Series A	0.3200	0.261	1.226

The Series E, D, C, B and A convertible preferred stock will be automatically converted into common stock: (a) immediately prior to the closing of a firmly underwritten public offering pursuant to the Securities Act if aggregate gross proceeds to the company in such offering equal or exceed $30,000,000 and the public offering price is not less than $0.68 per share, or a “Qualified Public Offering”; and (b) upon our receipt of the written consent of the holders of (i) 60% of the Series E convertible preferred stock voting as a separate series, with respect to the conversion of all outstanding shares of Series E convertible preferred stock, (ii) a majority of the Series E convertible preferred stock voting as a separate series in connection with an initial public offering that is not a Qualified Public Offering, or (iii) a majority of the holders of the Series A, B, C and D convertible preferred stock voting together on an as-converted basis with respect to the conversion of all outstanding shares of Series A, B, C and D convertible preferred stock.

Following this offering, we will be authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions. Our board of directors can also increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring, discouraging or preventing a change in control of our company and may adversely affect the market price of our common stock and the voting and other rights of the holders of common stock. We have no current plan to issue any shares of preferred stock.

Warrants

As of December 31, 2011, 100,000 shares of our common stock were issuable upon exercise of an outstanding warrant to purchase common stock with an exercise price of $0.50 per share. This warrant was issued in connection with the execution of a supply and services agreement we entered into with a potential customer. This warrant fully vests on March 4, 2012 if certain product purchasing milestones have been satisfied by the customer as of such date, or upon an earlier change in control and partial satisfaction of such product purchasing milestones. This warrant will expire on the earlier of December 31, 2012, or upon such customer’s failure to meet such product purchasing milestones by (i) March 4, 2012, or (ii) an earlier change in control. The warrant contains provisions for the adjustment of the number of shares issuable upon the exercise of the warrant in the event of stock splits, recapitalizations, reclassifications and consolidations.

As of December 31, 2011, 100,000 shares of our Series C preferred stock were issuable upon exercise of an outstanding warrant to purchase Series C preferred stock with an exercise price of $1.2847 per share. This warrant was issued in connection with the execution of a strategic collaboration agreement we entered into with a potential distributor. This warrant becomes exercisable upon the completion of certain product qualification and

certification milestones, and will expire upon the earlier of (i) a change in control of Enphase, (ii) six months after becoming exercisable, or (iii) immediately prior to the closing of this offering. The warrant contains provisions for the adjustment of the exercise price and the number of shares issuable upon the exercise of the warrant in the event of stock dividends, stock splits, reorganizations and reclassifications. We do not expect that the exercise milestones will be met prior to the closing of this offering, and therefore we expect this warrant will expire.

As of December 31, 2011, an aggregate of 1,470,588 shares of our Series E preferred stock were issuable upon exercise of two outstanding warrants to purchase Series E preferred stock, each with an exercise price of $0.68 per share. These warrants were issued in connection with the execution of certain credit facilities we entered into with three lenders. These warrants are immediately exercisable and will expire upon the later of (i) ten years after the issuance date of each respective warrant, or (i) five years after the closing of this offering. These warrants have a net exercise provision under which the holder may, in lieu of payment of the exercise price in cash, surrender the warrants and receive a net amount of shares based on the fair market value of our common stock at the time of exercise of the warrants after deduction of the aggregate exercise price. The warrants contain provisions for the adjustment of the exercise price and the number of shares issuable upon the exercise of the warrants in the event of stock dividends, stock splits, reorganizations and reclassifications and consolidations. Following the closing of this offering, these warrants will be exercisable for an aggregate of 1,470,588 shares of our common stock.

As of December 31, 2011, an aggregate of 229,591 shares of our Series E preferred stock were issuable upon exercise of an outstanding warrant to purchase Series E preferred stock, each with an exercise price of $0.98 per share. These warrants were issued in connection with the execution of an equipment financing facility. These warrants are immediately exercisable and will expire upon the later of (i) ten years after the issuance date of each respective warrant, or (i) five years after the closing of this offering. The warrants contain provisions for the adjustment of the exercise price and the number of shares issuable upon the exercise of the warrants in the event of stock dividends, stock splits, reorganizations and reclassifications and consolidations. Following the closing of this offering, these warrants will be exercisable for an aggregate of 229,591 shares of our common stock.

As of December 31, 2011, an aggregate of 695,586 shares of our common stock were issuable upon exercise of outstanding warrants to purchase common stock with an exercise price of $0.58 per share. These warrants were issued to certain existing preferred stockholders in connection with our junior secured convertible loan facility. The warrants are immediately exercisable and will expire on June 14, 2016, subject to earlier termination upon an acquisition of Enphase in which the consideration payable to holders of our common stock consists of cash and/or a class of securities that are registered under the Securities Exchange Act of 1934, as amended. The warrants contain provisions for the adjustment of the exercise price and/or the number of shares issuable upon the exercise of the warrants in the event of stock dividends, stock splits, stock combinations, reorganizations, reclassifications, exchanges, substitutions and consolidations. In connection with the November 2011 amendment to our junior secured convertible loan facility, we issued warrants to purchase an additional 498,649 shares of our common stock, with an exercise price of $0.58 per share, to certain existing preferred stockholders. See Note 15 to Consolidated Financial Statements.

Registration Rights

Following the closing of this offering, certain holders of our common stock, or their transferees, will be entitled to the registration rights set forth below with respect to registration of the resale of such shares under the Securities Act pursuant to an investors' rights agreement by and among us and certain of our stockholders.

Demand registration rights. Following the closing of this offering, the holders of approximately 241,723,037 shares of our common stock will be entitled to certain demand registration rights. At any time after six months following completion of this offering, the holders of at least a majority of these shares have the right

to request that we file up to two registration statements. We may postpone the filing of a registration statement for up to 90 days if we determine that the filing would be seriously detrimental to us and our stockholders, and the underwriters of an underwritten offering will have the right, subject to certain restrictions, to limit the number of shares registered by these holders for reasons relating to the marketing of the shares.

Piggyback registration rights. Following the closing of this offering, if we propose to register any of our securities for public sale, the holders of approximately 241,723,037 shares of our common stock will be entitled to certain "piggyback" registration rights allowing the holders to include their shares in such registration. However, this right does not apply to a registration relating to any of our employee benefit plans, the exchange of securities in certain corporate reorganizations or certain other transactions or the issuance of common stock upon conversion of debt securities, the offer and sale of which are also being registered. The underwriters of any underwritten offering will have the right to limit the number of shares registered by these holders for reasons relating to the marketing of the shares, but not below 30% of the total number of shares included in the registration statement.

Form S-3 registration rights. Following the closing of this offering, the holders of approximately 241,723,037 shares of our common stock will be entitled to certain Form S-3 registration rights. At any time after we are eligible to file a registration statement on Form S-3, holders of at least 25% of these shares have the right to request that we effect a registration on Form S-3 if the proposed aggregate offering price of the shares to be registered by the holders requesting registration is at least $1,000,000. We will not be required to effect such a registration if we have effected one such registration within the 24-month period preceding a request and we may postpone the filing of a registration statement on Form S-3 for up to 90 days if we determine that the filing would be seriously detrimental to us and our stockholders. The underwriters of any underwritten offering will have the right, subject to certain restrictions, to limit the number of shares registered by these holders for reasons relating to the marketing of the shares.

Registration expenses. We will pay all expenses incurred by holders of shares registered in connection with up to two demand registrations and all piggyback and Form S-3 registrations except, in each case, for fees and expenses of legal counsel in excess of $50,000, underwriting discounts, selling commissions and transfer taxes. However, subject to limited exceptions, we will not pay for any expenses of any demand registration if the request is subsequently withdrawn by the holders or if the net proceeds requirement of a demand registration is not met.

Expiration of registration rights. The registration rights described above will expire five years after the closing of this offering, or, with respect to any particular stockholder, when such stockholder is able to sell all of its shares pursuant to Rule 144 of the Securities Act or a similar exemption in any three-month period.

Holders of substantially all of our shares with these registration rights have signed agreements with the underwriters or us prohibiting the exercise of their registration rights for 180 days, subject to possible extension of up to 35 additional days beyond the end of such 180-day period, following the date of this prospectus. These agreements are described below under the section entitled "Underwriters."

Anti-Takeover Effects of Delaware Law and Our Charter Documents

Some of the provisions of Delaware law may have the effect of delaying, deferring, discouraging or preventing another person from acquiring control of our company.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. This section prevents some Delaware corporations from engaging, under some circumstances, in a business combination, which includes a merger or sale of at least 10% of the corporation's assets with any interested stockholder, meaning a stockholder who owns 15% or more of the corporation's

outstanding voting stock, or is an affiliate or associate of the corporation and within three years prior to the determination of interested stockholder status, did own 15% or more of the corporation's outstanding voting stock, or is an affiliate or associate of such person unless:

- the transaction is approved by the board of directors prior to the time that the interested stockholder became an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder's becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- at or subsequent to such time that the stockholder became an interested stockholder the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate or incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. We do not plan to "opt out" of these provisions. The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

Certain provisions in our amended and restated certificate of incorporation and our amended and restated bylaws that will be in effect upon the closing of this offering could have an effect of delaying, deferring or preventing a change in control. For a description of such provisions, see "Risk Factors—Our charter documents and Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock."

Listing

We have applied for the listing of our common stock on the NASDAQ Global Market under the trading symbol "ENPH."

Transfer Agent and Registrar

Upon the completion of this offering, the transfer agent and registrar for our common stock will be American Stock Transfer & Trust Company, LLC.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has not been any public market for our common stock, and we make no prediction as to the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could adversely affect the market price of our common stock and could impair our future ability to raise capital through the sale of equity securities.

Based on the number of shares of common stock outstanding as of December 31, 2011, upon completion of this offering we will have an aggregate of shares of common stock outstanding, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options. Of the outstanding shares, all of the shares sold in this offering, plus any additional shares sold upon exercise of the underwriters' over-allotment option, will be freely tradable, except that any shares purchased by "affiliates" (as that term is defined in Rule 144 under the Securities Act), may only be sold in compliance with the limitations described below. The remaining 243,972,186 shares of common stock will be deemed "restricted securities" as defined in Rule 144. Restricted securities may be sold in the public market only if the sale is registered or if the sale qualifies for an exemption from registration under Rule 144 or Rule 701, promulgated under the Securities Act, which rules are summarized below.

As a result of the contractual lock-up restrictions described below and the provisions of Rules 144 and 701, the restricted shares will be available for sale in the public market as follows:

- no shares will be eligible for sale immediately upon completion of this offering; and
- 243,972,186 shares will be eligible for sale upon the expiration of lock-up agreements, subject in some cases to volume and other restrictions of Rule 144 and Rule 701 under the Securities Act.

The number of shares eligible for sale upon expiration of lock-up agreements assumes the conversion of all outstanding shares of our preferred stock into an aggregate of 228,552,739 shares of common stock.

Lock-Up Agreements and Obligations

We, all of our directors and executive officers and substantially all of our stockholders have entered into lock-up agreements that generally provide that we and they will not (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exchangeable for shares of common stock, or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any shares of common stock or such other securities, without the prior written consent of Morgan Stanley & Co. LLC for a period of 180 days from the date of this prospectus, subject to certain exceptions described under the heading "Underwriters."

The 180-day restricted period described above is subject to extension such that, in the event that either (1) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material new or material event.

In addition, each grant agreement under our 2006 Equity Incentive Plan contains restrictions similar to those set forth in the lock-up agreements described above limiting the disposition of securities issuable pursuant to those plans for a period of at least 180 days following the date of this prospectus.

Rule 144

In general, under Rule 144 of the Securities Act as currently in effect, once we have been subject to public company reporting requirements for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell such shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then such person is entitled to sell such shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell, upon expiration of the lock-up agreements described above and under the section "Underwriters", within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately shares immediately after this offering, based on shares of common stock outstanding on December 31, 2011 and the other assumptions set forth above; or
- the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling such shares pursuant to Rule 701. However, substantially all Rule 701 shares are subject to lock-up agreements as described above and under the section "Underwriters" and will become eligible for sale at the expiration of those agreements.

As of December 31, 2011, 6,927,149 shares of our outstanding common stock had been issued in reliance on Rule 701 as a result of exercises of stock options and stock awards. These shares will be eligible for resale in reliance on this rule upon the expiration of the lock-up agreements described above.

Stock Plans

We intend to file registration statements on Form S-8 under the Securities Act covering all of the shares of our common stock subject to options outstanding or reserved for issuance under our stock plans, including our 2011 Employee Stock Purchase Plan. We expect to file this registration statement as soon as practicable after this offering. Accordingly, shares registered under the registration statement on Form S-8 will be available for sale in the open market following its effective date, subject to the lock-up agreements described above and the Rule 144 limitations applicable to affiliates.

Registration Rights

Upon completion of this offering, the holders of an aggregate of 244,387,860 shares of our common stock, based on shares of common stock outstanding on December 31, 2011 and assuming exercise of all warrants outstanding as of such date and the other assumptions set forth above, or their transferees, will be entitled to rights with respect to the registration of their shares under the Securities Act. Registration of these shares under the Securities Act will result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of such registration. For a further description of these rights, see the section entitled “Description of Capital Stock—Registration Rights.”

MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following summary describes the material U.S. federal income and estate tax consequences of the acquisition, ownership and disposition of our common stock acquired in this offering by Non-U.S. Holders (as defined below). This discussion does not address all aspects of U.S. federal income and estate taxes and does not deal with foreign, state and local consequences that may be relevant to Non-U.S. Holders in light of their particular circumstances, nor does it address U.S. federal tax consequences other than income and estate taxes. Special rules different from those described below may apply to certain Non-U.S. Holders that are subject to special treatment under the Internal Revenue Code of 1986, as amended, or the Code, such as financial institutions, insurance companies, tax-exempt organizations, broker-dealers and traders in securities, U.S. expatriates, "controlled foreign corporations," "passive foreign investment companies," corporations that accumulate earnings to avoid U.S. federal income tax, persons that hold our common stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or integrated investment or other risk reduction strategy, partnerships and other pass-through entities, and investors in such pass-through entities or an entity that is treated as a disregarded entity for U.S. federal income tax purposes (regardless of its place of organization or formation). Such Non-U.S. Holders are urged to consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them. Furthermore, the discussion below is based upon the provisions of the Code, and Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, perhaps retroactively, so as to result in U.S. federal income and estate tax consequences different from those discussed below. We have not requested a ruling from the U.S. Internal Revenue Service, or IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. This discussion assumes that the Non-U.S. Holder holds our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment).

Persons considering the purchase of our common stock pursuant to this offering should consult their own tax advisors concerning the U.S. federal income and estate tax consequences of acquiring, owning and disposing of our common stock in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction, including any state, local or foreign tax consequences.

For the purposes of this discussion, a "Non-U.S. Holder" is, for U.S. federal income tax purposes, a beneficial owner of common stock that is not a U.S. Holder, a partnership or other pass-through entity, or a disregarded entity. A "U.S. Holder" means a beneficial owner of our common stock that is for U.S. federal income tax purposes (a) an individual who is a citizen or resident of the United States, (b) a corporation or other entity treated as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

Distributions

Subject to the discussion below, distributions, if any, made on our common stock to a Non-U.S. Holder of our common stock to the extent made out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles) generally will constitute dividends for U.S. tax purposes and will be subject to withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. To obtain a reduced rate of withholding under a treaty, a Non-U.S. Holder generally will be required to provide us with a properly executed IRS Form W-8BEN, or other appropriate form, certifying the Non-U.S. Holder's entitlement to benefits under that treaty. In the case of a Non-U.S. Holder that is an entity, Treasury

Regulations and the relevant tax treaty provide rules to determine whether, for purposes of determining the applicability of a tax treaty, dividends will be treated as paid to the entity or to those holding an interest in that entity. If a Non-U.S. Holder holds stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to such agent. The holder's agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty, you should consult with your own tax advisor to determine if you are able to obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS.

We generally are not required to withhold tax on dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that such holder maintains in the United States) if a properly executed IRS Form W-8ECI, stating that the dividends are so connected, is furnished to us (or, if stock is held through a financial institution or other agent, to such agent). In general, such effectively connected dividends will be subject to U.S. federal income tax, on a net income basis at the regular graduated rates generally in the same manner as a U.S. person. A corporate Non-U.S. Holder receiving effectively connected dividends may also be subject to an additional "branch profits tax," which is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable treaty) on the corporate Non-U.S. Holder's effectively connected earnings and profits, subject to certain adjustments.

To the extent distributions on our common stock, if any, exceed our current and accumulated earnings and profits, they will constitute a non-taxable return of capital and will first reduce your adjusted basis in our common stock, but not below zero, and then will be treated as gain and taxed in the same manner as gain realized from a sale or other disposition of common stock as described in the next section.

Gain on Disposition of Our Common Stock

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain realized on a sale or other disposition of our common stock unless (a) the gain is effectively connected with a trade or business of such holder in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment that such holder maintains in the United States), (b) the Non-U.S. Holder is a nonresident alien individual and is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met, or (c) we are or have been a "United States real property holding corporation" within the meaning of Code Section 897(c)(2) at any time within the shorter of the five-year period preceding such disposition or such holder's holding period. In general, we would be a United States real property holding corporation if interests in U.S. real estate comprised (by fair market value) at least half of our business assets. We believe that we are not, and do not anticipate becoming, a United States real property holding corporation. Even if we are treated as a United States real property holding corporation, gain realized by a Non-U.S. Holder on a disposition of our common stock will not be subject to U.S. federal income tax so long as (1) the Non-U.S. Holder owned, directly, indirectly and constructively, no more than five percent of our common stock at all times within the shorter of (i) the five-year period preceding the disposition or (ii) the holder's holding period and (2) our common stock is regularly traded on an established securities market. There can be no assurance that our common stock will continue to qualify as regularly traded on an established securities market.

If you are a Non-U.S. Holder described in (a) above, you will be required to pay tax on the net gain derived from the sale at regular graduated U.S. federal income tax rates generally in the same manner as a U.S. person, and corporate Non-U.S. Holders described in (a) above may be subject to the additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. If you are an individual Non-U.S. Holder described in (b) above, you will be required to pay a flat 30% tax on the gain derived from the sale, which gain may be offset by U.S. source capital losses (even though you are not considered a resident of the United States).

Information Reporting Requirements and Backup Withholding

Generally, we or certain financial middlemen must report information to the IRS with respect to any dividends we pay on our common stock including the amount of any such dividends, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder to whom any such dividends are paid. Pursuant to tax treaties or certain other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

Dividends paid by us (or our paying agents) to a Non-U.S. Holder may also be subject to U.S. backup withholding. U.S. backup withholding generally will not apply to a Non-U.S. Holder who provides a properly executed IRS Form W-8BEN or otherwise establishes an exemption. The current backup withholding rate is 28%.

Under current U.S. federal income tax law, U.S. information reporting and backup withholding requirements generally will apply to the proceeds of a disposition of our common stock effected by or through a U.S. office of any broker, U.S. or foreign, except that information reporting and such requirements may be avoided if the holder provides a properly executed IRS Form W-8BEN, satisfies documentary evidence requirements for establishing Non-U.S. Holder status or otherwise establishes an exemption. Generally, U.S. information reporting and backup withholding requirements will not apply to a payment of disposition proceeds to a Non-U.S. Holder where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. Information reporting and backup withholding requirements may, however, apply to a payment of disposition proceeds if the broker has actual knowledge, or reason to know, that the holder is, in fact, a U.S. person. For information reporting purposes, certain brokers with substantial U.S. ownership or operations will generally be treated in a manner similar to U.S. brokers.

If backup withholding is applied to you, you should consult with your own tax advisor to determine if you are able to obtain a tax benefit or credit with respect to such backup withholding.

Recently Enacted Legislation Affecting Taxation of Our Common Stock Held by or Through Foreign Entities

Recently enacted legislation generally will impose a U.S. federal withholding tax of 30% on dividends and the gross proceeds of a disposition of our common stock paid after December 31, 2012 to a foreign financial institution (as specifically defined for this purpose) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). The legislation also will generally impose a U.S. federal withholding tax of 30% on dividends and the gross proceeds of a disposition of our common stock paid after December 31, 2012 to a non-financial foreign entity unless such entity provides the withholding agent with either a certification that it does not have any substantial direct or indirect U.S. owners or provides information regarding direct and indirect U.S. owners of the entity. Under certain circumstances, a Non-U.S. Holder might be eligible for refunds or credits of such taxes. Holders are encouraged to consult with their own tax advisors regarding the possible implications of the legislation on their investment in our common stock.

Federal Estate Tax

An individual Non-U.S. Holder who is treated as the owner of, or has made certain lifetime transfers of, an interest in our common stock will be required to include the value thereof in his or her gross estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise, even though such individual was not a citizen or resident of the United States at the time of his or her death.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAW.

UNDERWRITERS

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares indicated below:

Name	Number of Shares
Morgan Stanley & Co. LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Jefferies & Company, Inc.	
Lazard Capital Markets LLC	
ThinkEquity LLC	
Total	

The underwriters and the representatives are collectively referred to as the "underwriters" and the "representatives," respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' option to purchase additional shares described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $ per share. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representative.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

The estimated offering expenses payable by us, in addition to the underwriting discounts and commissions, are approximately $ million.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional shares of common stock.

		Total	
	Per Share	No Exercise	Full Exercise
Public offering price	$	$	$
Underwriting discounts and commissions to be paid by us	$	$	$
Proceeds, before expenses, to us	$	$	$

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by them.

We have applied to list our common stock on the NASDAQ Global Market under the symbol “ENPH.”

We and all directors and officers and the holders of all of our outstanding stock and stock options have agreed that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock; or
- file any registration statement with the Securities and Exchange Commission relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock.

Whether any such transaction described in the first two bullet points above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, we and each such person agree that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters, we and such persons will not, during the period ending 180 days after the date of this prospectus, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

The restrictions described in the two immediately preceding paragraphs do not apply to:

- the sale by us of shares of common stock pursuant to the underwriting agreement;
- the issuance by us of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus and as described in this prospectus;
- transactions by a director, officer or stockholder relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares; provided that no filing under Section 16(a) of the Securities Exchange Act of 1934, as amended, is required or voluntarily made in connection with subsequent sales of the common stock or other securities acquired in such open market transactions;
- transfers of shares of common stock or any securities convertible into common stock by a director, officer or stockholder (i) as a bona fide gift, (ii) by will or intestate succession or (iii) to any trust for the direct or indirect benefit of the director, officer, stockholder or an immediate family member, provided that it shall be a condition of the transfer that each transferee or donee shall sign and deliver a copy of the lock-up agreement prior to or upon such transfer and no filing under Section 16(a) of the Exchange Act reporting a disposition of shares of common stock or any other reduction in beneficial ownership of shares of common stock shall be required or shall be made voluntarily during the 180-day restricted period;
- transfers or distributions of shares of common stock or any securities convertible into common stock by a stockholder that is a corporation, partnership, limited liability company or other business entity (i) to any stockholder, partner or member of, or owner of a similar equity interest in, such stockholder, as the case may be, (ii) in connection with the sale or other bona fide transfer in a single transaction of all or substantially all of the stockholder’s capital stock, partnership interests, membership interests or other similar equity interests, as the case may be, or all or substantially all of the stockholder’s assets,

in any such case not undertaken for the purpose of avoiding the restrictions imposed by the lock-up agreement or (iii) to another corporation, partnership, limited liability company or other business entity so long as the transferee is an affiliate of the stockholder, provided that it shall be a condition of the transfer that each transferee or donee shall sign and deliver a copy of the lock-up agreement prior to or upon such transfer and no filing under Section 16(a) of the Exchange Act reporting a disposition of shares of common stock or any other reduction in beneficial ownership of shares of common stock shall be required or shall be made voluntarily during the 180-day restricted period;

- the establishment by a director, officer or stockholder of a trading plan pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, for the transfer of shares of common stock, provided that such plan does not provide for the transfer of common stock during the restricted period and no public announcement or filing under the Securities Exchange Act of 1934, as amended, regarding the establishment of such plan shall be required or shall be voluntarily made;
- the exercise of options granted under our 2006 Equity Incentive Plan, 2011 Equity Incentive Plan, or 2011 Employee Stock Purchase Plan or warrants outstanding on the date of this prospectus, in each case by a director, officer or stockholder, provided that it shall be a condition of the transfer that shares received upon such exercise shall be subject to the lock-up restrictions and no filing under Section 16(a) of the Exchange Act reporting the disposition of shares of common stock or any other reduction in the beneficial ownership of shares is required or voluntarily made in connection with these transactions during this 180-day restricted period;
- the issuance by us of shares of common stock, or other securities convertible into or exercisable for common stock, stock pursuant to our equity incentive plans described in this prospectus, provided that the recipient of such shares or options shall sign and deliver a copy of the lock-up agreement to the extent such shares or options become vested within 180 days after the date of this prospectus;
- the entry by us into an agreement to issue shares of our common stock or any security convertible into or exercisable for shares of our common stock in connection with our acquisition of the securities, business, property or assets of another person, or in connection with joint ventures, commercial relationships or other strategic transactions, in an aggregate amount not to exceed 5% of the total number of shares of our common stock issued and outstanding immediately following the completion of the offering, *provided* that each recipient of these securities shall execute a lock-up agreement and we shall enter stop transfer instructions with our transfer agent and registrar, which we will not waive or amend without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters;
- transfers by a director, officer or stockholder to us of shares of common stock or other securities convertible into or exercisable or exchangeable for common stock (i) upon a vesting event of such securities or the exercise of options issued pursuant to our 2006 Equity Incentive Plan, 2011 Equity Incentive Plan, or 2011 Employee Stock Purchase Plan in full or partial payment of taxes or tax withholding obligations required to be paid or satisfied upon such vesting or exercise or (ii) in exercise of our right to repurchase or reacquire securities pursuant to agreements that permit us to repurchase or reacquire such securities upon termination of services to the company, provided that it shall be a condition of the transfer that no filing under Section 16(a) of the Exchange Act, reporting a disposition of shares of Common Stock or any other reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during this 180-day restricted period;
- transfers by a director, officer or stockholder of shares of common stock acquired pursuant to our 2011 Employee Stock Purchase Plan, provided that it shall be a condition of the transfer that no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made in connection with such transfer during this 180-day restricted period;
- transfers by a director, officer or stockholder pursuant to a sale or an offer to purchase 100% of our outstanding common stock, whether pursuant to a merger, tender offer or otherwise, to a third party or group of third parties; and

- the filing by us of a registration statement on Form S-8 in respect of any shares issued under or the grant of any award pursuant to an employee benefit plan described in this prospectus.

The 180-day restricted period described in the immediately preceding paragraph will be extended if:

- during the last 17 days of the 180-day restricted period we issue an earnings release or material news or a material event relating to us occurs, or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period or provide notification to Morgan Stanley & Co. LLC of any earnings release or material news or material event that may give rise to an extension of the initial 180-day restricted period,

in which case the restrictions described in the immediately preceding paragraph will continue to apply until the expiration of the 18 day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Morgan Stanley & Co. LLC, in its sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. When determining whether or not to release common stock and other securities from lock-up agreements, Morgan Stanley & Co. LLC will consider, among other factors, the holder's reasons for requesting the release, the number of shares of common stock and other securities for which the release is being requested and market conditions at the time.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the option to purchase additional shares of common stock. The underwriters can close out a covered short sale by exercising the option to purchase additional shares of common stock or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the option to purchase additional shares of common stock. The underwriters may also sell shares in excess of the option to purchase additional shares of common stock, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating the offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory,

investment management, principal investment, hedging, financing and brokerage activities. None of the underwriters have performed financial advisory or investment banking services for us other than in connection with this offering. However certain of the underwriters and their respective affiliates may in the future perform various financial advisory and investment banking services for us, for which they may receive customary fees and expenses. In February 2010, we entered into a commercial supply agreement and a related services agreement with MS Solar Solutions Corp., or MSSS, an affiliate of Morgan Stanley & Co. LLC, an underwriter in this offering. Under these agreements, MSSS purchases microinverters from us and then resells them to MSSS project companies in connection with the installation of solar PV systems in the United States. In connection with these agreements, MSSS received a three-year warrant to purchase 100,000 shares of our common stock. This warrant was issued in March 2010 and is exercisable contingent on MSSS purchasing at least 200,000 microinverters from us by March 2012. Morgan Stanley, an affiliate of Morgan Stanley & Co. LLC, has guaranteed the payment obligations of MSSS under the supply agreement. Morgan Stanley's liability under the guarantee is limited to $100,000.

Lazard Frères & Co. LLC referred this transaction to Lazard Capital Markets LLC and will receive a referral fee from Lazard Capital Markets LLC in connection therewith.

Pricing of the Offering

Prior to this offering, there has been no public market for our common stock. The initial public offering price was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity that is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

Switzerland

We have not and will not register with the Swiss Financial Market Supervisory Authority, or FINMA, as a foreign collective investment scheme pursuant to Article 119 of the Federal Act on Collective Investment Scheme of 23 June 2006, as amended, or CISA, and accordingly the securities being offered pursuant to this prospectus have not and will not be approved, and may not be licenseable, with FINMA. Therefore, the securities have not been authorized for distribution by FINMA as a foreign collective investment scheme pursuant to Article 119 CISA and the securities offered hereby may not be offered to the public (as this term is defined in Article 3 CISA) in or from Switzerland. The securities may solely be offered to "qualified investors," as this term is defined in Article 10 CISA, and in the circumstances set out in Article 3 of the Ordinance on Collective Investment Scheme of 22 November 2006, as amended, or CISO, such that there is no public offer. Investors, however, do not benefit from protection under CISA or CISO or supervision by FINMA. This prospectus and any other materials relating to the securities are strictly personal and confidential to each offeree and do not constitute an offer to any other person. This prospectus may only be used by those qualified investors to whom it has been handed out in connection with the offer described herein and may neither directly or indirectly be distributed or made available to any person or entity other than its recipients. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in Switzerland or from Switzerland. This prospectus does not constitute an issue prospectus as that term is understood pursuant to Article 652a and/or 1156 of the Swiss Federal Code of Obligations. We have not applied for a listing of the securities on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or DFSA. This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Cooley LLP, Palo Alto, California. Certain legal matters in connection with this offering will be passed upon for the underwriters by Davis Polk & Wardwell LLP, Menlo Park, California.

EXPERTS

The consolidated financial statements as of December 31, 2009 and 2010, and for each of the three years in the period ended December 31, 2010 included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the registration statement. Such consolidated financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock we are offering. The registration statement, including the attached exhibits and schedules, contains additional relevant information about us and our common stock. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. The rules and regulations of the SEC allow us to omit from this prospectus certain information included in the registration statement.

For further information about us and our common stock, you may inspect a copy of the registration statement and the exhibits and schedules to the registration statement without charge at the offices of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of all or any part of the registration statement from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549 upon the payment of the prescribed fees. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at *www.sec.gov* that contains reports, proxy and information statements and other information regarding registrants like us that file electronically with the SEC. You can also inspect our registration statement on this website.

Upon completion of this offering, we will become subject to the reporting and information requirements of the Exchange Act, and we will file reports, proxy statements and other information with the SEC.

ENPHASE ENERGY, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2010 (UNAUDITED) AND SEPTEMBER 30, 2011 (UNAUDITED)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Enphase Energy, Inc.:

We have audited the accompanying consolidated balance sheets of Enphase Energy, Inc. and subsidiaries (the "Company") as of December 31, 2009 and 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Enphase Energy, Inc. and subsidiaries as of December 31, 2009 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California
April 29, 2011
(January 31, 2012 as to Note 15)

ENPHASE ENERGY, INC.

Consolidated Balance Sheets
(in thousands, except per share data)

	December 31, 2009	December 31, 2010	September 30, 2011	Pro Forma September 30, 2011 (Note 2)
			(unaudited)	
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 8,642	$ 39,993	$ 26,522	$ 26,522
Accounts receivables, net of allowances of $50, $16 and $80 as of December 31, 2009, December 31, 2010 and September 30, 2011, respectively	6,369	8,024	17,569	17,569
Inventory	1,483	4,521	10,259	10,259
Prepaid expenses and other	189	418	1,074	1,074
Total current assets	16,683	52,956	55,424	55,424
Property and equipment, net	3,894	6,103	15,167	15,167
Other assets	370	445	3,793	3,793
Total assets	$ 20,947	$ 59,504	$ 74,384	$ 74,384
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 4,595	$ 6,521	$ 14,951	$ 14,951
Accrued liabilities	799	2,910	8,314	8,314
Deferred revenues	107	595	343	343
Current portion of term loan	178	2,567	3,530	3,530
Convertible preferred stock warrant liability	—	610	1,351	—
Total current liabilities	5,679	13,203	28,489	27,138
Long-term liabilities:				
Deferred revenues	175	1,044	2,947	2,947
Warranty obligations	1,087	2,328	4,380	4,380
Other liabilities	146	112	196	196
Term loan	233	4,336	11,068	11,068
Convertible note	—	—	11,719	11,719
Total long-term liabilities	1,641	7,820	30,310	30,310
Total liabilities	7,320	21,023	58,799	57,448
Commitments and contingencies				
Stockholders' equity:				
Convertible preferred stock, $0.00001 par value; 213,913 shares authorized; 134,294, 201,765 and 201,765 shares issued and outstanding at December 31, 2009, December 31, 2010 and September 30, 2011, respectively; aggregate liquidation preference of $87,262, $133,142 and $133,142 at December 31, 2009, December 31 2010 and September 30, 2011, respectively; no shares authorized, issued or outstanding pro forma	47,859	93,596	93,596	—
Common stock, $0.00001 par value; 376,000 shares authorized; 6,653, 7,662 and 14,058 shares issued and outstanding at December 31, 2009, December 31, 2010 and September 30, 2011, respectively	—	—	—	2
Additional paid-in capital	509	1,403	5,354	100,299
Accumulated deficit	(34,741)	(56,518)	(83,271)	(83,271)
Accumulated other comprehensive loss	—	—	(94)	(94)
Total stockholders' equity	13,627	38,481	15,585	16,936
Total liabilities and stockholders' equity	$ 20,947	$ 59,504	$ 74,384	$ 74,384

See notes to consolidated financial statements.

ENPHASE ENERGY, INC.

Consolidated Statements of Operations
(in thousands, except per share data)

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Net revenues	$ 1,668	$ 20,194	$ 61,661	$ 41,046	$ 92,389
Cost of revenues	7,475	23,223	55,159	36,745	76,391
Gross profit (loss)	(5,807)	(3,029)	6,502	4,301	15,998
Operating expenses:					
Research and development	5,354	8,411	14,296	9,863	17,919
Sales and marketing	1,809	2,651	6,558	4,089	11,842
General and administrative	1,727	2,603	6,365	4,386	11,119
Total operating expenses	8,890	13,665	27,219	18,338	40,880
Loss from operations	(14,697)	(16,694)	(20,717)	(14,037)	(24,882)
Other income (expense), net:					
Interest income	206	125	39	34	4
Interest expense	(9)	(356)	(914)	(637)	(1,626)
Other income (expense)	(1)	—	(185)	(114)	(249)
Total other income (expense), net	196	(231)	(1,060)	(717)	(1,871)
Net loss	$(14,501)	$(16,925)	$ (21,777)	$(14,754)	$ (26,753)
Net loss attributable to common stockholders	$(14,501)	$(16,925)	$ (21,777)	$(14,754)	$ (26,753)
Net loss per share attributable to common stockholders, basic and diluted	$ (2.72)	$ (2.85)	$ (3.19)	$ (2.23)	$ (2.61)
Shares used in computing net loss per share attributable to common stockholders, basic and diluted	5,333	5,932	6,829	6,630	10,264
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)			$ (0.10)		$ (0.11)
Pro forma shares used in computing pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)			216,536		238,817

See notes to consolidated financial statements.

ENPHASE ENERGY, INC.
Consolidated Statements of Stockholders' Equity
(in thousands, except per share amounts)

	Convertible Preferred Stock																
	Series A		Series B		Series C		Series D		Series E		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Comprehensive Loss
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
BALANCE — December 31, 2007	1,875	$ 584	8,540	$ 5,625	—	$ —	—	$ —	—	$ —	5,962	$ —	$ 81	$ (3,315)	$ —	$ 2,975	
Issuance of common stock at $0.00001 per share											290					—	
Issuance of Series B convertible preferred stock at $0.6625 per share, net of issuance costs of $33			1,132	750												750	
Issuance of Series C convertible preferred stock at $1.2847 per share, net of issuance costs of $88					11,676	14,912										14,912	
Exercise of stock options											63		9			9	
Stock-based compensation													208			208	
Net loss and total comprehensive loss														(14,501)		(14,501)	$ (14,501)
BALANCE — December 31, 2008	1,875	584	9,672	6,375	11,676	14,912	—	—	—	—	6,315	—	298	(17,816)	—	4,353	
Issuance of Series D convertible preferred stock at $0.235 per share, net of issuance costs of $114							103,522	24,214								24,214	
Issuance of Series D convertible preferred stock and beneficial conversion feature upon conversion of promissory notes							7,549	1,774								1,774	
Exercise of stock options											338		31			31	
Stock-based compensation													180			180	
Net loss and total comprehensive loss														(16,925)		(16,925)	$ (16,925)
BALANCE — December 31, 2009	1,875	584	9,672	6,375	11,676	14,912	111,071	25,988	—	—	6,653	—	509	(34,741)	—	13,627	
Issuance of Series E convertible preferred stock at $0.68 per share, net of issuance costs of $145									67,471	45,737						45,737	
Exercise of stock options											1,009		65			65	
Stock-based compensation													829			829	
Net loss and total comprehensive loss														(21,777)		(21,777)	$ (21,777)
BALANCE — December 31, 2010	1,875	584	9,672	6,375	11,676	14,912	111,071	25,988	67,471	45,737	7,662	—	1,403	(56,518)	—	38,481	
Issuance of common stock at $0.58 per share (unaudited)											1,890		1,097			1,097	
Exercise of stock options (unaudited)											4,506		182			182	
Stock-based compensation (unaudited)													1,439			1,439	
Fair value of warrants and common stock issued in connection with Convertible Facility (unaudited)													1,233			1,233	
Net loss (unaudited)														(26,753)		(26,753)	$ (26,753)
Other comprehensive loss:																	
Cumulative translation adjustment (unaudited)															(94)	(94)	(94)
Total comprehensive loss (unaudited)																	$ (26,847)
BALANCE — September 30, 2011 (unaudited)	1,875	$ 584	9,672	$ 6,375	11,676	$ 14,912	111,071	$ 25,988	67,471	$ 45,737	14,058	$ —	$ 5,354	$(83,271)	$ (94)	$ 15,585	

See notes to consolidated financial statements.

ENPHASE ENERGY, INC.

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Cash flows from operating activities:					
Net loss	$(14,501)	$(16,925)	$(21,777)	$(14,754)	$(26,753)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortization	332	803	1,550	1,081	2,020
Net loss on disposal of assets	—	—	24	23	—
Provision for doubtful accounts	—	50	—	—	64
Noncash interest expense	—	274	90	60	745
Stock-based compensation	208	180	829	508	1,439
Change in fair value of convertible preferred stock warrant	—	—	189	126	273
Changes in operating assets and liabilities:					
Accounts receivable	(728)	(5,691)	(1,655)	(408)	(9,609)
Inventory	(695)	(700)	(3,038)	(3,703)	(5,739)
Prepaid expenses and other assets	(87)	(71)	(298)	(1,391)	(2,005)
Accounts payable, accrued and other liabilities	3,064	3,085	4,877	5,382	14,685
Deferred revenue	174	108	1,357	755	1,651
Net cash used in operating activities	(12,233)	(18,887)	(17,852)	(12,321)	(23,229)
Cash flows from investing activities:					
Purchases of property and equipment	(2,313)	(2,134)	(3,262)	(2,408)	(9,589)
Purchases of intangible assets	(160)	(36)	—	—	—
Deposits	(43)	(55)	—	—	—
Restricted cash	(103)	103	—	—	—
Net cash used in investing activities	(2,619)	(2,122)	(3,262)	(2,408)	(9,589)
Cash flows from financing activities:					
Proceeds from issuance of convertible preferred stock	15,750	24,328	45,882	45,882	—
Costs related to issuance of convertible preferred stock	(88)	(114)	(145)	(145)	—
Proceeds from issuance of convertible notes	—	1,500	—	—	12,500
Proceeds from sale of common stock	—	—	—	—	1,097
Borrowings under capital lease obligations	198	—	—	—	—
Principal payments under capital leases	—	(70)	(65)	(63)	(130)
Proceeds from term loan and debt	571	—	7,000	7,000	9,248
Term loan and debt issuance costs	—	—	(90)	(90)	(189)
Repayments of term loan	—	(160)	(178)	(119)	(1,381)
Proceeds from the exercise of stock options	9	31	61	21	182
Deferred offering costs	—	—	—	—	(1,886)
Net cash provided by financing activities	16,440	25,515	52,465	52,486	19,441
Effect of exchange rate changes on cash	—	—	—	—	(94)
Net increase (decrease) in cash and cash equivalents	1,588	4,506	31,351	37,757	(13,471)
Cash and cash equivalents — Beginning of period	2,548	4,136	8,642	8,642	39,993
Cash and cash equivalents — End of period	$ 4,136	$ 8,642	$ 39,993	$ 46,399	$ 26,522
Supplemental disclosures of cash flow information:					
Cash paid for interest	$ 9	$ 82	$ 695	$ 540	$ 909
Noncash financing and investing activities:					
Assets acquired under capital lease	$ 223	$ —	$ —	$ —	$ 295
Purchases of property and equipment included in accounts payable	$ —	$ —	$ 521	$ 115	$ 1,720
Conversion of promissory note to Series D preferred stock	$ —	$ 1,500	$ —	$ —	$ —
Deferred offering costs not yet paid	$ —	$ —	$ —	$ —	$ 575

See notes to consolidated financial statements.

ENPHASE ENERGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010 AND THE
NINE MONTHS ENDED SEPTEMBER 30, 2010 (UNAUDITED) AND SEPTEMBER 30, 2011 (UNAUDITED)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Enphase Energy, Inc. and subsidiaries (the "Company") designs, develops, and sells microinverter systems for the solar photovoltaic industry. The Company was incorporated in 2006 and began selling its products in June 2008. The Company's microinverter system consists of (i) an Enphase microinverter that attaches to the racking beneath solar modules and converts 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 as well as through original equipment manufacturers ("OEMs") and strategic partners.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Unaudited Interim Financial Information—The accompanying interim consolidated balance sheet as of September 30, 2011, the interim consolidated statements of operations and cash flows for the nine months ended September 30, 2010 and 2011, and the interim consolidated statement of shareholders' equity for the nine months ended September 30, 2011 are unaudited. The unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position as of September 30, 2011 and its results of operations and cash flows for the nine months ended September 30, 2010 and 2011. The financial data and other information disclosed in these notes to the consolidated financial statements related to the three month periods are unaudited. The results for the nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the year ending December 31, 2011 or for any other interim period or other future year.

Unaudited Pro Forma Consolidated Balance Sheet—Upon the consummation of the initial public offering contemplated by the Company, all of the outstanding shares of convertible preferred stock will automatically convert into shares of common stock. In addition, all of the outstanding warrants to purchase convertible preferred stock will automatically convert into warrants to purchase common stock. The September 30, 2011 unaudited pro forma consolidated balance sheet data has been prepared assuming the conversion of the convertible preferred stock outstanding into 228,552,739 shares of common stock and the reclassification of the convertible preferred stock warrants from liabilities to stockholders' equity.

Use of Estimates—The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ materially from management's estimates using different assumptions or under different conditions.

Risks and Uncertainties—The Company is subject to the risks inherent in a business with a limited operating history, including, but not limited to, new and rapidly evolving markets, reliance on additional equity or debt issuances at appropriate terms for funding of operations, advances and trends in the development of new technology and services, unfavorable economic and market conditions, competition from larger and more established companies, limited management resources and dependence on a limited number of contract manufacturers and suppliers. Failure by the Company to anticipate or to respond adequately to technological developments in its industry, changes in customer or supplier requirements, or changes in regulatory requirements or industry standards, could have a material adverse effect on the Company's business and operating results.

Revenue Recognition—The Company generates revenue from sales of its microinverter systems, which include microinverter units, an Envoy communications gateway device, and an Enlighten web-based monitoring service, to distributors, large installers, OEMs and strategic partners. Enlighten service revenue represented less than 1% of the total revenues for all periods presented.

Revenues from the sales of microinverters and communication gateways are recognized when: (i) persuasive evidence of an arrangement exists; (ii) delivery of the products has occurred in accordance with the terms of the sales agreement and title of and risk of loss have passed to the customer; (iii) the sale price is fixed or determinable; and (iv) collection is reasonably assured. Provisions for rebates, sales incentives, and discounts to customers are accounted for as reductions in revenue in the same period the related sales are recorded. Revenues from web-based monitoring services are recognized ratably over the term of the service period that is either one or five years. Customer billings and payments received in advance for services not yet rendered are deferred and recognized as revenue as the services are rendered.

Cost of Revenues—The Company includes the following in cost of revenues: product costs consisting of purchases from contract manufacturers and other suppliers, warranty, personnel and logistics costs, hosting services costs related to the Company's Enlighten service offering, and depreciation and amortization of test equipment.

Fair Value of Financial Instruments—The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their relatively short-term nature. The carrying amount of the Company's term loan approximates its fair value.

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 required to be 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 has the ability 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.

On a recurring basis, the Company measures its convertible preferred stock warrant liabilities at fair value based on Level 3 inputs, which requires a higher degree of judgment (see Note 9 and Note 15).

Cash and Cash Equivalents—The Company considers all highly liquid investments, such as certificates of deposit and money market instruments with maturities of six months or less at the time of acquisition to be cash equivalents. For all periods presented, the Company's cash balances consist of amounts held in interest-bearing money market accounts.

Allowances for Doubtful Accounts—The Company maintains allowances for doubtful accounts for uncollectible accounts receivable. The Company estimates anticipated losses from doubtful accounts based on days past due, collection history and other factors. The allowance for doubtful accounts was $50,000, $16,000 and $80,000 (unaudited) at December 31, 2009, December 31, 2010 and September 30, 2011, respectively.

Inventory—Inventory is valued at the lower of cost or market. The Company determines cost on a first-in first-out basis. Certain factors could affect the realizable value of its inventory, including customer demand and market conditions. The Company considers historical usage, expected demand, anticipated sales price, effect of new product introductions, product obsolescence, customer concentrations, product merchantability and other factors when evaluating the value of inventory. Inventory write-downs are equal to the difference between the cost of inventories and their estimated fair market value. Inventory write-downs are recorded as cost of revenues in the accompanying consolidated statements of operations and were $242,000, $50,000 and $108,000 in 2008, 2009 and 2010, respectively, and $100,000 (unaudited) and $1,450,000 (unaudited) in the nine months ended September 30, 2010 and 2011, respectively.

Property and Equipment—Property and equipment are stated at cost less accumulated depreciation. Cost includes the price paid to acquire or construct the asset as well as any expenditure that substantially adds to the value of or significantly extends the useful life of an existing asset. Repair and maintenance costs are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Leasehold improvements are amortized over the shorter of the lease term or expected useful life of the improvements.

Capitalized Software Costs—Costs related to internal-use software are capitalized when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software will be used as intended. Such costs are amortized on a straight-line basis over their estimated useful lives. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred.

Indefinite-Lived Intangible Assets—Indefinite-lived intangible assets of $266,000 are included in other assets at December 31, 2009, December 31, 2010 and $286,000 (unaudited) at September 30, 2011, respectively. Such intangible assets consist of acquired intellectual property rights that currently have been determined to have indefinite lives and therefore are not amortized. The carrying values are assessed at least annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Long-Lived Assets—The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Warranty Obligations—The Company's microinverters include a 15-year or 25-year warranty. The Company maintains reserves to cover the expected costs that could result from these warranties. The potential liability is generally in the form of product replacement. Warranty reserves are computed on a per unit sold basis

and are based on the Company's best estimate of such costs and are included in cost of revenues. The reserve for the related warranty expenses is based on various factors including historical warranty claims, assumptions about the frequency of warranty claims, and assumptions about the frequency of product failures, derived from results of accelerated lab testing, field monitoring and the Company's reliability estimates. The Company's estimated costs of warranty for previously shipped products may change to the extent future products are not compatible with earlier generation products under warranty.

Product failure rates are estimated by using field monitoring of the actual failure rates of the microinverters the Company has shipped to date. The Company has established reliability as represented by a Mean Time Between Failures (MTBF) rate of approximately 0.3% per year. MTBF is the predicted elapsed time between inherent failures of a system during operation. In addition, due to the Company's limited operating history, it also utilizes third party data collected on similar equipment deployed in outdoor environments similar to those in which its microinverters are installed, as well as accelerated lab testing, which simulates the entire service life of the product in a short period of time using standard tests used by solar module vendors to determine the period over which the modules and microinverters may wear out. Replacement costs are updated periodically to reflect changes in the actual and estimated production costs for the Company's microinverters. Further, changes to the warranty provision as a percentage of microinverter units sold will vary based on the replacement cost of the specific generation of microinverter unit under warranty. In addition, different generations of microinverters may have different warranty terms which further contributes to changes in the warranty provision as a percentage of microinverter units sold. For example, the Company's first and second generation microinverters have a 15-year warranty while the Company's third generation microinverter has a 25-year warranty.

In addition, the Company supports its microinverters with its Entrust program. The Company reimburses the system owner for any lost energy for up to one month if a microinverter unit should fail, which is referred to as a "100% uptime guarantee". The Company estimates that its microinverter systems achieve system uptimes of over 99.8%. Historically, disbursements under the Entrust program have been insignificant, and therefore no accruals have been recorded for any such future obligations.

Research and Development Costs—The Company expenses research and development costs as incurred.

Stock-Based Compensation—Share-based payments are required to be recognized in the Company's consolidated statements of operations based on their fair values and the estimated number of shares expected to vest. The Company measures stock-based compensation expense for all share-based payment awards, including stock options made to employees and directors, based on the estimated fair values on the date of the grant. The fair value of each stock option granted is estimated using the Black-Scholes option valuation model. Stock-based compensation, net of estimated forfeitures, is recognized on a straight-line basis over the requisite service period, which is typically four years.

Comprehensive Loss—Total comprehensive loss and the components of accumulated other comprehensive loss are presented in the consolidated statements of stockholders' equity. Accumulated other comprehensive loss consists of foreign currency translation effects.

Convertible Preferred Stock Warrants—The Company records its freestanding warrants to purchase its convertible preferred stock as liabilities at their fair value upon issuance by utilizing a Monte Carlo simulation model that takes into account estimated probabilities of possible outcomes. The fair value of the warrants is subject to remeasurement at each balance sheet date with any change in value being reflected as other income (expense), net. Upon the earlier of the exercise of the warrants or the completion of a liquidation event, including the completion of an initial public offering, the liability will be reclassified to stockholders' equity, at which time it will no longer be subject to fair value accounting.

Income Taxes—The Company records income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities for financial reporting purposes and amounts recognized for income

tax purposes. In estimating future tax consequences, generally all expected future events other than enactments or changes in the tax law or rates are considered. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company operates in various tax jurisdictions and is subject to audit by various tax authorities. The Company follows accounting for uncertainty in income taxes which requires that the tax effects of a position be recognized only if it is "more likely than not" to be sustained based solely on its technical merits as of the reporting date. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes.

Deferred Offering Costs—Deferred offering costs consisted primarily of accounting and legal fees related to the Company's proposed initial public offering of its common stock. Approximately $2.5 million (unaudited) of deferred offering costs is included in other assets on the Company's consolidated balance sheet as of September 30, 2011. Upon completion of the initial public offering contemplated herein, these amounts will be offset against the proceeds of the offering. If the offering is terminated, the deferred offering costs will be expensed.

3. INVENTORY

Inventory as of December 31, 2009 and 2010 and September 30, 2011, consists of the following (in thousands):

	December 31,		September 30,
	2009	2010	2011 (unaudited)
Raw materials	$ 35	$ 761	$ 1,265
Finished goods	1,448	3,760	8,994
Total inventory	$1,483	$4,521	$ 10,259

4. PROPERTY AND EQUIPMENT, NET

As of December 31, 2009 and 2010 and September 30, 2011, property and equipment, net consists of the following (in thousands):

	Estimated Useful Life (Years)	December 31,		September 30,
		2009	2010	2011 (unaudited)
Equipment and machinery	5	$ 3,120	$ 4,777	$ 10,528
Furniture and fixtures	3–5	302	530	907
Computer equipment	3	360	721	1,150
Capitalized software	1–3	894	1,709	2,245
Leasehold improvements	Shorter of lease term or useful life	60	483	485
Construction in progress		341	590	4,578
Total		5,077	8,810	19,893
Less accumulated depreciation and amortization		(1,183)	(2,707)	(4,726)
Property and equipment, net		$ 3,894	$ 6,103	$ 15,167

Depreciation and amortization was $332,000, $803,000 and $1,550,000 in 2008, 2009 and 2010, respectively, and $1,081,000 (unaudited) and $2,020,000 (unaudited) in the nine months ended September 30, 2010 and 2011, respectively.

Included in property and equipment are assets acquired under capital lease obligations with an original cost of $223,000 and $199,000 and $494,000 (unaudited) as of December 31, 2009, December 31, 2010 and September 30, 2011, respectively. Accumulated amortization was $95,000, $149,000 and $156,000 (unaudited) as of December 31, 2009, December 31, 2010 and September 30, 2011, respectively.

Capitalized Internal Use Software—The Company capitalized $237,000, $815,000 and $537,000 (unaudited) internal use software costs in fiscal 2009, 2010 and the nine months ended September 30, 2011, respectively. The capitalized software costs are being amortized ratably over the estimated useful lives and are included within amortization expense in the amount of $165,000, $423,000 and $497,000 (unaudited) for fiscal 2009, 2010 and the nine months ended September 30, 2011, respectively.

5. WARRANTY OBLIGATIONS

Product warranty activity during 2009, 2010 and for the nine months ended September 30, 2011 was as follows (in thousands):

	December 31,		September 30,
	2009	2010	2011 (unaudited)
Balance, at beginning of year	$ 424	$1,087	$ 2,668
Warranty expense	973	1,896	4,552
Settlements and other reductions	(310)	(315)	(1,040)
Balance, at end of year	1,087	2,668	6,180
Less current portion	—	(340)	(1,800)
Long-term portion	$1,087	$2,328	$ 4,380

Warranty expense in the nine months ended September 30, 2011 includes changes in estimates of (i) $(443,000) (unaudited) in the three months ended June 30, 2011 to reflect reduced expected replacement costs to fulfill certain warranty obligations, and (ii) $1,290,000 (unaudited) in the three months ended September 30, 2011 to reflect increased estimated replacement costs for certain products and increases to other estimated cost assumptions.

6. LONG-TERM DEBT

The Company's long-term debt was comprised of the following at December 31, 2009 and 2010 and September 30, 2011 (in thousands):

	December 31,		September 30,
	2009	2010	2011 (unaudited)
Total debt, net of unamortized discount of $0, $330 and $486 at December 31, 2009, December 31, 2010 and September 30, 2011, respectively	$ 411	$ 6,903	$ 14,598
Less current portion	(178)	(2,567)	(3,530)
Long-term portion	$ 233	$ 4,336	$ 11,068

As of December 31, 2010, the amount of future principal repayments due on the total debt is as follows (in thousands):

2011	$2,567
2012	2,800
2013	1,866
Total	$7,233

Term Loans—On March 11, 2010, the Company entered into a venture loan agreement pursuant to which the Company borrowed $7.0 million ("Original Term Loan") to be used for general business purposes. The loan has an interest rate of 12.6% and a 42-month term, maturing on October 1, 2013. Monthly payments for the first 12 months will be interest only. Monthly payments beginning the thirteenth month will include interest and

principal based on a 30-month remaining amortization period. The loan provides for penalties for early repayment, is secured by all assets of the Company except intellectual property and prohibits any dividend payments. As part of the agreement, the Company issued a warrant to purchase the Company's Series E convertible preferred stock. The fair value of the warrant of $421,000 was recorded as a liability and a debt discount and is being amortized to interest expense over the loan term, or 42 months (see Note 9). As of September 30, 2011, the Original Term Loan had an outstanding principal balance of $5.8 million.

On March 25, 2011, the Company entered into an amendment to the Original Term Loan to provide for an additional $2.0 million term loan, which was fully drawn upon at execution of the amendment, and an additional $3.0 million term loan available to be drawn upon through September 30, 2011 (the "Additional Term Loans"), both of which will mature on the first calendar day of the month that follows the 42-month anniversary of the date of advance. On September 22, 2011, the Company drew $3.0 million under this term loan. As of September 30, 2011, the $2.0 million outstanding principal balance will mature on October 1, 2014 and the remaining $3.0 million outstanding principal balance will mature on April 1, 2015.

The Additional Term Loans have an interest rate of 10.75% and all borrowings have a 42-month term. Monthly payments for the first 12 months are interest only; subsequent monthly payments include interest and principal, based on a 30-month remaining amortization period. The other terms and conditions of the Original Term Loan remain substantially unchanged.

In connection with Additional Term Loans, the Company issued a warrant to purchase up to $300,000 of the Company's convertible preferred stock. The warrant is exercisable until the later of (i) 10 years, or (ii) five years after an initial public offering as follows:

- If the Company completes an additional round of financing in convertible preferred stock of at least $15.0 million in aggregate ("Qualified Financing") by April 8, 2011, the holder is entitled to purchase up to $300,000 of the preferred stock sold in the Qualified Financing at an exercise price that equals the same price paid per share in the Qualified Financing.
- If the Company completes a Qualified Financing between April 8, 2011 and June 23, 2011, the holder is entitled to purchase 220,588 shares of Series E preferred stock at an exercise price of $0.68 per share and up to $150,000 of the preferred stock sold in the Qualified Financing at an exercise price that equals the same price paid per share in the Qualified Financing.
- If the Company does not complete a Qualified Financing by June 23, 2011, the holder is entitled to purchase 441,177 shares of the Company's Series E preferred stock at an exercise price of $0.68 per share.

The fair value of the warrant of $286,000 (unaudited) was recorded as a liability and a debt discount and is being amortized to interest expense over the loan term, or 42 months (see Note 9).

Revolving Line of Credit Facility—On January 19, 2010, the Company entered into a revolving line of credit agreement that provides for up to $10.0 million in borrowings, based on a percentage of eligible receivables. The line of credit has a variable interest rate set at 1% above the bank's prime lending rate and expires January 19, 2012, with interest payable monthly and principal due at maturity. The loan is secured by all of the Company's assets except intellectual property. The agreement requires the Company to maintain minimum asset coverage ratios. As of December 31, 2010 and September 30, 2011, the Company was in compliance with this covenant and had not drawn any amounts under the facility.

On March 24, 2011, the Company amended the revolving line of credit facility to provide for an increase from $10.0 million to a maximum of $25.0 million revolving credit facility, including a $5.0 million letter of credit subfacility, and extended the term of the credit commitments to March 24, 2013. Available borrowings are based on 80% of eligible receivables and 50% of inventory (up to $10.0 million). The line of credit has a variable interest rate set at 1.25% above the bank's prime lending rate, with interest payable monthly and principal due on March 24, 2013. Any advance is collateralized by the underlying receivable or inventory and secured by all of

the Company's assets except intellectual property. The agreement requires the Company to maintain minimum asset coverage and tangible net worth requirements. As of September 30, 2011, the Company has not drawn any amounts under the amended facility.

Convertible Promissory Notes—On June 30, 2009, the Company borrowed a total of $1.5 million under five secured convertible promissory notes with several of its key investors. The notes carried an interest rate of 8% per year and were due and payable by December 31, 2009. On April 24, 2009, the notes, and accrued interest of $8,000, were converted into 7,548,886 shares of Series D convertible preferred stock, representing a discount of approximately 15% to such investors (see Note 9). The resulting beneficial conversion feature of $266,000 and the related accrued interest of $8,000 were charged to interest expense.

Line of Credit Agreement—The Company entered into a line of credit agreement on December 15, 2008, which provided for borrowings of up to $1 million. Amounts drawn under the line of credit are payable over 36 months (through December 15, 2011) with interest at a rate of approximately 14% annually. Specific assets were pledged as collateral for any amounts drawn under the line of credit. Any amounts drawn under the line of credit are subject to penalties for early repayment. The line of credit agreement does not include financial covenants or other material covenant requirements. As of December 31, 2010 and September 30, 2011, the line of credit had an outstanding principal balance of $233,000 and $66,000 (unaudited), respectively.

7. DEFINED CONTRIBUTION PLAN

The Company sponsors a defined contribution 401(k) savings plan covering substantially all of its U.S. employees, subject to certain eligibility requirements. Annually, the Company contributes 3% of an employee's salary earned in that given year, excluding commissions and bonuses, to the plan, regardless of whether the employee contributes. Any contributions made by the Company vest immediately to the participant. Costs related to the plan recognized by the Company for fiscal 2008, 2009, and 2010 were $140,000, $190,000, and $388,000, respectively, and $248,000 (unaudited) and $504,000 (unaudited) for the nine months ended September 30, 2010 and 2011, respectively.

8. COMMITMENTS AND CONTINGENCIES

Operating Leases—The Company leases its office facilities under an operating lease agreement that expires in 2013. The terms of the lease agreement provide for rental payments on a graduated basis. The Company recognizes rent expense on a straight-line basis over the lease period.

Rent expense for 2008, 2009 and 2010 was $180,000, $339,000 and $582,000, respectively, and $412,000 (unaudited) and $835,000 (unaudited) for the nine months ended September 30, 2010 and 2011, respectively.

The Company's minimum payments under noncancelable operating leases as of December 31, 2010, are as follows (in thousands):

2011	$ 595
2012	619
2013	430
2014	2
Total minimum lease payments	$1,646

Purchase Obligations—The Company has contractual obligations to purchase goods and services, which specify fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Purchase obligations do not include contracts that may be canceled without penalty.

The Company utilizes third parties to manufacture its products. It acquires raw materials or other goods and services, including product components, by issuing to suppliers authorizations to purchase based on its projected demand and manufacturing needs.

As of December 31, 2010, the Company had noncancelable purchase obligations totaling approximately $20.4 million.

Contingencies—From time to time, the Company may become involved in litigation. Management is not currently aware of any litigation matters or other contingencies that could have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

9. STOCKHOLDERS' EQUITY AND WARRANTS

Series A, B, C, D and E Convertible Preferred Stock

Series A—In June 2006, the Company issued 1,875,000 shares of Series A convertible preferred stock at $0.32 per share. The Company received proceeds of $584,000, net of $16,000 in issuance costs.

Series B—In February and March 2007, the Company issued 8,540,367 shares of Series B convertible preferred stock at $0.6625 per share. The Company received proceeds of $5,625,000, net of $33,000 in issuance costs. In January 2008, the Company issued an additional 1,132,075 shares of Series B convertible preferred stock at $0.6625 per share. The Company received proceeds of $750,000. Primary investors in the Series B convertible preferred stock have the right to elect a member to the Company's Board of Directors.

Series C—In April 2008, the Company issued 11,675,878 shares of Series C convertible preferred stock at $1.2847 per share. The Company received proceeds of $14,912,000, net of $88,000 in issuance costs. Primary investors in the Series C convertible preferred stock have the right to elect a member to the Company's Board of Directors.

Series D—In April and June 2009, the Company issued 103,522,345 shares of Series D convertible preferred stock at $0.235 per share. The Company received proceeds of $24,214,000, net of $114,000 in issuance costs. Primary investors in the Series D preferred stock have the right to elect a member to the Company's Board of Directors. In April 2009, the Company issued 7,548,886 shares of Series D convertible preferred stock upon conversion of $1,508,000 in principal and accrued interest under convertible promissory notes (see Note 6).

Series E—In March, April and May 2010, the Company authorized 75,000,000 shares and issued 67,471,300 shares of Series E convertible preferred stock at $0.68 per share. The Company received proceeds of $45,737,000, net of $145,000 in issuance costs. Primary investors in the Series E convertible preferred stock have the right to elect two members to the Company's Board of Directors. On April 5, 2010, as part of the issuance of Series E convertible preferred stock, the Company's primary inventory manufacturer and supplier purchased 7,352,941 shares of the Company's Series E convertible preferred stock at $0.68 per share or $5 million in total. This represents an ownership interest in the Company of approximately 3%.

Voting—The holders of Series A, B, C, D and E convertible preferred stock are entitled to the number of votes equal to the number of shares of common stock into which the preferred stock is convertible, subject to certain limitations.

Dividends—Subject to the prior dividend rights of the Series E, D, C, and B convertible preferred stock, the holders of the Series A convertible preferred stock are entitled to receive, if, when and as declared by the Board of Directors, cash dividends at the rate of $0.025 per share per annum (as adjusted for any stock splits, stock dividends, combinations or reorganizations). Such dividends are not mandatory or cumulative.

Subject to the prior dividend rights of the Series E, D, and C convertible preferred stock, the holders of the Series B convertible preferred stock are entitled to receive, if, when and as declared by the Board of Directors, cash dividends at the rate of $0.053 per share per annum (as adjusted for any stock splits, stock dividends, combinations or reorganizations). Such dividends are not mandatory or cumulative.

Subject to the prior dividend rights of the Series E and D convertible preferred stock, the holders of the Series C convertible preferred stock are entitled to receive, if, when and as declared by the Board of Directors, cash dividends at the rate of $0.103 per share per annum (as adjusted for any stock splits, stock dividends, combinations or reorganizations). Such dividends are not mandatory or cumulative.

Subject to the prior dividend rights of the Series E convertible preferred stock, the holders of the Series D convertible preferred stock are entitled to receive, if, when and as declared by the Board of Directors, cash dividends at the rate of $0.0188 per share per annum (as adjusted for any stock splits, stock dividends, combinations or reorganizations). Such dividends are not mandatory or cumulative.

The holders of the Series E convertible preferred stock are entitled to receive, if, when and as declared by the Board of Directors, cash dividends at the rate of $0.0544 per share per annum (as adjusted for any stock splits, stock dividends, combinations or reorganizations). Such dividends are not mandatory or cumulative.

No dividends have been declared on the Series A, B, C, D or E convertible preferred stock.

Conversion—Each share of Series A, B, C, D and E convertible preferred stock is convertible at the option of the holder into the number of shares of common stock which results from dividing the original issue price for such series of convertible preferred stock by the conversion price for such series of convertible preferred stock.

The conversion price of each series of convertible preferred stock is as follows, subject to certain adjustments:

Series A	$0.261
Series B	0.349
Series C	0.511
Series D	0.235
Series E	0.680

The Series A, B, C, D and E convertible preferred stock will be automatically converted into common stock: (a) immediately prior to the closing of a firmly underwritten public offering pursuant to the Securities Act of 1933, if aggregate gross proceeds to the Company in such offering equal or exceed $30,000,000 and the public offering price is not less than $0.68 per share (a “Qualified Public Offering”); and (b) upon receipt of the written consent of the holders of (i) 60% of the Series E convertible preferred stock voting as a separate series, with respect to the conversion of all outstanding shares of Series E convertible preferred stock, (ii) a majority of the Series E convertible preferred stock voting as a separate series in connection with an initial public offering that is not a Qualified Public Offering, or (iii) a majority of the holders of the Series A, B, C and D convertible preferred stock voting together on an as-converted basis with respect to the conversion of all outstanding shares of Series A, B, C and D convertible preferred stock.

Redemption—The Series A, B, C, D and E convertible preferred stock are not redeemable.

Liquidation Rights—In the event of any liquidation, dissolution, or winding-up of the Company, holders of Series E convertible preferred stock are entitled to receive an amount per share equal to the original issue price of the Series E convertible preferred stock plus all declared but unpaid dividends on the Series E convertible preferred stock, before any distributions of payments are made to the holders of any Series A, B, C, or D convertible preferred stock or common stock.

In the event of any liquidation, dissolution, or winding-up of the Company, and subject to payment in full of the liquidation preferences of the Series E convertible preferred stock, holders of Series D convertible preferred stock are entitled to receive an amount per share equal to two and one-half times the original issue price of the Series D convertible preferred stock plus all declared but unpaid dividends on the Series D convertible preferred stock, before any distributions of payments are made to the holders of any Series A, B, or C convertible preferred stock or common stock.

In the event of any liquidation, dissolution, or winding-up of the Company, and subject to payment in full of the liquidation preferences of the Series E and D convertible preferred stock, holders of Series C convertible preferred stock are entitled to receive an amount per share equal to the original issue price of the Series C convertible preferred stock plus all declared but unpaid dividends on the Series C convertible preferred stock, before any distributions of payments are made to the holders of any Series A or B convertible preferred stock or common stock.

In the event of any liquidation, dissolution, or winding-up of the Company, and subject to payment in full of the liquidation preferences of the Series E, D, and C convertible preferred stock, holders of Series B convertible
preferred stock are entitled to receive an amount per share equal to the original issue price of the Series B convertible preferred stock plus all declared but unpaid dividends on the Series B convertible preferred stock, before any distributions of payments are made to the holders of any Series A convertible preferred stock or common stock.

In the event of any liquidation, dissolution, or winding-up of the Company, and subject to payment in full of the liquidation preferences of the Series E, D, C, and B convertible preferred stock, holders of Series A convertible preferred stock are entitled to receive an amount per share equal to the original issue price of the Series A convertible preferred stock plus all declared but unpaid dividends on the Series A convertible preferred stock, before any distributions of payments are made to the holders of any common stock.

The following table summarizes various terms of the different classes of convertible preferred stock and related warrants as of December 31, 2010 (in thousands, except per share data):

Convertible Preferred Stock	Outstanding at December 31, 2010	Warrants Outstanding	Common Stock Equivalent Shares	Liquidation Preference per Share	Aggregate Liquidation Preference	Participating (per Share)	Annual Dividend per Share
Series A	1,875		2,299	$ 0.3200	$ 600	No	0.0250
Series B	9,672		18,358	0.6625	6,408	Yes	0.0530
Series C	11,676	100	29,604	1.2847	15,000	Yes	0.1030
Series D	111,071		111,071	0.5875	65,254	No	0.0188
Series E	67,471	1,029	68,500	0.6800	45,880	Yes	0.0544
	201,765	1,129	229,832		$ 133,142		

Warrants

Warrant to Purchase Series C Convertible Preferred Stock—In September 2008, the Company entered into a strategic collaboration agreement with a third party, under which the third party would test and evaluate the Enphase microinverter for European certification. As part of the agreement, the third party was granted a warrant to purchase 100,000 shares of Series C convertible preferred stock at a price of $1.2847 per share. Exercisability of the warrant is contingent upon completion of several milestones, none of which have been completed. The warrant terminates upon the earlier of (i) an initial public offering, (ii) a sale of the Company, or (iii) six months after it becomes exercisable. The Company concluded that the warrant will not ultimately vest, as the Company has not been actively working with the third party. Accordingly, no expense has been recorded in the accompanying consolidated financial statements.

Warrant to Purchase Common Stock—On February 16, 2010, the Company entered into a supply and services agreement with a potential customer. As part of the agreement, the Company issued a warrant to purchase up to 100,000 common shares of the Company at a price of $0.50 per share. The potential customer is required to meet certain minimum purchase volumes within 24 months of the contract date in order for the warrant to become exercisable. The agreement also allows the potential customer to participate in future equity financings by the Company (prior to an initial public offering), on the same terms and conditions as other investors. As of December 31, 2010, the Company has not recorded any reductions to revenue for the warrant

issued as a sales incentive to the customer as the Company concluded it was not probable that the minimum purchase volumes would be reached. The Company will assess the probability of the achievement of the minimum purchase volumes at the end of each reporting period.

Warrant to Purchase Series E Convertible Preferred Stock—In connection with the March 2010 financing transaction (see Note 6), the Company issued a warrant to purchase 1,029,411 shares of the Company's Series E convertible preferred stock at a price of $0.68 per share. The warrant is immediately exercisable and expires at the later of (i) 10 years, or (ii) five years after an initial public offering and includes provisions for down-round and anti-dilution protection. The Company accounts for the freestanding warrant as a derivative financial instrument liability. Changes in fair value are recognized as either a gain or loss in the consolidated statement of operations within other income (expense), net. In the event of a liquidation event, including the completion of an initial public offering, the warrant, if not exercised, will be converted into a warrant to purchase common stock, and accordingly, the liability will no longer be subject to fair value remeasurement and the liability will be reclassified to stockholders' equity. The fair value of the warrant at issuance and at December 31, 2010 was $421,000 (recorded as debt discount and amortized to interest expense over the loan term) and $610,000 (the increase in fair value recorded as other expense), respectively, and was calculated using the Monte Carlo simulation model with the following weighted-average assumptions:

Expected term (in years)	6.0
Expected volatility	60.5%
Annual risk-free rate of return	2.6%
Dividend yield	0%

Warrant to Purchase Convertible Preferred Stock—In connection with the March 25, 2011 Additional Term Loans (see Note 6), the Company issued a warrant to purchase up to $300,000 of convertible preferred stock sold by the Company in a Qualified Financing by June 23, 2011, or if a Qualified Financing does not occur, 441,177 shares of the Company's Series E convertible preferred stock at an exercise price of $0.68 per share. Both the specific number of shares that can be purchased and the exercise price will not be known prior to June 23, 2011. The warrant is immediately exercisable and expires at the later of i) 10 years, or ii) five years after an initial public offering and includes provisions for down-round and anti-dilution protection. The Company accounts for the freestanding warrant as a derivative financial instrument liability. Changes in fair value are recognized as either a gain or loss in the consolidated statement of operations within other income (expense). In the event of a liquidation event, including the completion of an initial public offering, the warrant, if not exercised, will be converted into a warrant to purchase common stock, and accordingly, the liability will no longer be subject to fair value remeasurement and the liability will be reclassified to stockholders' equity. The fair value of the warrant at issuance was $286,000 (unaudited) (recorded as debt discount and amortized to interest expense over the loan term) and was calculated using the Monte Carlo simulation model with the following weighted-average assumptions:

Expected term (in years)	4.4
Expected volatility	73.1%
Annual risk-free rate of return	2.0%
Dividend yield	0%

Shares Reserved for Issuance

The Company has reserved the shares of common stock for future issuances as of December 31, 2010, as follows (in thousands):

Series A convertible preferred stock	2,299
Series B convertible preferred stock	18,358
Series C convertible preferred stock	29,353
Series D convertible preferred stock	111,071
Series E convertible preferred stock	67,471
Warrant to purchase Series C convertible preferred stock	251
Warrant to purchase Series E convertible preferred stock	1,029
Warrant to purchase common stock	100
Stock option plan:	
Options outstanding	52,682
Options available for future grants	5,347
Total common shares reserved for issuance	287,961

10. STOCK-BASED COMPENSATION

Stock Option Plan—Under the 2006 Equity Incentive Stock Option Plan (the "Plan"), equity awards permitted to be issued include incentive stock options (ISOs), nonstatutory stock options (NSOs), and restricted stock. ISOs may be granted only to employees (including officers and directors who are also employees) of the Company, and NSOs and restricted stock awards may be granted to employees, officers, directors and non-employees of the Company. At December 31, 2010 and September 30, 2011, the maximum aggregate number of shares that may be awarded is 60.4 million and 68.4 million (unaudited), respectively. ISOs and NSOs may be granted at a price per share not less than the fair market value at the date of grant. Options granted generally vest over a four-year period from the date of grant with a contractual term of up to 10 years. Common shares purchased under the Plan are subject to certain restrictions, including the right of first refusal by the Company for sale or transfer of these shares to outside parties. The Company's right of first refusal terminates upon completion of an initial public offering of common stock.

A summary of the Company's stock option activity for 2008, 2009, and 2010 and the nine months ended September 30, 2011 is as follows (in thousands, except per share data):

	Shares	Weighted-Average Exercise Price per Share
Options outstanding — December 31, 2007	1,181	$ 0.09
Granted (weighted-average fair value of $0.15 per share)	2,164	0.23
Exercised	(63)	0.13
Canceled	(135)	0.23
Options outstanding — December 31, 2008	3,147	0.18
Granted (weighted-average fair value of $0.02 per share)	30,254	0.03
Exercised	(338)	0.09
Canceled	(426)	0.11
Options outstanding — December 31, 2009	32,637	0.04
Granted (weighted-average fair value of $0.19 per share)	23,139	0.17
Exercised	(1,009)	0.07
Canceled	(2,085)	0.06
Options outstanding — December 31, 2010	52,682	0.10
Granted (weighted-average fair value of $0.55 per share) (unaudited)	9,666	0.66
Exercised (unaudited)	(4,506)	0.04
Canceled (unaudited)	(1,001)	0.23
Options outstanding — September 30, 2011 (unaudited)	56,841	0.20

At December 31, 2010 and September 30, 2011, there were 5.3 million and 4.7 million (unaudited) shares available for future grant issuance under the Plan.

Information about currently outstanding and vested stock options as of December 31, 2010, is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares (in thousands)	Weighted-Average Remaining Life (in years)	Weighted-Average Exercise Price	Number of Shares (in thousands)	Weighted-Average Exercise Price
$0.03–$0.03	27,658	8.5	$ 0.03	11,360	$ 0.03
0.06–0.07	2,870	8.9	0.07	814	0.07
0.10–0.10	793	6.7	0.10	664	0.10
0.18–0.26	21,361	9.4	0.19	3,142	0.21
0.03–0.26	52,682	8.9	0.10	15,980	0.07

As of December 31, 2010, there were 50.9 million options outstanding that were vested, exercisable and expected to vest. Such options have a weighted-average exercise price of $0.10 and a weighted-average remaining contractual term of 8.9 years. At December 31, 2010, the aggregate intrinsic value was $5.8 million for the 16.0 million exercisable shares. For the 50.9 million options vested, exercisable and expected to vest, the aggregate intrinsic value was $16.8 million. The intrinsic value is based on the Company's estimated common stock price of $0.43 as of December 31, 2010, which would have been received by the option holders had all in-the-money options been exercised as of that date.

Stock-Based Compensation Expense—The fair value of options granted to employees for purposes of calculating stock-based compensation expense is estimated on the grant date using the Black-Scholes option valuation model. This valuation model requires the Company to make assumptions and judgments about the inputs used in the calculation, including the expected term (weighted-average period of time that the options granted are expected to be outstanding), the volatility of the Company's common stock, a risk-free interest rate, and expected dividend yield. The Company uses the simplified method to calculate the expected term, and volatility is based on an average of the historical volatilities of the common stock of several entities with characteristics similar to those of the Company. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. The Company's expected dividend yield input was zero as it has not historically paid, nor does it expect in the future to pay, cash dividends on its common stock.

The following table summarizes the components of total stock-based compensation expense included in the consolidated statement of operations for the periods presented (in thousands):

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Cost of revenues	$ 4	$ 17	$ 9	$ 6	$ 25
Research and development	27	62	286	185	528
Sales and marketing	7	36	256	142	484
General and administrative	170	65	278	175	402
Total stock-based compensation expense	$208	$180	$829	$508	$1,439

The fair value of each option granted during the periods presented was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended December 31,			Nine months Ended September 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Expected term (in years)	5.6	5.9	6.0	6.0	6.0
Expected volatility	73.3%	76.4%	73.3%	73.5%	71.9%
Annual risk-free rate of return	3.0%	2.8%	2.2%	2.3%	1.8%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

As of December 31, 2010 and September 30, 2011, there was approximately $3.8 million and $7.0 million (unaudited), respectively, of total unrecognized compensation cost related to unvested stock options, net of expected forfeitures, which is expected to be recognized over a weighted-average period of 3.3 and 3.2 years (unaudited), respectively.

No income tax benefit has been recognized relating to stock-based compensation expense and no tax benefits have been realized from exercised stock options.

11. INCOME TAXES

The Company did not provide any current or deferred United States federal or state income tax provision or benefit for any of the years presented because it has experienced operating losses since inception.

A reconciliation of total income tax expense and the amount computed by applying the federal statutory income tax rate of 34% to loss before income taxes for 2008, 2009 and 2010 is as follows (in thousands):

	Year Ended December 31,		
	2008	2009	2010
Income tax benefit at statutory rate	$(4,930)	$(5,755)	$(7,283)
Section 382 limitation	—	2,349	5,229
Change in valuation allowance	4,893	3,341	1,772
Stock-based compensation	27	55	138
Nondeductible/nontaxable items	10	10	144
Total tax expense	$ —	$ —	$ —

A summary of significant components of the Company's deferred tax assets and liabilities, as of December 31, 2010 and 2009, is as follows (in thousands):

	December 31,	
	2009	2010
Net operating loss carryforwards	$ 10,806	$ 11,175
Accruals and reserves	658	1,711
Deferred tax assets	11,464	12,886
Less valuation allowance	(11,212)	(12,765)
Deferred tax assets	252	121
Deferred tax liability	(252)	(121)
Net deferred tax assets	$ —	$ —

Due to the history of losses the Company has generated since inception, the Company believes that it is more-likely-than-not that all of the deferred tax assets will not be realized as of December 31, 2010. Therefore, the Company has recorded a full valuation allowance on its deferred tax assets.

The Company has net operating loss carryforwards for federal and California income tax purposes of approximately $50.7 million and $48.6 million, respectively, as of December 31, 2010. The federal and state net operating loss carryforwards, if not utilized, will expire beginning in 2026 and 2016, respectively. Utilization of the net operating loss carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

The accounting for uncertain tax positions prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company is required to recognize in the financial statements the impact of a tax position, if that position is more-likely-than-not of being sustained on audit, based on the technical merits of the position. There were no significant unrecognized tax benefits recorded upon adoption and there was no change to the unrecognized tax benefits during 2010.

The Company does not have any tax positions for which it is reasonably possible the total amount of gross unrecognized tax benefits will increase or decrease over the next year. The unrecognized tax benefits may increase or change during the next year for items that arise in the ordinary course of business. The Company records interest related to uncertain tax positions as interest and any penalties as other expense.

The Company's tax return years 2006 through 2010 remain open to examination by the major domestic taxing jurisdictions to which the Company is subject.

12. CONCENTRATIONS OF CREDIT RISK AND MAJOR CUSTOMERS

The Company is potentially subject to financial instrument concentration of credit risk through its cash equivalents and trade accounts receivable. The Company places its cash and cash equivalents with major financial institutions, which management assesses to be of high credit quality, in order to limit the exposure of each investment. Credit risk with respect to accounts receivable is relatively concentrated, as three customers represented 21%, 12% and 10% of the total accounts receivable balance as of December 31, 2009. At December 31, 2010, three customers accounted for approximately 14%, 13% and 10% of the total accounts receivable of the Company. In 2009, three customers, in the aggregate, accounted for approximately 39% of the Company's net sales. In 2010, two customers, in the aggregate, accounted for approximately 25% of the Company's net sales.

13. NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

Basic and diluted net loss per share attributable to common stockholders are presented in conformity with the two-class method required for participating securities. Under the two-class method, net loss is allocated between common shares and other participating securities to the extent that the securities are required to share in the losses. The Company's convertible preferred stock does not meet the definition of a participating security in periods of net losses as the convertible preferred stockholders do not have a contractual obligation to share in the Company's losses. Accordingly, net losses are attributable to common stockholders.

Basic net loss per share attributable to common stockholders is calculated by dividing net loss attributable to common stockholders by the weighted average number of shares outstanding for the period.

Diluted net loss per share attributable to common stockholders is calculated by dividing net loss attributable to common stockholders by the weighted average number of common shares and potential dilutive common share equivalents outstanding during the period if the effect is dilutive. The Company's potential dilutive common share equivalents consist of incremental common shares issuable upon the exercise of options and warrants to purchase common shares and upon conversion of its convertible preferred stock and convertible note.

The following table presents the potential common shares outstanding that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive (in thousands):

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Convertible preferred stock	50,010	161,081	228,553	228,553	228,553
Stock options to purchase common stock	3,147	32,637	52,682	50,677	56,841
Convertible note	—	—	—	—	13,099
Convertible preferred stock warrants	251	251	1,280	1,280	1,952
Common stock warrants	—	—	100	100	796
	53,408	193,969	282,615	280,610	301,241

Unaudited Pro Forma Net Loss Per Share Attributable to Common Stockholders—Pro forma basic and diluted net loss per share attributable to common stockholders have been computed to give effect to the conversion of the Company's convertible preferred stock and convertible note (using the if-converted method) into common stock and the conversion of all outstanding warrants to purchase convertible preferred stock into warrants to purchase common stock as though the conversion had occurred on the original dates of issuance.

The following table sets forth the computation of unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the periods indicated:

	Year Ended December 31, 2010	Nine Months Ended September 30, 2011
	(unaudited) (in thousands, except per share data)	
Net loss	$ (21,777)	$ (26,753)
Pro forma amounts related to the fair value adjustments for warrants to purchase convertible preferred stock	189	273
Pro forma net loss used in computing pro forma basic and diluted net loss attributable to common stockholders	$ (21,588)	$ (26,480)
Pro forma net loss per share attributable to common stockholders, basic and diluted	$ (0.10)	$ (0.11)
Pro forma shares used in computing pro forma net loss per share attributable to common stockholders, basic and diluted	216,536	238,817

14. GEOGRAPHIC INFORMATION

The Company considers operating segments to be components of the Company in which separate financial information is available that is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker for the Company is the Chief Executive Officer. The Chief Executive Officer reviews financial information presented on a consolidated basis. The Company has one business activity, which entails the design, development, manufacture and sale of microinverter systems for the solar photovoltaic industry. There are no segment managers who are held accountable for operations, operating results or plans for levels or components below the consolidated unit level. Accordingly, the Company has determined that it has a single reporting segment and operating unit structure.

The following tables present net revenues (based on the destination of the shipments) and long-lived assets by geographic region as of and for the periods presented, (in thousands):

Net Revenues

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
United States	$1,668	$19,530	$53,383	$36,015	$75,819
Canada	—	664	8,278	5,031	16,570
Total	$1,668	$20,194	$61,661	$41,046	$92,389

Long-Lived Assets

	December 31,			September 30,
	2008	2009	2010	2011
				(unaudited)
United States	$2,312	$3,232	$5,330	$ 8,049
Other	251	662	773	7,118
Total property and equipment, net	$2,563	$3,894	$6,103	$ 15,167

15. SUBSEQUENT EVENTS

On June 3, 2011, the Company entered into an agreement to lease approximately 96,000 square feet of office space for its new corporate headquarters. The Company's minimum obligation under this agreement is approximately $13.5 million, payable over the ten-year term of the lease.

On June 13, 2011, the Company entered into a $5 million equipment financing facility with Hercules Technology Growth Capital, Inc. The equipment financing facility has a variable interest rate set at the higher of 5.75% above the prime lending rate or 9.0% annually and expires July 1, 2014. This facility is secured by the financed equipment and restricts the Company's ability to pay dividends and take on certain types of additional liens.

In connection with the equipment financing facility, the Company issued warrants to purchase 229,591 shares of Series E convertible preferred stock at $0.98 per share. The warrant is immediately exercisable and expires at the later of (i) 10 years, or (ii) five years after an initial public offering and includes provisions for down-round and anti-dilution protection. The warrant is recorded at its estimated fair value utilizing the Monte Carlo simulation model with changes in the fair value of this preferred stock warrant liability reflected in other income (expense), net. Upon the earlier of the exercise of the warrants or the completion of a liquidation event, including the completion of an initial public offering, the liability will be reclassified to stockholders' equity, at which time it will no longer be subject to fair value accounting. The fair value of the warrant at issuance was $0.2 million and is recorded as deferred financing costs and is being amortized to interest expense over the term of any related borrowings. As of September 30, 2011, the Company had borrowed $4.2 million (unaudited) from the equipment financing facility.

In June 2011, the Company entered into a junior secured convertible loan facility with certain existing preferred stockholders that provided for up to $50.0 million in borrowings ("Convertible Facility"). The Company borrowed $12.5 million upon signing. In November 2011, the Company amended the Convertible Facility to provide for an aggregate of up to $80.0 million in borrowings. The Company borrowed $7.5 million in a second advance on November 2011 and may borrow up to an additional $60.0 million prior to the earlier of (i) a subsequent equity financing of more than $10.0 million or (ii) June 14, 2013, subject to the attainment of certain financial and operating conditions. The Convertible Facility bears interest at a rate of 9.0%, with interest payable in-kind at maturity which is the earlier to occur of the closing of (i) the initial public offering, (ii) a change in control or (iii) June 14, 2014. The initial and second advances of $12.5 million and $7.5 million, respectively, together with accrued interest, are convertible into common stock at an initial conversion price of $0.98 per share, subject to adjustments. Additional borrowings and accrued interest are repayable at the holders' option as follows: up to 50% convertible into common stock at a price of $0.98 per share and the remainder in cash. In addition, the Company may prepay, at its election, up to 50% of any additional borrowings and related accrued interest at any time. Because of the pay-in-kind feature, the Company records interest expense in excess of the stated rate. The Convertible Facility is secured by all of the assets of the Company except intellectual property, prohibits dividend payments and restricts prepayment of the convertible portion of any outstanding loans under the facility. The agreement also requires the Company to meet certain minimum gross profit metrics and maximum warranty claim rates in order to be eligible for further advances under the facility.

In connection with the initial $50.0 million Convertible Facility, in June 2011, the Company (i) issued 1,890,609 shares of common stock at $0.58 per share and received proceeds of $1,096,553, and (ii) issued warrants to purchase 695,586 shares of the Company's common stock at $0.58 per share that are immediately exercisable with a contractual term of 5 years from the date of issuance. The Company allocated the $13.6 million total proceeds received from the transaction based on the respective fair values of the convertible notes, common stock and warrants to purchase common stock as follows:

- $11.3 million to convertible notes ($12.5 million less $1.2 million debt discount representing the fair value of the common stock and warrants);
- $1.1 million to additional paid-in capital representing the proceeds from the issuance of common stock;
- $1.2 million to additional paid-in capital representing the relative fair values of the common stock and warrants.

The Company was in compliance with existing covenants at September 30, 2011 (unaudited).

On June 14, 2011, the Company increased the number of authorized shares of common stock from 308,000,000 to 376,000,000.

On September 22, 2011, the Company drew down $3.0 million under the Additional Term Loan (see Note 6). As of September 30, 2011, the $3.0 million outstanding principal balance will mature on April 1, 2015.

In connection with the amendment of the Convertible Facility in November 2011 to provide for $30.0 million in additional borrowing capacity, the Company (i) issued an additional 1,311,689 shares of common stock at $0.58 per share and received proceeds of $760,780, and (ii) issued additional warrants to purchase 498,649 shares of the Company's common stock at $0.58 per share that are immediately exercisable with a contractual term of 5 years from the date of issuance. The Company will allocate the $8.3 million total proceeds received from the November 2011 amendment based on the respective fair values of the convertible notes, common stock and warrants to purchase common stock.

On December 30, 2011, the Company increased its revolving line of credit from $25.0 million to $33.0 million, including an increase of the letter of credit subfacility from $5.0 million to $10.0 million, and further extended the availability of the facility until December 30, 2013. Available borrowings are based on 80% of eligible receivables and 50% of inventory (up to $13.2 million).

The Company has evaluated subsequent events through January 31, 2012, the date on which these consolidated financial statements were available to be issued.

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ENPHASE MICROINVERTER SYSTEM

Overview

Enphase offers microinverter technology for solar energy systems.

Our Microinverter

Our Enphase Microinverters are connected to solar modules on the roof and convert electricity.

Our Communications Gateway

Our Envoy Communications Gateway monitors the performance of each microinverter and solar module.

Our Software

Our Enlighten web-based software provides system owners and installers with performance information about the solar energy system.

[e] enphase ENERGY

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PART II
INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, to be paid by the registrant in connection with the sale of the shares of common stock being registered hereby. All amounts are estimates except for the SEC registration fee and the FINRA filing fee.

	Amount Paid or to be Paid
SEC registration fee	$ 11,610
FINRA filing fee	$ 10,500
Initial NASDAQ Global Market listing fee	$ 25,000
Printing and engraving	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue sky fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous	*
Total	$ *

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers.

We are incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers under certain circumstances and subject to certain limitations. The terms of Section 145 of the Delaware General Corporation Law are sufficiently broad to permit indemnification under certain circumstances for liabilities, including reimbursement of expenses incurred, arising under the Securities Act.

As permitted by Section 102(b)(7) of the Delaware General Corporation Law, our certificate of incorporation includes a provision that eliminates, to the fullest extent permitted by law, the personal liability of a director for monetary damages resulting from breach of his fiduciary duty as a director.

As permitted by the Delaware General Corporation Law, our bylaws provide that:

- we are required to indemnify our directors and officers to the fullest extent permitted by the Delaware General Corporation Law;
- we may indemnify our other employees and agents as provided in indemnification contracts entered into between us and our employees and agents;
- we are required to advance expenses, as incurred, to our directors and officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law; and
- the rights conferred in the bylaws are not exclusive.

Our policy is to enter into separate indemnification agreements with each of our directors and officers that provide the maximum indemnity allowed to directors and executive officers by Section 145 of the Delaware General Corporation Law and also provide for certain additional procedural protections. We currently carry liability insurance for our directors and officers. At present, there is no pending litigation or proceeding involving a director or officer of Enphase Energy, Inc. regarding which indemnification is sought, nor are we aware of any threatened litigation that may result in claims for indemnification.

These indemnification provisions and the indemnification agreements entered into between us and our officers and directors may be sufficiently broad to permit indemnification of our officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

The Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement provides for indemnification by the underwriters of us, and our directors and officers for certain liabilities under the Securities Act, or otherwise.

Item 15. Recent Sales of Unregistered Securities.

Since January 1, 2009, we have made sales of the following unregistered securities:

(a) Issuances of Capital Stock

1. From January 1, 2009 through January 31, 2012, we issued and sold an aggregate of 5,942,506 shares of our common stock to our employees and consultants at prices ranging from $0.03 to $1.05 per share to an aggregate of 68 individuals, pursuant to exercises of options granted under our 2006 Equity Incentive Plan.
2. On March 31, 2009, we sold secured convertible promissory notes to purchase shares of our equity securities to five of our existing accredited investors for an aggregate purchase price of $1.5 million. On April 24, 2009, the notes and accrued interest of $7,890.42 were converted into 7,548,886 shares of Series D convertible preferred stock.
3. From April 2009 through June 2009, we issued and sold an aggregate of 111,071,231 shares of our Series D preferred stock to 34 accredited investors at $0.235 per share for an aggregate purchase price of $25,835,641. Upon completion of this offering, these shares of Series D preferred stock will convert into 111,071,231 shares of our common stock.
4. From March 2010 through May 2010, we issued and sold an aggregate of 67,471,300 shares of our Series E preferred stock to 27 accredited investors at $0.68 per share for an aggregate purchase price of $45,880,484. Upon completion of this offering, these shares of Series E preferred stock will convert into 67,471,300 shares of our common stock.

(b) Stock Option Grants and Warrant Issuances

1. From January 1, 2009 through January 31, 2012, we granted stock options to purchase an aggregate of 63,476,061 shares of our common stock at exercise prices ranging from $0.03 to $1.05 per share to a total of 295 employees, consultants and directors under our 2006 Equity Incentive Plan, of which options to purchase 3,951,304 shares were cancelled without being exercised.
2. In March 2010, in connection with the execution of a supply and services agreement, we issued a warrant to purchase 100,000 shares of our common stock to a potential customer for an exercise price of $0.50 per share. This warrant will expire on the earlier of December 31, 2012, or upon such customer's failure to meet such product purchasing milestones by (i) March 4, 2012, or (ii) an earlier change in control of Enphase.
3. In March 2010, in connection with our borrowing of an aggregate of $7.0 million, we issued a warrant to purchase up to an aggregate of 1,029,412 shares of our Series E preferred stock to the lender for an exercise price of $0.68 per share. This warrant is immediately exercisable and will expire upon the earlier of March 11, 2020, or five years after the closing of this offering.
4. In March 2011, in connection with our borrowing of an aggregate of $5.0 million, we issued a warrant to purchase up to an aggregate amount of 441,177 shares of our Series E preferred stock to the lender for an exercise price of $0.68 per share. This warrant is immediately exercisable and will expire upon the earlier of March 25, 2021, or five years after the closing of this offering.

5. In June 2011, in connection with our borrowing of an aggregate of $5.0 million, we issued a warrant to purchase up to an aggregate amount of 229,591 shares of our Series E preferred stock to the lender for an exercise price of $0.98 per share. This warrant is immediately exercisable and will expire upon the earlier of June 13, 2021, or five years after the closing of this offering.

(c) Issuances of Convertible Notes, Common Stock and Warrants

1. In June 2011, we entered into a junior secured convertible loan facility, or Convertible Facility, with 25 of our preferred stockholders, who are all accredited investors, that provided for up to $50.0 million in borrowings, of which we borrowed $12.5 million upon signing. In November 2011, we amended the Convertible Facility to provide for an aggregate of up to $80.0 million in borrowings. We borrowed $7.5 million in a second advance in November 2011 and may borrow up to an additional $60 million. The Convertible Facility bears interest at a rate of 9%, with interest payable in kind at maturity. The initial and second advances of $12.5 million and $7.5 million, respectively, together with accrued interest, are convertible into common stock at an initial conversion price of $0.98 per share, subject to adjustments. Additional borrowings and accrued interest are repayable at the holders' option as follows: up to 50% convertible into common stock at a price of $0.98 per share and the remainder in cash. In addition, we may prepay, at our election, up to 50% of any additional borrowings and related accrued interest at any time. In consideration for the lenders' commitment under this facility, we issued 3,202,298 shares of common stock at a purchase price of $0.58 per share to fourteen of the lenders and received proceeds of $1,096,553 and issued to the remaining lenders warrants to purchase up to an aggregate amount of 1,194,235 shares of our common stock for an exercise price of $0.58 per share. The warrants are immediately exercisable. Warrants to purchase 695,586 shares of our common stock will expire on June 14, 2016, and warrants to purchase 498,649 shares of our common stock will expire on November 16, 2016, subject to earlier termination upon an acquisition of us in which the consideration payable to holders of our common stock consists of cash and/or a class of securities that are registered under the Securities Exchange Act of 1934, as amended.

No underwriters were involved in the foregoing sales of securities.

The offers, sales and issuances of the securities described in Item 15(a)(1) and 15(b)(1) were deemed to be exempt from registration under the Securities Act under either (1) Rule 701 promulgated under the Securities Act as offers and sale of securities pursuant to certain compensatory benefit plans and contracts relating to compensation in compliance with Rule 701 or (2) Section 4(2) of the Securities Act as transactions by an issuer not involving any public offering. The recipients of securities in each of these transactions represented their intention to acquire the securities for investment only and not with view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients had adequate access, through their relationships with us, to information about us.

The offers, sales, and issuances of the securities described in Items 15(a)(2) and 15(b)(2)-(5) were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering. The offers, sales and issuances of the securities described in Items 15(a)(3)-(4) and 15(c) were deemed to be exempt from registration under the Securities Act in reliance on Regulation D promulgated under the Securities Act, and in connection therewith we filed with the Securities and Exchange Commission: (i) a Form D on May 6, 2009, as subsequently amended on June 25, 2009 with respect to Item 15(a)(2); (ii) a Form D on April 7, 2010, as subsequently amended on June 4, 2010 with respect to Item 15(a)(3); and (iii) a Form D on June 24, 2011, as amended on November 23, 2011, with respect to Item 15(c). The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were

affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited or sophisticated person and had adequate access, through employment, business or other relationships, to information about us.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

Exhibit No.	Description of Exhibit
1.1	Form of Underwriting Agreement.
3.1#	Amended and Restated Certificate of Incorporation of Enphase Energy, Inc., as amended, as currently in effect.
3.2*	Form of Amended and Restated Certificate of Incorporation of Enphase Energy, Inc. to be filed with the Delaware Secretary of State prior to closing of this offering to effect a reverse stock split.
3.3*	Form of Amended and Restated Certificate of Incorporation of Enphase Energy, Inc., to be effective immediately upon the closing of the offering.
3.4#	Bylaws of Enphase Energy, Inc., as amended, as currently in effect.
3.5*	Form of Amended and Restated Bylaws of Enphase Energy, Inc., to be effective upon the closing of this offering.
4.1*	Specimen Common Stock Certificate of Enphase Energy, Inc.
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.
4.3#	Common Stock Purchase Warrant, between the Company and MS Solar Solutions Corp, dated March 4, 2010.
4.4#	Warrant to Purchase Shares of Series Preferred Stock, between the Company and Compass Horizon Funding Company LLC, dated March 11, 2010.
4.5#	Warrant to Purchase Shares of Series Preferred Stock, between the Company and Horizon Technology Finance Corporation, dated March 25, 2011.
4.6#	Warrant Agreement to Purchase Shares of Preferred Stock, between the Company and Hercules Technology Growth Capital, Inc., dated June 13, 2011.
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 (filed as Exhibit 10.22 hereto).
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 (filed as Exhibit 10.22 hereto).
5.1*	Opinion of Cooley LLP.
10.1#	Form of Indemnification Agreement to be entered into by and between Enphase Energy, Inc. and each of its directors and officers.
10.2#	2006 Equity Incentive Plan, as amended, and related documents.
10.3#	2011 Equity Incentive Plan and forms of agreement thereunder to be in effect upon the completion of this offering.
10.4#	2011 Employee Stock Purchase Plan to be in effect upon the completion of this offering.
10.5#	Offer Letter by and between Enphase Energy, Inc. and Paul B. Nahi, dated January 1, 2007, as amended.

Exhibit No.	Description of Exhibit
10.6#	Offer Letter by and between Enphase Energy, Inc. and Sanjeev Kumar, dated November 12, 2009.
10.7#	Employment Agreement by and between Enphase Energy, Inc. and Martin Fornage, dated March 21, 2006, as amended.
10.8#	Offer Letter by and between Enphase Energy, Inc. and Jeff Loebbaka, dated April 19, 2010.
10.9#	Employment Agreement by and between Enphase Energy, Inc. and Raghuveer R. Belur, dated March 21, 2006, as amended.
10.10	Amended and Restated Venture Loan and Security Agreement by and between Enphase Energy, Inc., Horizon Technology Finance Corporation and Horizon Credit I LLC, dated March 25, 2011, as amended.
10.11	Amended and Restated Loan and Security Agreement by and between Enphase Energy, Inc., Bridge Bank, National Association and Comerica Bank, dated March 24, 2011, as amended.
10.12	Loan and Security Agreement by and between Enphase Energy, Inc. and Hercules Technology Growth Capital, Inc., dated June 13, 2011, as amended.
10.13#	Waterfront Office Building Full Service Lease by and between Enphase Energy, Inc. and Petaluma Theatre District, LLC, dated February 3, 2008, as amended.
10.14	Redwood Business Park NNN Lease by and between Enphase Energy, Inc. and Sequoia Center LLC, dated June 3, 2011 (1400 North McDowell Boulevard), as amended.
10.15	Redwood Business Park NNN Lease by and between Enphase Energy, Inc. and Sequoia Center LLC, dated June 3, 2011 (1420 North McDowell Boulevard), as amended.
10.16†	Cooperation Agreement “AC cabling system for solar micro-inverter” by and among Enphase Energy, Inc., and Phoenix Contact GmbH & Co. KG and Phoenix Contact USA, Inc., dated December 7, 2010.
10.17†#	Flextronics Logistics Services Agreement by and between Enphase Energy, Inc. and Flextronics America, LLC, dated May 1, 2009.
10.18†	Flextronics Manufacturing Services Agreement by and between Enphase Energy, Inc. and Flextronics Industrial, Ltd., dated March 1, 2009, as amended.
10.19†#	Master Development and Production Agreement by and between Enphase Energy, Inc. and Fujitsu Microelectronics America, Inc., dated August 19, 2009.
10.20†	License and Technology Transfer Agreement by and between Enphase Energy, Inc. and Ariane Controls, Inc., dated December 21, 2007.
10.21†#	Software License Agreement by and between PVI Solutions, Inc. (subsequently known as Enphase Energy, Inc.) and DCD, Digital Core Design, dated May 8, 2007, as amended.
10.22†#	Amended and Restated Subordinated Convertible Loan Facility and Security Agreement dated as of November 16, 2011 by and between KPCB Holdings, Inc. as nominee (as agent and lender), certain other lenders, and Enphase Energy, Inc.
10.23#	Executive Severance Agreement by and between Enphase Energy, Inc. and Paul B. Nahi, dated June 14, 2011.
10.24#	Change in Control and Severance Agreement by and between Enphase Energy, Inc. and Sanjeev Kumar, dated June 14, 2011.
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10.27#	Executive Severance Agreement by and between Enphase Energy, Inc. and Raghuveer R. Belur, dated June 14, 2011.
10.28#	Non-employee Director Compensation Policy to be in effect upon completion of this offering.
10.29#	Offer Letter by and between Enphase Energy, Inc. and Greg Steele, dated November 15, 2007.
10.30#	Offer Letter by and between Enphase Energy, Inc. and Bill Rossi, dated August 23, 2010.
10.31#	Offer Letter by and between Enphase Energy, Inc. and Dennis Hollenbeck, dated December 14, 2010.
10.32#	Change in Control and Severance Agreement by and between Energy, Inc. and Greg Steele, dated June 14, 2011.
10.33#	Change in Control and Severance Agreement by and between Energy, Inc. and Bill Rossi, dated June 14, 2011.
10.34#	Change in Control and Severance Agreement by and between Energy, Inc. and Dennis Hollenbeck, dated June 14, 2011.
10.35#	Amended and Restated Voting Agreement by and between Enphase Energy, Inc., the investors listed on Exhibit A thereto and the stockholders listed on Exhibit B thereto, dated March 15, 2010, as amended.
23.1*	Consent of Cooley LLP (included in Exhibit 5.1).
23.2	Consent of Deloitte & Touche LLP, independent registered public accounting firm.
23.3#	Consent of Westinghouse Solar.
24.1#	Power of Attorney.

* To be filed by amendment.
† Material in the exhibit marked with a "***" 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.
# Previously filed.

(b) Financial Statement Schedules.

Financial statement schedules have been omitted, as the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto appearing in the prospectus made part of this registration statement.

Item 17. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing, specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the undersigned has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling

precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 5 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Petaluma, State of California, on the 31st day of January, 2012.

Enphase Energy, Inc.

By: /s/ Paul B. Nahi
Paul B. Nahi
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 5 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Paul B. Nahi Paul B. Nahi	President and Chief Executive Officer (Principal Executive Officer)	January 31, 2012
/s/ Sanjeev Kumar Sanjeev Kumar	Chief Financial Officer (Principal Financial and Accounting Officer)	January 31, 2012
* Raghuveer R. Belur	Director	January 31, 2012
* Neal Dempsey	Director	January 31, 2012
* Steven J. Gomo	Director	January 31, 2012
* Benjamin Kortlang	Director	January 31, 2012
* Jameson J. McJunkin	Director	January 31, 2012
* Chong Sup Park	Director	January 31, 2012
* Robert Schwartz	Director	January 31, 2012
* Stoddard M. Wilson	Director	January 31, 2012

*By /s/ Paul B. Nahi
Paul B. Nahi
Attorney-in-Fact

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23.3#	Consent of Westinghouse Solar.
24.1#	Power of Attorney.

* To be filed by amendment.

† Material in the exhibit marked with a "***" 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.

\# Previously filed.

[—] Shares

ENPHASE ENERGY, INC.

COMMON STOCK, PAR VALUE $0.00001 PER SHARE

UNDERWRITING AGREEMENT

[—], 2011

[—], 2011

Morgan Stanley & Co. LLC
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
c/o Morgan Stanley & Co. LLC
1585 Broadway
New York, New York 10036

c/o Merrill Lynch, Pierce, Fenner & Smith
Incorporated
One Bryant Park
New York, New York 10036

Ladies and Gentlemen:

Enphase Energy, Inc., a Delaware corporation (the "**Company**"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "**Underwriters**") [•] shares of its common stock, par value $0.00001 per share (the "**Firm Shares**"). The Company also proposes to issue and sell to the several Underwriters not more than an additional [•] shares of its common stock, par value $0.00001 per share (the "**Additional Shares**") if and to the extent that you, as managers of the offering, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 2 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "**Shares.**" The shares of common stock, par value $0.00001 per share, of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "**Common Stock.**"

The Company has filed with the Securities and Exchange Commission (the "**Commission**") a registration statement, including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "**Securities Act**"), is hereinafter referred to as the "**Registration Statement**"; the prospectus in the form first used to confirm sales of Shares (or in the form first made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act) is hereinafter referred to as the "**Prospectus.**" If the Company has filed an abbreviated registration statement to register additional shares of Common Stock

pursuant to Rule 462(b) under the Securities Act (the "**Rule 462 Registration Statement**"), then any reference herein to the term "**Registration Statement**" shall be deemed to include such Rule 462 Registration Statement.

For purposes of this Agreement, "**free writing prospectus**" has the meaning set forth in Rule 405 under the Securities Act, "**Time of Sale Prospectus**" means (i) the preliminary prospectus contained in the Registration Statement at the time of effectiveness together with (ii) the free writing prospectuses, if any, and pricing information set forth in Schedule II hereto, and "**broadly available road show**" means a "bona fide electronic road show" as defined in Rule 433(h)(5) under the Securities Act that has been made available without restriction to any person. As used herein, the terms "Registration Statement," "preliminary prospectus," "Time of Sale Prospectus" and "Prospectus" shall include the documents, if any, incorporated by reference therein.

1. *Representations and Warranties*. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or, to the Company's knowledge, threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not, as of the date of such amendment or supplement, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (iii) the Time of Sale Prospectus does not, and at the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers and at the Closing Date (as defined in Section 4), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iv) each broadly available road show, if any, when considered together with the Time of Sale Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (v) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in

the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement, the Time of Sale Prospectus or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(c) The Company is not an "ineligible issuer" in connection with the offering pursuant to Rules 164, 405 and 433 under the Securities Act. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Except for the free writing prospectuses, if any, identified in Schedule II hereto, and electronic road shows, if any, each furnished to you before first use, the Company has not prepared, used or referred to, and will not, without your prior consent, prepare, use or refer to, any free writing prospectus.

(d) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing (or its equivalent) in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(e) Each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole; all of the issued shares of capital stock of each subsidiary of the Company have been duly authorized and validly issued, are fully paid and non-assessable and are owned directly by the Company, free and clear of all liens, encumbrances, equities or claims.

(f) This Agreement has been duly authorized, executed and delivered by the Company.

(g) As of the closing of the sale of the Firm Shares, the authorized capital stock of the Company will conform as to legal matters to the description thereof contained in each of the Time of Sale Prospectus and the Prospectus.

(h) The shares of Common Stock outstanding prior to the issuance of the Shares have been duly authorized and are validly issued, fully paid and non-assessable.

(i) The Shares have been duly authorized and, when issued, delivered and paid for in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(j) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no further consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(k) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus.

(l) There are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject (i) other than proceedings accurately described in all material respects in the Time of Sale Prospectus and proceedings that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, or on the power or ability of the Company to perform its obligations under this Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus or (ii) that are required to be described in the Registration Statement or the Prospectus and are not so described; and there are no statutes,

regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(m) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(n) The Company is not, and after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(o) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("**Environmental Laws**"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(p) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(q) Except as described in the Time of Sale Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement.

(r) Neither the Company nor any of its subsidiaries or controlled affiliates, nor any director, officer, or employee, nor, to the Company's

knowledge, any agent or representative of the Company or of any of its subsidiaries or controlled affiliates, has taken any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage; and the Company and its subsidiaries and controlled affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintain policies and procedures designed to promote and achieve compliance with such laws.

(s) The operations of the Company and its subsidiaries are and have been conducted at all times in material compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of jurisdictions where the Company and its subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Anti-Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(t) (i) The Company represents that neither the Company nor any of its subsidiaries, nor any director, officer, or employee thereof, nor, to the Company's knowledge, any agent, affiliate or representative of the Company or any of its subsidiaries, is an individual or entity ("**Person**") that is, or is owned or controlled by a Person that is:

(A) the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**") , the United Nations Security Council ("**UNSC**"), the European Union ("**EU**"), Her Majesty's Treasury ("**HMT**"), or other relevant sanctions authority (collectively, "**Sanctions**"), nor

(B) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation,

Burma/Myanmar, Cuba, Iran, Libya, North Korea, Sudan and Syria).

(ii) The Company will not, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(A) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(B) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(iii) For the past five years, the Company and its subsidiaries have not knowingly engaged in, and are not now knowingly engaged in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions, and have instituted and maintain policies and procedures designed to promote and achieve compliance with such Sanctions.

(u) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, (i) the Company and its subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction; (ii) the Company has not purchased any of its outstanding capital stock other than from employees or service providers in connection with the termination of their services, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (iii) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, except in each case as described in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, respectively.

(v) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries taken as a whole, in each case free and clear of all liens, encumbrances and defects except such as are described in the Time of Sale Prospectus or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and, to the knowledge of the Company, enforceable leases with

such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, in each case except as described in the Time of Sale Prospectus.

(w) The Company and its subsidiaries own or possess, or can acquire on commercially reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names and all goodwill associated with the use of the same, including the right to sue for past, present and future infringement, misappropriation or dilution of any of the same (collectively, "**Intellectual Property**") currently employed by them in connection with the business now operated by them and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole. Except as described in the Registration Statement, Time of Sale Prospectus and the Prospectus, (i) to the Company's knowledge, there are no third parties who have or will be able to establish rights to any material Intellectual Property, except for nonexclusive rights licensed by the Company to third parties in the ordinary course of business and the retained rights of the owners of the Intellectual Property which is licensed to the Company; (ii) there is no pending, or to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the Company's rights or any of its subsidiaries' rights in or to any Intellectual Property in any material respect, and neither the Company nor any of its subsidiaries is aware of any facts which could form a reasonable basis for any such action, suit, proceeding or claim; (iii) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the validity, enforceability or scope of any Intellectual Property in any material respect, and neither the Company nor any of its subsidiaries is aware of any facts which could form a reasonable basis for any such action, suit, proceeding or claim; (iv) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others that the Company or any of its subsidiaries infringes or misappropriates any Intellectual Property or other proprietary rights of others in any material respect and neither the Company nor any of its subsidiaries is aware of any facts which could form a reasonable basis for any such action, suit, proceeding or claim; (v) to the Company's knowledge, there is no patent or patent application that contains claims that interfere with the issued or pending claims of any of the Intellectual Property in any material respect; and (vi) to the Company's knowledge, none of the Intellectual Property used by the Company or any of its subsidiaries which is necessary to the conduct of its business as now conducted and as proposed to be

conducted in the Registration Statement, Time of Sale Prospectus and the Prospectus by the Company or any of its subsidiaries has been obtained or is being used by the Company and its subsidiaries in violation of any contractual obligation binding on the Company or any of its subsidiaries.

(x) No material labor dispute with the employees of the Company or any of its subsidiaries exists, except as described in the Time of Sale Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that would have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(y) The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; since January 2010, neither the Company nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(z) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses except where the failure to possess such certificates, authorizations or permits would not, singly or in the aggregate, reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole, and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole, in each case except as described in the Time of Sale Prospectus.

(aa) The Company and its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable

intervals and appropriate action is taken with respect to any differences. Except as described in the Time of Sale Prospectus, since the end of the Company's most recent audited fiscal year, there has been (i) no material weakness in the Company's internal control over financial reporting (whether or not remediated) and (ii) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(bb) Except as described in the Registration Statement, the Company has not sold, issued or distributed any shares of Common Stock during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulation D or S of, the Securities Act, other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(cc) The Company and each of its subsidiaries have filed all federal, state, local and foreign tax returns required to be filed through the date of this Agreement or have requested extensions thereof (except where the failure to file would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole) and have paid all taxes required to be paid thereon (except for cases in which the failure to file or pay would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, or, except as currently being contested in good faith and for which reserves required by U.S. GAAP have been created in the financial statements of the Company), and no tax deficiency has been determined adversely to the Company or any of its subsidiaries which remains unpaid and has had (nor does the Company nor any of its subsidiaries have any notice or knowledge of any tax deficiency which could reasonably be expected to be determined adversely to the Company or its subsidiaries and which could reasonably be expected to have) a material adverse effect on the Company and its subsidiaries, taken as a whole.

(dd) Except as described in the Time of Sale Prospectus and the Prospectus, each of the Company and its subsidiaries has operated its business and currently is in compliance in all material respects with all applicable federal, state and foreign laws and all applicable rules, regulations and policies of any domestic or foreign regulatory organization.

2. *Agreements to Sell and Purchase.* The Company hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Company the respective numbers of Firm Shares set forth in Schedule I hereto opposite its name at $[•] a share (the "**Purchase Price**").

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have the right to purchase, severally and not jointly, up to [•] Additional Shares at the Purchase Price, provided, however, that the amount paid by the Underwriters for any Additional Shares shall be reduced by an amount per share equal to any dividends declared by the Company and payable on the Firm Shares but not payable on such Additional Shares. You may exercise this right on behalf of the Underwriters in whole or from time to time in part by giving written notice not later than 30 days after the date of this Agreement. Any exercise notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Each purchase date must be at least one business day after the written notice is given and may not be earlier than the closing date for the Firm Shares nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, if any, that Additional Shares are to be purchased (an "**Option Closing Date**"), each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased on such Option Closing Date as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

3. *Terms of Public Offering*. The Company is advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Company is further advised by you that the Shares are to be offered to the public initially at $[•] per share (the "**Public Offering Price**") and to certain dealers selected by you at a price that represents a concession not in excess of $[•] per share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $[•] per share, to any Underwriter or to certain other dealers.

4. *Payment and Delivery.* Payment for the Firm Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on [•], 2011 or at such other time on the same or such other date, not later than [•], 2011, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "**Closing Date**."

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the corresponding notice described in Section 2 or at such other time on the same or on such other date, in any event not later than [•], 2011 as shall be designated in writing by you.

The Firm Shares and Additional Shares shall be registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Firm Shares and Additional Shares shall be delivered to you on the Closing Date or an Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

5. *Conditions to the Underwriters' Obligations*. The obligations of the Company to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than [•] (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the securities of the Company or any of its subsidiaries by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus as of the date of this Agreement that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed on behalf of the Company by an executive officer of the Company, to the effect set forth in Section 5(a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date an opinion and negative assurance letter of Cooley LLP, outside counsel for the Company, in each case dated the Closing Date, and in each case in the form previously agreed.

(d) The Underwriters shall have received on the Closing Date an opinion and negative assurance letter of Davis Polk & Wardwell LLP, counsel for the Underwriters, in each case dated the Closing Date, in form and substance satisfactory to the Underwriters.

With respect to the negative assurances letters referred to in Sections 5(c) and 5(d) above, Cooley LLP and Davis Polk & Wardwell LLP may state that their beliefs are based upon their participation in the preparation of the Registration Statement, the Time of Sale Prospectus and the Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified.

The opinion of Cooley LLP described in Section 5(c) above shall be rendered to the Underwriters at the request of the Company and shall so state therein.

(e) The Underwriters shall have received on the Closing Date an opinion of Moser IP Law Group, outside patent counsel for the Company, dated the Closing Date in the form previously agreed.

(f) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from Deloitte & Touche LLP, an independent registered public accounting firm, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Time of

Sale Prospectus and the Prospectus; *provided* that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(g) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and certain shareholders, officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the applicable Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares to be sold on such Option Closing Date and other matters related to the issuance of such Additional Shares.

6. *Covenants of the Company*. The Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, six signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day (second business day in the case of the Prospectus) next succeeding the date of this Agreement and during the period mentioned in Section 6(e) or 6(f) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement, the Time of Sale Prospectus or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) To furnish to you a copy of each proposed free writing prospectus to be prepared by or on behalf of, used by, or referred to by the Company and not to use or refer to any proposed free writing prospectus to which you reasonably object.

(d) Not to take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the

Underwriter that the Underwriter otherwise would not have been required to file thereunder.

(e) If the Time of Sale Prospectus is being used to solicit offers to buy the Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus in order to make the statements therein, in the light of the circumstances, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement then on file, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not, in the light of the circumstances when the Time of Sale Prospectus is delivered to a prospective purchaser, be misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(f) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law.

(g) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request.

(h) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the date of this Agreement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(i) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 6(g) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the Financial Industry Regulatory Authority, Inc., not to exceed $40,000, (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the NASDAQ Global Market and other national securities exchanges and foreign stock exchanges, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and 50% of the cost of any aircraft

chartered in connection with the road show (with the remaining 50% of the cost of such aircraft to be paid by the Underwriters), (ix) the document production charges and expenses associated with printing this Agreement and (x) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 8 entitled "Indemnity and Contribution" and the last paragraph of Section 10 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

The Company also covenants with each Underwriter that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (3) file any registration statement (other than on Form S-8 with respect to the Company's equity incentive plans described in the Time of Sale Prospectus) with the Commission relating to the offering of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock. The restrictions contained in the preceding sentence shall not apply to (a) the Shares to be sold hereunder, (b) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof, provided that such option, warrant or security is identified in the Time of Sale Prospectus, (c) the issuance by the Company of Common Stock or other securities convertible into or exercisable for shares of Common Stock pursuant to the Company's equity incentive plans described in the Time of Sale Prospectus, *provided* that, prior to the issuance of any such Common Stock or other securities where the shares of Common Stock or other securities vest within the period ending 180 days after the date of the Prospectus, the Company shall cause each recipient of such grant or issuance to execute and deliver to you a lock-up agreement substantially in the form of Exhibit A, (d) the entry into an agreement providing for the issuance by the Company of shares of Common Stock or any security convertible into or exercisable for shares of Common Stock in connection with the acquisition by the Company or any of its subsidiaries of the securities, business, property or other

assets of another person or entity or pursuant to an employee benefit plan assumed by the Company in connection with such acquisition, and the issuance of any such securities pursuant to any such agreement and (e) the entry into an agreement providing for the issuance of shares of Common Stock or any security convertible into or exercisable for shares of Common Stock in connection with joint ventures, commercial relationships or other strategic transactions, and the issuance of any such securities pursuant to any such agreement; *provided* that in the case of clauses (d) and (e), the aggregate number of shares of Common Stock that the Company may sell or issue or agree to sell or issue pursuant to clauses (d) and (e) shall not exceed 5% of the total number of shares of the Company's Common Stock issued and outstanding immediately following the completion of the transactions contemplated by this agreement; and *provided further*, that each recipient of securities issued pursuant to clause (d) or (e) shall execute a lock-up agreement substantially in the form of Exhibit A, and the Company shall enter stop transfer instructions with the Company's transfer agent and registrar on such securities, which the Company agrees it will not waive or amend without the prior written consent of Morgan Stanley & Co. LLC on behalf of the Underwriters. The Company also agrees that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, release any holder of Company securities from the transfer restrictions contained in any agreement to which the Company is a party with respect to any shares of Common Stock beneficially owned (as such term is used in Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) by such holder or any other securities so owned or convertible into or exercisable of exchangeable for Common Stock.

Notwithstanding the foregoing, if (1) during the last 17 days of the 180-day restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs; or (2) prior to the expiration of the 180-day restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions imposed by this agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. The Company shall promptly notify Morgan Stanley & Co. LLC of any earnings release, news or event that may give rise to an extension of the initial 180-day restricted period.

If Morgan Stanley & Co. LLC, in its sole discretion, agrees to release or waive the restrictions set forth in a "lock up" agreement described in Section 5(g) hereof for an officer or director of the Company and provides the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of

Exhibit D hereto through a major news service at least two business days before the effective date of the release or waiver.

7. *Covenants of the Underwriters*. Each Underwriter severally covenants with the Company not to take any action that would result in the Company being required to file with the Commission under Rule 433(d) a free writing prospectus prepared by or on behalf of such Underwriter that otherwise would not be required to be filed by the Company thereunder, but for the action of the Underwriter.

8. *Indemnity and Contribution.* (a) The Company agrees to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any Company information that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act, or the Prospectus or any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any issuer free writing prospectus or the Prospectus or any amendment or supplement thereto.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b), such person (the "**indemnified party**")

shall promptly notify the person against whom such indemnity may be sought (the "**indemnifying party**") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel reasonably incurred in connection with such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, in the case of parties indemnified pursuant to Section 8(a), and by the Company, in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) To the extent the indemnification provided for in Section 8(a) or 8(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 8(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(d)(i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 8 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 8 were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 8(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 8(d) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue

statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 8 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 8 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter, any person controlling any Underwriter or any affiliate of any Underwriter or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

9. *Termination*. The Underwriters may terminate this Agreement by notice given by you to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, either the New York Stock Exchange or the NASDAQ Global Market, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by Federal or New York State authorities or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and which, singly or together with any other event specified in this clause (v), makes it, in your judgment, impracticable or inadvisable to proceed with the offer, sale or delivery of the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus or the Prospectus. Notwithstanding anything in this Agreement to the contrary, if this Agreement is terminated pursuant to clauses (iii), (iv) or (v) of this Section 9, then the obligation of the Company to reimburse the expenses of the Underwriters set forth in clauses (iii) and (iv) of Section 6(i) is also terminated and of no further effect.

10. *Effectiveness; Defaulting Underwriters*. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or an Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number

of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; *provided* that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 10 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased on such date, and arrangements satisfactory to you and the Company for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement, in the Time of Sale Prospectus, in the Prospectus or in any other documents or arrangements may be effected. If, on an Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased on such Option Closing Date, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase the Additional Shares to be sold on such Option Closing Date or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement (which, for purposes of this Section 10, shall not include termination by the Underwriters under items (iii), (iv) or (v) of Section 9), the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

11. *Entire Agreement*. (a) This Agreement, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Agreement) that relate to the offering of the Shares, represents the entire agreement between the Company and the Underwriters with respect to the preparation of any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, the conduct of the offering, and the purchase and sale of the Shares.

(b) The Company acknowledges that in connection with the offering of the Shares: (i) the Underwriters have acted at arms length, are not agents of, and owe no fiduciary duties to, the Company or any other person, (ii) the Underwriters owe the Company only those duties and obligations set forth in this Agreement and prior written agreements (to the extent not superseded by this Agreement), if any, and (iii) the Underwriters may have interests that differ from those of the Company. The Company waives to the full extent permitted by applicable law any claims it may have against the Underwriters arising from an alleged breach of fiduciary duty in connection with the offering of the Shares.

12. *Counterparts*. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. *Applicable Law*. This Agreement and any claim, controversy or dispute arising or related to this Agreement, shall be governed by and construed in accordance with the internal laws of the State of New York.

14. *Headings*. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

15. *Notices*. All communications hereunder shall be in writing and effective only upon receipt and if to the Underwriters shall be delivered, mailed or sent to you in care of Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department and in care of Merrill Lynch, Pierce, Fenner & Smith Incorporated at One Bryant Park, New York, New York 10036, Attention: Syndicate Department, with a copy to ECM Legal; and if to the Company shall be delivered, mailed or sent to 201 1st Street, Suite 111, Petaluma, California 94952, Attention: J. Taylor Browning, Senior Corporate Counsel.

Very truly yours,

ENPHASE ENERGY, INC.

By: _____

Name:

Title:

Accepted as of the date hereof

Morgan Stanley & Co. LLC
Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Acting severally on behalf of themselves
and the several Underwriters named in
Schedule I hereto.

By: Morgan Stanley & Co. LLC

By: _____
Name:
Title:

By: Merrill Lynch, Pierce, Fenner & Smith
Incorporated

By: _____
Name:
Title:

SCHEDULE I

Underwriter	Number of Firm Shares To Be Purchased
Morgan Stanley & Co. LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Jefferies & Company, Inc.	
Lazard Capital Markets LLC	
ThinkEquity LLC	
Total:	

SCHEDULE II

Time of Sale Prospectus

1. Preliminary Prospectus issued [date]
2. [identify all free writing prospectuses filed by the Company under Rule 433(d) of the Securities Act]
3. [orally communicated pricing information]

EXHIBIT A

FORM OF LOCK-UP LETTER

June , 2011

Morgan Stanley & Co. LLC
1585 Broadway
New York, NY 10036

Ladies and Gentlemen:

The undersigned understands that Morgan Stanley & Co. LLC ("**Morgan Stanley**") proposes to enter into an Underwriting Agreement (the "**Underwriting Agreement**") with Enphase Energy, Inc., a Delaware corporation (the "**Company**"), providing for the initial public offering (the "**Public Offering**") by the several Underwriters, including Morgan Stanley (the "**Underwriters**"), of shares (the "**Shares**") of common stock, par value $0.00001 per share, of the Company (the "**Common Stock**").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period (the "**Restricted Period**") commencing on the date hereof and ending 180 days after the date of the final prospectus relating to the Public Offering (the "**Prospectus**"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock beneficially owned (as such term is used in Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) by the undersigned or any other securities so owned convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise.

The foregoing paragraph shall not apply to (a) transactions relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Public Offering, *provided* that no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made in connection with subsequent sales of Common Stock or other securities acquired in such open market transactions during

the Restricted Period; (b) transfers of shares of Common Stock or any security convertible into Common Stock as (i) a bona fide gift, (ii) by will or intestate succession, (iii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, (iv) if the undersigned is a corporation, partnership, limited liability company or other business entity, (A) to any stockholder, partner or member of, or owner of a similar equity interest in, the undersigned, as the case may be, (B) in connection with the sale or other bona fide transfer in a single transaction of all or substantially all of the undersigned's capital stock, partnership interests, membership interests or other similar equity interests, as the case may be, or all or substantially all of the undersigned's assets, in any such case not undertaken for the purpose of avoiding the restrictions imposed by this agreement or (C) to another corporation, partnership, limited liability company or other business entity so long as the transferee is an affiliate of the undersigned, *provided* that in the case of any transfer or distribution pursuant to this clause (b), (i) each donee or distributee shall sign and deliver a lock-up letter substantially in the form of this letter prior to or upon such transfer and (ii) no filing under Section 16(a) of the Exchange Act, reporting a disposition of shares of Common Stock or any other reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during the Restricted Period; (c) the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of Common Stock, *provided* that such plan does not provide for the transfer of Common Stock during the Restricted Period and no public announcement or filing under the Exchange Act regarding the establishment of such plan shall be required of or voluntarily made by or on behalf of the undersigned or the Company; (d) the exercise by the undersigned of any option to purchase shares of Common Stock granted by the Company pursuant to the Company's 2006 Equity Incentive Plan, 2011 Equity Incentive Plan, or 2011 Employee Stock Purchase Plan, or any warrant issued by the Company to purchase shares of Common Stock, *provided* that in the case of any transfer pursuant to this clause (d), (i) the restrictions in the foregoing sentence shall apply to any shares of Common Stock received by the undersigned upon such exercise (for the avoidance of doubt, broker-assisted cashless exercises are not permitted hereunder) and (ii) no filing under Section 16(a) of the Exchange Act, reporting any disposition of shares of Common Stock or any other reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during the Restricted Period; (e) any transfer to the Company of shares of Common Stock or other securities convertible into or exercisable or exchangeable for Common Stock (i) upon a vesting event of the Company's securities or the exercise of options issued pursuant to the Company's 2006 Equity Incentive Plan, 2011 Equity Incentive Plan, or 2011 Employee Stock Purchase Plan in full or partial payment of taxes or

tax withholding obligations required to be paid or satisfied upon such vesting or exercise or (ii) in exercise of the Company's right to repurchase or reacquire the undersigned's securities pursuant to agreements that permit the Company to repurchase or reacquire such securities upon termination of the undersigned's services to the Company, *provided* that in the case of any transfer pursuant to this clause (e), no filing under Section 16(a) of the Exchange Act, reporting a disposition of shares of Common Stock or any other reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during the Restricted Period; (f) any transfer of shares of Common Stock acquired pursuant to the Company's 2011 Employee Stock Purchase Plan, *provided* that no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made in connection with such transfer during the Restricted Period; or (g) any transfers of the undersigned's securities pursuant to a sale or an offer to purchase 100% of the outstanding Common Stock, whether pursuant to a merger, tender offer or otherwise, to a third party or group of third parties.

In addition, the undersigned agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the Prospectus, make any demand for, or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's shares of Common Stock except in compliance with the foregoing restrictions. [The undersigned understands that the restrictions imposed by this agreement shall apply to any shares of Common Stock acquired by the undersigned pursuant to the Company's directed share program, if any.]

If:

(1) during the last 17 days of the Restricted Period the Company issues an earnings release or material news or a material event relating to the Company occurs; or

(2) prior to the expiration of the Restricted Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Restricted Period;

the restrictions imposed by this agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

The undersigned shall not engage in any transaction that may be restricted by this agreement during the 34-day period beginning on the last day of the initial Restricted Period unless the undersigned has received prior written confirmation from the Company or Morgan Stanley that the restrictions imposed by this agreement have expired.

[If the undersigned is an officer or director of the Company, (i) Morgan Stanley agrees that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of shares of Common Stock, Morgan Stanley will notify the Company of the impending release or waiver, and (ii) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by Morgan Stanley hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this letter to the extent and for the duration that such terms remain in effect at the time of the transfer.]

The undersigned understands that the Company and the Underwriters are relying upon this agreement in proceeding toward consummation of the Public Offering. The undersigned further understands that this agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns. This agreement shall terminate automatically upon the earliest to occur, if any, of (a) the date the Company advises Morgan Stanley, in writing, prior to the execution of the Underwriting Agreement, that it has determined not to proceed with the Public Offering and (b) December 31, 2012 if, and only if, the Public Offering has not been completed by such date.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

_____

(Name)

_____

(Address)

EXHIBIT B

FORM OF PRESS RELEASE

Enphase Energy, Inc.

[Date]

Enphase Energy, Inc. (the "**Company**") announced today that Morgan Stanley & Co. LLC, book-running manager in the Company's recent public sale of shares of common stock, is [waiving][releasing] a lock-up restriction with respect to shares of the Company's common stock held by [certain officers or directors][an officer or director] of the Company. The [waiver][release] will take effect on , 20 , and the shares may be sold on or after such date.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

Exhibit 10.10

AMENDED AND RESTATED

VENTURE LOAN AND SECURITY AGREEMENT

Originally Dated March 11, 2010

Amended and Restated as of March 25, 2011

by and between

HORIZON TECHNOLOGY FINANCE CORPORATION,
a Delaware corporation
76 Batterson Park Road
Farmington, CT 06032

as Lender

HORIZON CREDIT I LLC
a Delaware limited liability company
76 Batterson Park Road
Farmington, CT 06032

as Assignee and Holder of Advance (Loan A)

And

ENPHASE ENERGY, INC.,
a Delaware corporation
201 1st Street, Suite 300
Petaluma, CA 94952

as Borrower

Commitment Amount (Loan A): $7,000,000

Commitment Amount (Loan B): $2,000,000

Commitment Amount (Loan C): $3,000,000

Commitment Termination Date (Loan A): March 19, 2010

Commitment Termination Date (Loan B): March 31, 2011

Commitment Termination Date (Loan C): July 31, 2011

The Lender and Borrower hereby agree as follows:

AGREEMENT

1. Definitions and Construction.

1.1 Definitions. As used in this Agreement, the following capitalized terms shall have the following meanings:

"Account Control Agreement" means an agreement acceptable to Lender which perfects via control Lender's security interest in Borrower's deposit accounts and/or accounts holding securities.

"Advance" means any advance of credit by Lender to the Borrower under this Agreement, and "Advances" means, collectively, all such Advances.

"Advance (Loan A)" means the single Advance under the Loan Facility (Loan A) to the Borrower under this Agreement.

"Advance (Loan B)" means the single Advance under the Loan Facility (Loan B) to the Borrower under this Agreement.

"Advance (Loan C)" means the single Advance under the Loan Facility (Loan C) to the Borrower under this Agreement.

"Advance (Loan A) Scheduled Payments" has the meaning given such term in Section 2.2(a) of this Agreement.

"Advance (Loan B) Scheduled Payments" has the meaning given such term in Section 2.2(b) of this Agreement.

"Advance (Loan C) Scheduled Payments" has the meaning given such term in Section 2.2(c) of this Agreement.

"Affiliate" means any Person that owns or controls directly or indirectly ten percent (10%) or more of the stock of another entity, any Person that controls or is controlled by or is under common control with such Persons or any Affiliate of such Persons and each of such Person's officers, directors, joint venturers or partners.

"Agreement" means this certain Amended and Restated Venture Loan and Security Agreement by and between Borrower and Lender dated as of the date on the cover page hereto (as it may from time to time be amended or supplemented in writing signed by the Borrower and Lender).

"Account" has the meaning given such term in Section 7.13 of this Agreement.

"Borrower" means the Borrower as set forth on the cover page of this Agreement.

"Business Day" means any day that is not a Saturday, Sunday, or other day on which banking institutions are authorized or required to close in Connecticut or California.

"Claim" has the meaning given such term in Section 10.3 of this Agreement

"Code" means the Uniform Commercial Code as adopted and in effect in the State of Connecticut, as amended from time to time; provided that if by reason of mandatory provisions of law, the creation and/or perfection or the effect of perfection or non-perfection of the security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than Connecticut, the term "Code" shall also mean the Uniform Commercial Code as in effect from time to time in such jurisdiction for purposes of the provisions hereof relating to such creation, perfection or effect of perfection or non-perfection.

"Collateral" has the meaning given such term in Section 4.1 of this Agreement.

"Commitment Amount" means, collectively, Commitment Amount (Loan A), Commitment Amount (Loan B) and Commitment Amount (Loan C).

"Commitment Amount (Loan A)" has the meaning as set forth on the cover page of this Agreement.

"Commitment Amount (Loan B)" has the meaning as set forth on the cover page of this Agreement.

"Commitment Amount (Loan C)" has the meaning set forth on the cover page of this Agreement.

"Commitment Fee" has the meaning given such term in Section 2.6(c) of this Agreement.

"Commitment Termination Date" means, as applicable, the Commitment Termination Date (Loan A), the Commitment Termination Date (Loan B) or the Commitment Termination Date (Loan C).

"Commitment Termination Date (Loan A)" has the meaning set forth on the cover page of this Agreement.

"Commitment Termination Date (Loan B)" has the meaning set forth on the cover page of this Agreement.

"Commitment Termination Date (Loan C)" has the meaning set forth on the cover page of this Agreement

"Contingent Obligation" means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to (i) any indebtedness, lease, dividend, letter of credit or other obligation of another; (ii) any obligations with respect to undrawn letters of credit, corporate credit cards, or merchant services issued or provided for the account of that

Person; and (iii) all obligations arising under any agreement or arrangement designed to protect such Person against fluctuation in interest rates, currency exchange rates or commodity prices; provided, however, that the term "Contingent Obligation" shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by Lender in good faith; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

"Default" means any event which with the passing of time or the giving of notice or both would become an Event of Default hereunder.

"Default Rate" means the per annum rate of interest equal to five percent (5%) over the applicable Loan Rate, but such rate shall in no event be more than the highest rate permitted by applicable law to be charged on commercial loans in a default situation.

"Disclosure Schedule" means the Disclosure Letter provided by Borrower to Lender on or about the date hereof.

"Environmental Laws" means all foreign, federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use matters, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Clean Air Act, the Federal Water Pollution Control Act of 1972, the Solid Waste Disposal Act, the Federal Resource Conservation and Recovery Act, the Toxic Substances Control Act and the Emergency Planning and Community Right-to-Know Act.

"Equipment" means all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Borrower has any interest.

"Equity Securities" of any Person means (a) all common stock, preferred stock, participations, shares, partnership interests, membership interests or other equity interests in and of such Person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

"ERISA" has the meaning given to such term in Section 7.12 of this Agreement.

"Event of Default" has the meaning given to such term in Section 8 of this Agreement.

"Foreign Accounts" has the meaning given such term in Section 7.13 of this Agreement.

"French Account" has the meaning given such term in Section 7.13 of this Agreement.

"Funding Certificate" means a certificate executed by a Responsible Officer of Borrower substantially in the form of Exhibit B or such other form as Lender may agree to accept.

"Funding Date" means any date on which an Advance is made to or on account of Borrower under this Agreement.

"GAAP" means generally accepted accounting principles as in effect in the United States of America from time to time, consistently applied.

"Good Faith Deposit" has the meaning given such term in Section 2.6(a) of this Agreement.

"Governmental Authority" means (a) any federal, state, county, municipal or foreign government, or political subdivision thereof, (b) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, (c) any court or administrative tribunal, or (d) with respect to any Person, any arbitration tribunal or other non-governmental authority to whose jurisdiction that Person has consented.

"Hazardous Materials" means all those substances which are regulated by, or which may form the basis of liability under, any Environmental Law, including all substances identified under any Environmental Law as a pollutant, contaminant, hazardous waste, hazardous constituent, special waste, hazardous substance, hazardous material, or toxic substance, or petroleum or petroleum derived substance or waste.

"Indebtedness" means (a) all indebtedness for borrowed money or the deferred purchase price of property or services (excluding trade payables aged less than one hundred eighty (180) days), including without limitation reimbursement and other obligations with respect to surety bonds and letters of credit, (b) all obligations evidenced by notes, bonds, debentures or similar instruments, (c) all capital lease obligations and (d) all Contingent Obligations.

"Indemnified Person" has the meaning given such term in Section 10.3 of this Agreement.

"Intellectual Property" means all of Borrower's right, title and interest in and to patents, patent rights (and applications and registrations therefor and divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same), trademarks and service marks (and applications and registrations therefor and the goodwill associated therewith), inventions, copyrights (including applications and registrations therefor and like protections in each work or authorship and derivative work thereof), mask works (and applications and registrations therefor), trade names, trade styles, software and computer programs, source code, object code, trade secrets, methods, processes, know how, drawings, specifications, descriptions, and all memoranda, notes, and records with respect to any research and development, all whether now owned or subsequently acquired or developed by Borrower and all licenses to use the foregoing, whether in tangible or intangible form or contained on magnetic media readable by machine together with all such magnetic media (but not including embedded computer programs and supporting information included within the definition of "goods" under the Code).

"Inventory" means all inventory in which Borrower has or acquires any interest, including work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or at any time hereafter owned by or in the custody or possession, actual or constructive, of Borrower, including such inventory as

is temporarily out of its custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and Borrower's books relating to any of the foregoing.

"Investment" means the purchase or acquisition of any capital stock, equity interest, or any obligations or other securities of, or any interest in, any Person, or the extension of any advance, loan, extension of credit (excluding inter-company trade payables aged less than one hundred eighty (180) days) or capital contribution to, or any other investment in, or deposit with, any Person.

"Italian Account" has the meaning given such term in Section 7.13 of this Agreement.

"Landlord Agreement" means an agreement substantially in the form provided by Lender to Borrower or such other form as Lender may agree to accept.

"Lender" means the Lender as set forth on the cover page of this Agreement.

"Lender's Expenses" means all reasonable costs or expenses (including reasonable attorneys' fees and expenses) incurred in connection with the preparation, negotiation, documentation, administration and funding of the Loan Documents; and Lender's reasonable attorneys' fees, costs and expenses incurred in amending, modifying, enforcing or defending the Loan Documents (including fees and expenses of appeal or review), including the exercise of any rights or remedies afforded hereunder or under applicable law, whether or not suit is brought, whether before or after bankruptcy or insolvency, including without limitation all fees and costs incurred by Lender in connection with Lender's enforcement of its rights in a bankruptcy or insolvency proceeding filed by or against Borrower or its Property.

"Lien" means any voluntary or involuntary security interest, pledge, bailment, lease, mortgage, hypothecation, conditional sales and title retention agreement, encumbrance or other lien with respect to any Property in favor of any Person.

"Loan" means the advance of credit by Lender to Borrower pursuant to the Advance (Loan A), the Advance (Loan B) and the Advance (Loan C) under this Agreement, and "Loans" means collectively all such Advances.

"Loan Documents" means, collectively, this Agreement, each Note, each Warrant, any Landlord Agreement, any Account Control Agreement and all other documents, instruments and agreements entered into in connection with this Agreement, all as amended or extended from time to time.

"Loan Facility (Loan A)" means Lender's obligation to fund the Advance (Loan A) hereunder in an aggregate outstanding principal amount not to exceed the Commitment Amount (Loan A).

"Loan Facility (Loan B)" means Lender's obligation to fund the Advance (Loan B) hereunder in an aggregate outstanding principal amount not to exceed the Commitment Amount (Loan B).

"Loan Facility (Loan C)" means Lender's obligation to fund the Advance (Loan C) hereunder in an aggregate outstanding principal amount not to exceed the Commitment Amount (Loan C).

"Loan Rate" shall mean, as applicable, Loan Rate (Loan A), Loan Rate (Loan B) or Loan Rate (Loan C) as applicable.

"Loan Rate (Loan A)" means the fixed per annum rate of interest (based on a year of twelve 30-day months) equal to 12.60%.

"Loan Rate (Loan B)" means the fixed per annum rate of interest (based on a year of twelve 30-day months) equal to the greater of (a) 10.75% or (b) 10.75% plus the difference between (i) the one month LIBOR Rate (rounded to the nearest one hundredth percent), as reported in the Wall Street Journal, on the date which is five (5) Business Days before the Funding Date for Advance (Loan B) (or, if the Wall Street Journal is not published on such date, the next earlier date on which it is published) and (ii) 0.30%.

"Loan Rate (Loan C)" means the fixed per annum rate of interest (based on a year of twelve 30-day months) equal to the greater of (a) 10.75% or (b) 10.75% plus the difference between (i) the one month LIBOR Rate (rounded to the nearest one hundredth percent), as reported in the Wall Street Journal, on the date which is five (5) Business Days before the Funding Date for Advance (Loan C) (or, if the Wall Street Journal is not published on such date, the next earlier date on which it is published) and (ii) 0.30%.

"Maturity Date (Loan A)" means October 1, 2013, or if earlier, the date of acceleration of Advance (Loan A) following an Event of Default or the date of prepayment, whichever is applicable.

"Maturity Date (Loan B)" means October 1, 2014, or if earlier, the date of acceleration of Advance (Loan B) following an Event of Default or the date of prepayment, whichever is applicable.

"Maturity Date (Loan C)" means the first calendar day of the month that follows the Forty-Two (42) month anniversary of the Funding Date of Advance (Loan C), or if earlier, the date of acceleration of Advance (Loan C) following an Event of Default or the date of prepayment, whichever is applicable.

"Note" means each promissory note executed in connection with the Loans in substantially the form of Exhibit C attached hereto, and collectively, "Notes" means all such promissory notes.

"Obligations" means all debt, principal, interest, fees, charges, expenses and attorneys' fees and costs and other amounts, obligations, covenants, and duties owing by Borrower to Lender of any kind and description (whether pursuant to or evidenced by the Loan Documents (other than the Warrant), or by any other agreement between Lender and Borrower, and whether or not for the payment of money), whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including all Lender's Expenses.

"Officer's Certificate" means a certificate executed by a Responsible Officer substantially in the form of Exhibit E or such other form as Lender may agree to accept.

"Payment Date" has the meaning given such term in Section 2.2(a) of this Agreement.

"Permitted Indebtedness" means and includes:

(a) Indebtedness of Borrower to Lender;

(b) Indebtedness arising from the endorsement of instruments in the ordinary course of business;

(c) Indebtedness existing on the date hereof and set forth on the Disclosure Schedule;

(d) Indebtedness in an aggregate principal amount not exceeding Thirty Million Dollars ($30,000,000), consisting of a revolving credit facility from Bridge Bank, N.A. and Comerica Bank and in which the loans are limited to not more than Eighty Percent (80%) of Borrower's outstanding accounts receivable and Fifty Percent (50%) of Borrower's eligible inventory;

(e) Indebtedness secured by a lien described in clause (g) of the defined term "Permitted Liens," provided (i) such Indebtedness does not exceed the lesser of the cost or fair market value of the equipment financed with such Indebtedness and (ii) such Indebtedness does not exceed Five Million Dollars ($5,000,000) in the aggregate at any given time; and

(f) Indebtedness to Oracle America, Inc. or one of its affiliates, including Oracle Credit Corporation in an aggregate amount not to exceed $500,000;

(g) Inter-company Indebtedness incurred in the ordinary course of business;

(h) Other Indebtedness in an aggregate amount not exceeding Seven Hundred Fifty Thousand Dollars ($750,000) at any time;

(i) Subordinated Debt; and

(j) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (i) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

"Permitted Investments" means and includes any of the following Investments as to which Lender has a perfected security interest:

(a) Deposits and deposit accounts with commercial banks organized under the laws of the United States or a state thereof to the extent: (i) the deposit accounts of each such institution are insured by the Federal Deposit Insurance Corporation up to the legal limit; and (ii)

each such institution has an aggregate capital and surplus of not less than One Hundred Million Dollars ($100,000,000);

(b) Investments made in accordance with Borrower's board approved short term investment policy;

(c) Investments in marketable obligations issued or fully guaranteed by the United States and maturing not more than one (1) year from the date of issuance;

(d) Investments in open market commercial paper rated at least "A1" or "P1" or higher by a national credit rating agency and maturing not more than one (1) year from the creation thereof;

(e) Investments pursuant to or arising under currency agreements or interest rate agreements entered into in the ordinary course of business;

(f) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower's Board of Directors; not to exceed Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate in any fiscal year;

(g) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(h) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (g) shall not apply to Investments of Borrower in any Subsidiary;

(i) Investments in Subsidiaries made in the ordinary course of business, not to exceed Four Million Five Hundred Thousand and 00/100 Dollars ($4,500,000) in the aggregate in any fiscal year;

(j) (x) joint ventures or strategic alliances in the ordinary course of Borrower's business consisting of the nonexclusive licensing of technology, the development of technology or the providing of technical support, provided that any cash investments by Borrower do not exceed Five Hundred Thousand Dollars ($500,000) in the aggregate in any fiscal year; and (y) strategic alliances with particular customers in which such customers will share in the research and development expense of Borrower associated with the incorporation by such customers of microconverters purchased from Borrower into solar panels produced by such customers; and

(k) Other Investments aggregating not in excess of Two Hundred Fifty Thousand Dollars ($250,000) at any time.

"Permitted Liens" means and includes:

(a) the Lien created by this Agreement;

(b) Liens for fees, taxes, levies, imposts, duties or other governmental charges of any kind which are not yet delinquent or which are being contested in good faith by appropriate proceedings which suspend the collection thereof (provided that such appropriate proceedings do not involve any substantial danger of the sale, forfeiture or loss of any material item of Collateral which in the aggregate is material to Borrower and that Borrower has adequately bonded such Lien or reserves sufficient to discharge such Lien have been provided on the books of Borrower);

(c) Liens identified on the Disclosure Schedule;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings ("provided that such appropriate proceedings do not involve any substantial danger of the sale, forfeiture or loss of any material item of Collateral or Collateral which in the aggregate is material to Borrower and that Borrower has adequately bonded such Lien or reserves sufficient to discharge such Lien have been provided on the books of Borrower);

(e) Liens granted in connection with Indebtedness permitted under subsection (d) of the definition of Permitted Indebtedness; provided that such liens shall be subject to an intercreditor agreement between Bridge Bank, N.A., Comerica Bank and Lender;

(f) non-exclusive licenses of Intellectual Property entered into in the ordinary course of business, and licenses of Intellectual Property that could not result in a legal transfer of title of the licensed property that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States.

(g) Liens (i) upon or in any equipment which was not financed by Lender acquired or held by Borrower or any of its Subsidiaries to secure the purchase price of such equipment or indebtedness incurred solely for the purpose of financing the acquisition of such equipment, or (ii) existing on such equipment at the time of its acquisition, provided that the Lien is confined solely to the property so acquired and improvements thereon, and the proceeds of such equipment;

(h) Liens to secure payment of workers' compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(i) Liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default under Sections 8.5 and 8.8;

(j) Liens in favor of customs and revenue authorities incurred in the ordinary course of business to secure payment of custom duties in connection with the importation of goods;

(k) leases or subleases of real property granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), and leases, subleases, non-exclusive licenses or sublicenses of personal property (other than Intellectual Property) granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), if the leases, subleases, licenses and sublicenses do not prohibit granting a security interest therein; and

(1) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clauses (a) through (k) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase;

"Person" means and includes any individual, any partnership, any corporation, any business trust, any joint stock company, any limited liability company, any unincorporated association or any other entity and any domestic or foreign national, state or local government, any political subdivision thereof, and any department, agency, authority or bureau of any of the foregoing.

."Property" means any interest in any kind of property or asset, whether real, personal or mixed, whether tangible or intangible.

"Responsible Officer" has the meaning given such term in Section 6.3 of this Agreement.

"Scheduled Payments" shall mean collectively, the Advance (Loan A) Scheduled Payments, the Advance (Loan B) Scheduled Payments and the Advance (Loan C) Scheduled Payments.

"Solvent" has the meaning given such term in Section 5.11 of this Agreement.

"Subordinated Debt" means any debt incurred by Borrower that is subordinated to the debt owing by Borrower to Lender hereunder or under any of the Loan Documents on terms acceptable to Lender (and identified as being such by Borrower and Lender).

"Subsidiary" means any corporation or other entity of which a majority of the outstanding Equity Securities entitled to vote for the election of directors or other governing body (otherwise than as the result of a default) is owned by Borrower directly or indirectly through Subsidiaries, including without limitation Enphase Energy SAS and Enphase Energy SRL.

"Third Party Equipment" has the meaning given such term in Section 4.8 of this Agreement.

"Transfer" has the meaning given such term in Section 7.4 of this Agreement.

"Warrant A" means the warrant to purchase Equity Securities of Borrower granted to Lender on or about the date of the Advance (Loan A), and any replacement warrants issued in connection therewith.

"Warrant B" means the warrant to purchase Equity Securities of Borrower granted to Lender on or about the date hereof, and any replacement warrants issued in connection therewith.

"Warrants" means collectively, Warrant A and Warrant B.

1.2 Construction. This Agreement amends and restates that certain Venture Loan and Security Agreement dated as of March 11, 2010 by and between Lender and Borrower. References in this Agreement to "Articles," "Sections," "Exhibits," "Schedules" and "Annexes" are to recitals, articles, sections, exhibits, schedules and annexes herein and hereto unless otherwise indicated. References in this Agreement and each of the other Loan Documents to any document, instrument or agreement shall include (a) all exhibits, schedules, annexes and other attachments thereto, (b) all documents, instruments or agreements issued or executed in replacement thereof, and (c) such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement or any other Loan Document shall refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document, as the case may be. The words "include" and "including" and words of similar import when used in this Agreement or any other Loan Document shall not be construed to be limiting or exclusive. Unless otherwise indicated in this Agreement or any other Loan Document, all accounting terms used in this Agreement or any other Loan Document shall be construed, and all accounting and financial computations hereunder or thereunder shall be computed, in accordance with GAAP, and all terms describing Collateral shall be construed in accordance with the Code. The terms and information set forth on the cover page of this Agreement are incorporated into this Agreement.

2. Loans; Repayment.

2.1 Commitment.

(a) The Commitment Amount (Loan A). Subject to the terms and conditions of this Agreement and relying upon the representations and warranties herein set forth as and when made or deemed to be made, Lender agrees to lend to Borrower prior to the Commitment Termination Date (Loan A), one Advance in an aggregate amount not to exceed the Commitment Amount (Loan A).

(b) The Commitment Amount (Loan B). Subject to the terms and conditions of this Agreement and relying upon the representations and warranties herein set forth as and when made or deemed to be made, Lender agrees to lend to Borrower prior to the Commitment Termination Date (Loan B), one Advance in an aggregate amount not to exceed the Commitment Amount (Loan B).

(c) The Commitment Amount (Loan C). Subject to the terms and conditions of this Agreement and relying upon the representations and warranties herein set forth

as and when made or deemed to be made, Lender agrees to lend to Borrower prior to the Commitment Termination Date (Loan C), one Advance in an aggregate amount not to exceed the Commitment Amount (Loan C).

(d) The Loans and the Notes. The obligation of Borrower to repay the unpaid principal amount of and interest on the Loans shall be evidenced by one or more Notes issued to Lender.

(e) Use of Proceeds. The proceeds of the Loans shall be used solely for working capital or general corporate purposes of Borrower.

(f) Termination of Commitment to Lend. Notwithstanding anything in the Loan Documents, Lender's obligation to lend the undisbursed portion of the Commitment Amount to Borrower hereunder shall terminate on the earlier of (i) at Lender's sole election, the occurrence of any Default or Event of Default hereunder, and (ii) the applicable Commitment Termination Date. Notwithstanding the foregoing, Lender's obligation to lend the undisbursed portion of the Commitment Amount to Borrower shall terminate if, in Lender's sole judgment, there has been a material adverse change in the general affairs, management, results of operations, condition (financial or otherwise) or prospects of Borrower, whether or not arising from transactions in the ordinary course of business, or there has been any material adverse deviation by Borrower from the business plan of Borrower presented to Lender on or before the date of this Agreement.

2.2 Payments.

(a) Scheduled Payments for Advance (Loan A). Borrower shall make a payment of accrued interest only on the outstanding principal amount of the Advance (Loan A) on the first twelve (12) Payment Dates specified in the Note applicable to such Advance (Loan A) and an equal payment of principal plus accrued interest on the outstanding principal amount of the Advance (Loan A) on the next thirty (30) Payment Dates as set forth in the Note applicable to such Advance (Loan A) (collectively, the "Advance (Loan A) Scheduled Payments"). Borrower shall make such Scheduled Payments commencing on the date set forth in the Note applicable to such Advance (Loan A) and continuing thereafter on the first Business Day of each calendar month (each a "Payment Date") through the Maturity Date (Loan A). In any event, all unpaid principal and accrued interest shall be due and payable in full on the Maturity Date (Loan A).

(b) Scheduled Payments for Advance (Loan B). Borrower shall make a payment of accrued interest only on the outstanding principal amount of the Advance (Loan B) on the first twelve (12) Payment Dates specified in the Note applicable to such Advance (Loan B) and an equal payment of principal plus accrued interest on the outstanding principal amount of the Advance (Loan B) on the next thirty (30) Payment Dates as set forth in the Note applicable to such Advance (Loan B) (collectively, the "Advance (Loan B) Scheduled Payments"). Borrower shall make such Advance (Loan B) Scheduled Payments commencing on the date set forth in the Note applicable to such Advance (Loan B) and continuing thereafter on each Payment Date through the Maturity Date (Loan B). In any event, all unpaid principal and

accrued interest on Advance (Loan B) shall be due and payable in full on the Maturity Date (Loan B).

(c) Scheduled Payments for Advance (Loan C). Borrower shall make a payment of accrued interest only on the outstanding principal amount of the Advance (Loan C) on the first twelve (12) Payment Dates specified in the Note applicable to such Advance (Loan C) and an equal payment of principal plus accrued interest on the outstanding principal amount of the Advance (Loan C) on the next thirty (30) Payment Dates as set forth in the Note applicable to such Advance (Loan C) (collectively, the "Advance (Loan C) Scheduled Payments"). Borrower shall make such Advance (Loan C) Scheduled Payments commencing on the date set forth in the Note applicable to such Advance (Loan C) and continuing thereafter on each Payment Date through the Maturity Date (Loan C). In any event, all unpaid principal and accrued interest on Advance (Loan C) shall be due and payable in full on the Maturity Date (Loan C).

(d) Interim Payment. Unless the Funding Date for a Loan is the first day of a calendar month, Borrower shall pay the per diem interest (accruing at the applicable Loan Rate from the Funding Date through the last day of that month) payable with respect to such Loan on the first Business Day of the next calendar month.

(e) Payment of Interest. Borrower shall pay interest on each Loan at a fixed per annum rate of interest equal to the applicable Loan Rate. All computations of interest (including interest at the Default Rate, if applicable) shall be based on a year of twelve 30-day months. Notwithstanding any other provision hereof, the amount of interest payable hereunder shall not in any event exceed the maximum amount permitted by the law applicable to interest charged on commercial loans.

(f) Application of Payments. All payments received by Lender prior to an Event of Default shall be applied as follows: (1) first, to Lender's Expenses then due and owing; and (2) second to all Scheduled Payments then due and owing (provided, however, if such payments are not sufficient to pay the whole amount then due, such payments shall be applied first to unpaid interest at the applicable Loan Rate, then to the remaining amount then due). After an Event of Default, all payments and application of proceeds shall be made as set forth in Section 9.7.

(g) Late Payment Fee. Borrower shall pay to Lender a late payment fee equal to six percent (6%) of any Scheduled Payment not paid when due.

(h) Default Rate. Borrower shall pay interest at a per annum rate equal to the Default Rate on any amounts required to be paid by Borrower under this Agreement or the other Loan Documents (including Scheduled Payments), payable with respect to each Loan, accrued and unpaid interest, and any fees or other amounts which remain unpaid after such amounts are due. If an Event of Default has occurred and the Obligations have been accelerated (whether automatically or by Lender's election), Borrower shall pay interest on the aggregate, outstanding accelerated balance hereunder from the date of the Event of Default until all Events of Default are cured, at a per annum rate equal to the Default Rate.

2.3 Prepayments.

(a) Mandatory Prepayment Upon an Acceleration. If a Loan is accelerated following the occurrence of an Event of Default pursuant to Section 9.1(a) hereof, then Borrower, in addition to any other amounts which may be due and owing hereunder, shall immediately pay to Lender the amount set forth in Section 2.3(b) below, as if the Borrower had opted to prepay on the date of such acceleration.

(b) Upon ten (10) Business Days' prior written notice to Lender, Borrower may, at its option, at any time, prepay all of the Loans by paying to Lender an amount equal to (i) any accrued and unpaid interest on the outstanding principal balance of each Loan; (ii) an amount equal to (A) if the Loan is prepaid within twelve (12) months from the applicable Funding Date thereof, three percent (3%) of the then outstanding principal balance of such Loan, (B) if the Loan is prepaid more than twelve (12) months from the applicable Funding Date thereof but less than twenty-four (24) months from the applicable Funding Date thereof, two (2%) percent of the then outstanding principal balance of such Loan, or (C) if the Loan is prepaid more than twenty-four (24) months from the applicable Funding Date thereof, one percent (1%) of the then outstanding principal balance of such Loan; (iii) the outstanding principal balance of each Loan and (iv) all other sums, if any, that shall have become due and payable hereunder.

2.4 Other Payment Terms.

(a) Place and Manner. Borrower shall make all payments due to Lender in lawful money of the United States. All payments of principal, interest, fees and other amounts payable by Borrower hereunder shall be made, in immediately available funds, not later than 10:00 a.m. Connecticut time, on the date on which such payment is due. Borrower shall make such payments to Lender via wire transfer or ACH as follows:

Payment via wire transfer or ACH to Lender:	
Credit:	Horizon Technology Finance Corporation
Bank Name:	
Bank Address:	
Account No.:	
ABA Routing No.:	
Reference:	Enphase Invoice #

(b) Date. Whenever any payment is due hereunder on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of interest or fees, as the case may be.

2.5 Procedure for Making the Loans.

(a) Notice. Borrower shall notify Lender of the date on which Borrower desires Lender to make an Advance at least five (5) Business Days in advance of the desired Funding Date, unless Lender elects at its sole discretion to allow the Funding Date to be within five (5) Business Days of Borrower's notice. Borrower's execution and delivery to Lender of a

Note shall be Borrower's agreement to the terms and calculations thereunder with respect to the Advance made by Lender. Lender's obligation to make any Advance shall be expressly subject to the satisfaction of the conditions set forth in Section 3.

(b) Loan Rate Calculation. Prior to the Funding Date, Lender shall establish the Loan Rate with respect to the applicable Advance, which shall be set forth in the Note to be executed by Borrower with respect to such Advance and shall be conclusive in the absence of a manifest error.

(c) Disbursement. Lender shall disburse the proceeds of each Loan by wire transfer to Borrower at the account specified in the Funding Certificate for such Loan.

2.6 Good Faith Deposit; Legal and Closing Expenses: and Commitment Fee.

(a) Good Faith Deposit. Borrower has delivered to Lender a good faith deposit in the amount of Fifty Thousand Dollars ($50,000) (the "Good Faith Deposit"). Twenty-Five Thousand Dollars ($25,000) of the Good Faith Deposit was paid by Lender in connection with the making of Advance (Loan A), and Twenty-Five Thousand Dollars ($25,000) of the Good Faith Deposit will be tendered by Borrower to Lender in connection with the making of Advance (Loan B). The Good Faith Deposit will be credited to the amounts due Lender under Section 2.6(b) below. If the Funding Date does not occur, Lender shall retain the Good Faith Deposit as compensation for its time, expenses and opportunity cost.

(b) Legal, Due Diligence and Documentation Expenses. Lender and Borrower-acknowledge that Borrower has previously paid to Lender Twenty Thousand Dollars ($20,000) in connection with Lender's legal, due diligence and documentation expenses incurred in connection with the making of Advance (Loan A). Concurrently with its execution and delivery of this Agreement, Borrower shall pay to Lender Lender's legal, due diligence and documentation expenses incurred in connection with the making of the Advance (Loan B) and the Advance (Loan C) in an additional amount not to exceed Twenty Thousand Dollars ($20,000) without Borrower's prior written consent.

(c) Commitment Fee. Borrower and Lender acknowledge that Borrower has previously paid to Lender a commitment fee of Seventy Thousand Dollars ($70,000) in connection with the making of Advance (Loan A). In addition to the previously tendered commitment fee, Borrower shall pay Lender concurrently with its execution and delivery of this Agreement an additional commitment fee in the amount of Fifty Thousand Dollars ($50,000) (the "Commitment Fee"). The Commitment Fee shall be retained by Lender and be deemed fully earned upon receipt.

3. Conditions of Loans.

3.1 Conditions Precedent to Closing. At the time of the execution and delivery of this Agreement, Lender shall have received, in form and substance reasonably satisfactory to Lender, all of the following (unless Lender has agreed to waive such condition or document, in which case such condition or document shall be a condition precedent to the making of the applicable Advance by Lender and shall be deemed added to Section 3.2 or Section 3.3 as applicable):

(a) Loan Agreement. This Agreement duly executed by Borrower and Lender.

(b) Secretary's Certificate. A certificate of the secretary or assistant secretary of Borrower with copies of the following documents attached: (i) the certificate of incorporation and bylaws of Borrower certified by Borrower as being complete and in full force and effect on the date thereof, (ii) incumbency and representative signatures, and (iii) resolutions authorizing the execution and delivery of this Agreement and each of the other Loan Documents.

(c) Good Standing Certificates. A good standing certificate from Borrower's state of incorporation and the state in which Borrower's principal place of business is located, each dated as of a recent date.

(d) Certificate of Insurance. Evidence of the insurance coverage required by Section 6.8 of this Agreement.

(e) Consents. All necessary consents of shareholders and other third parties with respect to the execution, delivery and performance of this Agreement, the Warrants and the other Loan Documents.

(f) Legal Opinion. A legal opinion of Borrower's counsel in form satisfactory to Lender, in substantially the form attached as Exhibit D hereto.

(g) Account Control Agreements. Account Control Agreements for all of Borrower's deposit accounts and accounts holding securities, except for the Italian Account, the French Account and the Bank of the West Account, duly executed by all of the parties thereto, in the forms provided by or reasonably acceptable to Lender.

(h) Other Documents. Such other documents and completion of such other matters, as Lender may reasonably deem necessary or appropriate.

3.2 Conditions Precedent to Making the Advance (Loan A). The obligation of Lender to make Advance (Loan A) is further subject to the following conditions:

(a) No Default. No Default or Event of Default shall have occurred and be continuing.

(b) Landlord Agreements. Borrower shall have provided Lender with a Landlord Agreement for each location where Borrower's books and records and the Collateral are located (unless Borrower is the fee owner thereof).

(c) Note. Borrower shall have duly executed and delivered to Lender a Note in the amount of Advance (Loan A).

(d) UCC Financing Statements. Lender shall have received such documents, instruments and agreements, including UCC financing statements or amendments to UCC financing statements, as Lender shall reasonably request to evidence the perfection and priority of the security interests granted to Lender pursuant to Section 4. Borrower authorizes

Lender to file any UCC financing statements, continuations of or amendments to UCC financing statements it deems necessary to perfect its security interest in the Collateral.

(e) Funding Certificate. Borrower shall have duly executed and delivered to Lender a Funding Certificate for Advance (Loan A).

(f) Intercreditor Agreement. An Intercreditor Agreement with respect to the Indebtedness constituting Permitted Indebtedness under subsection (d) of the definition of Permitted Indebtedness, executed by the lender providing such Indebtedness.

(g) Warrant. Borrower shall have executed and delivered to Lender the Loan A Warrant.

(h) Other Documents. Such other documents and completion of such other matters, as Lender may reasonably deem necessary or appropriate.

3.3 Condition to the Advance (Loan B). In addition to the conditions set forth in Sections 3.1 and 3.2 above, Borrower agrees that it shall not request, and Lender shall have no obligation to make, Advance (Loan B) until:

(a) Loan A. Lender has made Advance (Loan A).

(b) Loan B Warrant. Borrower shall have executed and delivered to Lender the Loan B Warrant.

(c) Other Documents. Borrower shall have executed and delivered to Lender such other documents, and completed such other matters, as Lender may reasonably deem necessary or appropriate.

3.4 Condition to the Advance (Loan C). In addition to the conditions set forth in Sections 3.1, 3.2 and 3.3 above, Borrower agrees that it shall not request, and Lender shall have no obligation to make, Advance (Loan C) until:

(a) Loan A. Lender has made Advance (Loan A).

(b) Loan B. Lender has made Advance (Loan B).

(c) Other Documents. Borrower shall have executed and delivered to Lender such other documents, and completed such other matters, as Lender may reasonably deem necessary or appropriate.

3.5 Covenant to Deliver. Borrower agrees (not as a condition but as a covenant) to deliver to Lender each item required to be delivered to Lender as a condition to each Advance, if such Advance is advanced. Borrower expressly agrees that the extension of such Advance prior to the receipt by Lender of any such item shall not constitute a waiver by Lender of Borrower’s obligation to deliver such item, and any such extension in the absence of a required item shall be in Lender’s sole discretion.

4. Creation of Security Interest.

4.1 Grant of Security Interest. Borrower grants to Lender a valid and continuing security interest in all presently existing and hereafter acquired or arising Collateral in order to secure prompt, full and complete payment of any and all Obligations (other than the Warrant and inchoate indemnity obligations) and in order to secure prompt, full and complete performance by Borrower of each of its covenants and duties under each of the Loan Documents (other than the Warrant). The "Collateral" shall mean and include all right, title, interest, claims and demands of Borrower in and to all personal property of Borrower, including without limitation, all of the following:

(a) All goods (and embedded computer programs and supporting information included within the definition of "goods" under the Code) and equipment now owned or hereafter acquired, including, without limitation, all laboratory equipment, computer equipment, office equipment, machinery, fixtures, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located;

(b) All inventory now owned or hereafter acquired, including, without limitation, all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products including such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and Borrower's books relating to any of the foregoing;

(c) All contract rights and general intangibles (except to the extent included within the definition of Intellectual Property), now owned or hereafter acquired, including, without limitation, goodwill, license agreements, franchise agreements, blueprints, drawings, purchase orders, customer lists, route lists, infringements, claims, software, computer programs, computer disks, computer tapes, literature, reports, catalogs, design rights, income tax refunds, payment intangibles, commercial tort claims, payments of insurance and rights to payment of any kind;

(d) All now existing and hereafter arising accounts, contract rights, royalties, license rights, license fees and all other forms of obligations owing to Borrower arising out of the sale or lease of goods, the licensing of technology or the rendering of services by Borrower (subject, in each case, to the contractual rights of third parties to require funds received by Borrower to be expended in a particular manner), whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrower and Borrower's books relating to any of the foregoing;

(e) All documents, cash, deposit accounts, letters of credit (whether or not the letter of credit is evidenced by a writing), certificates of deposit, instruments, promissory notes, chattel paper (whether tangible or electronic) and investment property, including, without limitation, all securities, whether certificated or uncertificated, security entitlements, securities

accounts, commodity contracts and commodity accounts, and all financial assets held in any securities account or otherwise, wherever located, now owned or hereafter acquired and Borrower's books relating to the foregoing;

(f) Any and all claims, rights and interests in any of the above and all substitutions for, additions and accessions to and proceeds thereof, including, without limitation, insurance, condemnation, requisition or similar payments and proceeds of the sale or licensing of Intellectual Property to the extent such proceeds no longer constitute Intellectual Property; and

(g) Notwithstanding the foregoing, the Collateral shall not include any Intellectual Property; provided, however, that the Collateral shall include all accounts receivables, accounts, and general intangibles that consist of rights to payment and proceeds from the sale, licensing or disposition of all or any part, or rights in, the foregoing (the "Rights to Payment"). Notwithstanding the foregoing, if a judicial authority (including a U.S. Bankruptcy Court) holds that a security interest in the underlying Intellectual Property is necessary to have a security interest in the Rights to Payment, then the Collateral shall automatically, and effective as of the date hereof, include the Intellectual Property to the extent necessary to permit perfection of Lender's security interest in the Rights to Payment.

Notwithstanding the foregoing, the term "Collateral" shall not include (A) equipment identified on Annex I hereto, or (B) or rights of Borrower as a licensee; in each case of (A) and (B) to the extent the granting of a security interest therein (i) would be contrary to applicable law or (ii) is prohibited by or would constitute a default under any agreement or document governing such property (but only to the extent such prohibition is enforceable under applicable law); provided that upon the termination or lapsing of any such prohibition, such property shall automatically be part of the Collateral; and provided further that the provisions of this paragraph shall in no case exclude from the definition of "Collateral" any Accounts, proceeds of the disposition of any property, or general intangibles consisting of rights to payment, all of which shall at all times constitute "Collateral"; and provided further that any Equipment financed by Lender will at all times constitute "Collateral".

4.2 After-Acquired Property. If Borrower shall at any time acquire a commercial tort claim, as defined in the Code, Borrower shall immediately notify Lender in writing signed by Borrower of the brief details thereof and grant to Lender in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to Lender.

4.3 Duration of Security Interest. Lender's security interest in the Collateral shall continue until the payment in full and the satisfaction of all Obligations (other than inchoate indemnity obligations) and termination of Lender's commitment to fund the Loans, whereupon such security interest shall terminate. Lender shall, at Borrower's sole cost and expense, execute such further documents and take such further actions as may be reasonably necessary to make effective the release contemplated by this Section 4.3, including duly authorizing and delivering termination statements for filing in all relevant jurisdictions under the Code.

4.4 Location and Possession of Collateral. Other than for Borrower's personal property located at Flextronics and for Transfers permitted under Section 7.4, the Collateral is and shall remain in the possession of Borrower at its location listed on the cover page hereof or as set forth in the Disclosure Schedule. Borrower shall remain in full possession, enjoyment and control of the Collateral (except only as may be otherwise required by Lender for perfection of its security interest therein) and so long as no Event of Default has occurred, shall be entitled to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided that the possession, enjoyment, control and use of the Collateral shall at all time be subject to the observance and performance of the terms of this Agreement.

4.5 Delivery of Additional Documentation Required. Borrower shall from time to time execute and deliver to Lender, at the request of Lender, all financing statements and other documents Lender may reasonably request, in form satisfactory to Lender, to perfect and continue Lender's perfected security interests in the Collateral and in order to consummate fully all of the transactions contemplated under the Loan Documents.

4.6 Right to Inspect. Lender (through any of its officers, employees, or agents) shall have the right, upon reasonable prior notice, from time to time during Borrower's usual business hours, to inspect Borrower's books and records and to make copies thereof and to inspect, test, and appraise the Collateral in order to verify Borrower's financial condition or the amount, condition of, or any other matter relating to, the Collateral.

4.7 Protection of Intellectual Property. Borrower shall (i) protect, defend and maintain the validity and enforceability of its Intellectual Property to the extent Borrower deems it appropriate to do so in its reasonable business judgment and promptly advises Lender in writing of material infringements, and (ii) not allow any Intellectual Property material to Borrower's business to be abandoned, forfeited or dedicated to the public without Lender's written consent.

4.8 Lien Subordination. Lender agrees that the Liens granted to it hereunder shall be subordinate to the Liens to secure the Indebtedness permitted under clause (d) of the definition of Permitted Indebtedness. So long as no Event of Default has occurred, Lender agrees to execute and deliver such agreements and documents as may be reasonably requested by Borrower from time to time which set forth the lien subordination described in this Section 4.8 and are reasonably acceptable to Lender.

5. Representations and Warranties. Except as set forth in the Disclosure Schedule, Borrower represents and warrants as follows:

5.1 Organization and Qualification. Borrower is a corporation duly organized and validly existing under the laws of its state of incorporation and qualified and licensed to do business in, and is in good standing in, any state in which the conduct of its business or its ownership of Property requires that it be so qualified or in which the Collateral is located, except for such states as to which any failure to so qualify would not have a material adverse effect on Borrower.

5.2 Authority. Borrower has all necessary power and authority to execute, deliver, and perform in accordance with the terms thereof, the Loan Documents to which it is a party. Borrower has all requisite power and authority to own and operate its Property and to carry on its businesses as now conducted. Borrower has obtained all licenses, permits, approvals and other authorizations necessary for the operation of its business.

5.3 Conflict with Other Instruments, etc. Neither the execution and delivery of any Loan Document to which Borrower is a party nor the consummation of the transactions therein contemplated nor compliance with the terms, conditions and provisions thereof will conflict with or result in a breach of any of the terms, conditions or provisions of the certificate of incorporation, the by-laws, or any other organizational documents of Borrower or any law or any regulation, order, writ, injunction or decree of any court or governmental instrumentality or any material agreement or instrument to which Borrower is a party or by which it or any of its Property is bound or to which it or any of its Property is subject, or constitute a default thereunder or result in the creation or imposition of any Lien, other than Permitted Liens.

5.4 Authorization; Enforceability. The execution and delivery of this Agreement, the granting of the security interest in the Collateral, the incurring of the Loans, the execution and delivery of the other Loan Documents to which Borrower is a party and the consummation of the transactions herein and therein contemplated have each been duly authorized by all necessary action on the part of Borrower. No authorization, consent, approval, license or exemption of, and no registration, qualification, designation, declaration or filing with, or notice to, any Person is, was or will be necessary to (i) the valid execution and delivery of any Loan Document to which Borrower is a party, (ii) the performance of Borrower's obligations under any Loan Document, or (iii) the granting of the security interest in the Collateral, except for filings in connection with the perfection of the security interest in any of the Collateral or the issuance of the Warrant. The Loan Documents have been duly executed and delivered and constitute legal, valid and binding obligations of Borrower, enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application relating to or affecting the enforcement of creditors' rights or by general principles of equity.

5.5 No Prior Encumbrances. Borrower has good and marketable title to the Collateral, free and clear of Liens except for Permitted Liens. Borrower has good title and ownership of, or is licensed under, all of Borrower's current Intellectual Property. Borrower has not received any communications alleging that Borrower has violated, or by conducting its business as proposed, would violate any proprietary rights of any other Person. Borrower has no knowledge of any infringement or violation by it of the intellectual property rights of any third party and has no knowledge of any violation or infringement by a third party of any of its Intellectual Property. The Collateral and the Intellectual Property constitute substantially all of the assets and property of Borrower.

5.6 Name; Location of Chief Executive Office, Principal Place of Business and Collateral. Except as set forth on the Disclosure Schedule, Borrower has not done business under any name other than that specified on the signature page hereof. Borrower's jurisdiction of incorporation, chief executive office, principal place of business, and the place where Borrower maintains its records concerning the Collateral are presently located in the state and at

the address set forth on the cover page of this Agreement. The Collateral is presently located at the address set forth on the cover page hereof or as set forth in the Disclosure Schedule.

5.7 Litigation. There are no actions or proceedings pending by or against Borrower before any court or administrative agency in which an adverse decision could have a material adverse effect on Borrower or the aggregate value of the Collateral. Borrower does not have knowledge of any such pending or threatened actions or proceedings.

5.8 Financial Statements. All financial statements relating to Borrower or any Affiliate that have been or may hereafter be delivered by Borrower to Lender present fairly in all material respects Borrower's financial condition as of the date thereof and Borrower's results of operations for the period then ended.

5.9 No Material Adverse Effect. No event has occurred and no condition exists which could reasonably be expected to have a material adverse effect on the financial condition, business or operations of Borrower since December 31, 2009.

5.10 Full Disclosure. No representation, warranty or other statement made by Borrower in any Loan Document (including the Disclosure Schedule), certificate or written statement furnished to Lender contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained in such certificates or statements not misleading. There is no fact known to Borrower which materially adversely affects, or which could in the future be reasonably expected to materially adversely affect, its ability to perform its obligations under this Agreement.

5.11 Solvency, Etc. Borrower is Solvent (as defined below) and, after the execution and delivery of the Loan Documents and the consummation of the transactions contemplated thereby, Borrower will be Solvent. "Solvent" means, with respect to any Person on any date, that on such date such Person is able to pay its debts (including trade debts) as they mature.

5.12 Subsidiaries. Borrower has no Subsidiaries as of the date hereof and shall have no subsidiaries after the date hereof, except subsidiaries for which Borrower obtained Lender's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed).

5.13 Catastrophic Events: Labor Disputes. Neither Borrower nor its properties is or has been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or other casualty that could reasonably be expected to have a material adverse effect on the financial condition, business or operations of Borrower. There are no disputes presently subject to grievance procedure, arbitration or litigation under any of the collective bargaining agreements, employment contracts or employee welfare or incentive plans to which Borrower is a party, and there are no strikes, lockouts, work stoppages or slowdowns, or, to the knowledge of Borrower, jurisdictional disputes or organizing activity occurring or threatened which could reasonably be expected to have a material adverse effect on the financial condition, business or operations of Borrower.

5.14 Certain Agreements of Officers. Employees and Consultants.

(a) No Violation. To the knowledge of Borrower, no officer, employee or consultant of Borrower is, or is now expected to be, in violation of any term of any employment contract, proprietary information agreement, nondisclosure agreement, noncompetition agreement or any other material contract or agreement or any restrictive covenant relating to the right of any such officer, employee or consultant to be employed by Borrower because of the nature of the business conducted or to be conducted by Borrower or relating to the use of trade secrets or proprietary information of others, and to Borrower's knowledge, the continued employment of Borrower's officers, employees and consultants does not subject Borrower to any material liability for any claim or claims arising out of or in connection with any such contract, agreement, or covenant.

(b) No Present Intention to Terminate. To the knowledge of Borrower, no officer of Borrower, and no employee or consultant of Borrower whose termination, either individually or in the aggregate, could reasonably be expected to have a material adverse effect on the financial condition, business or operations of Borrower, has any present intention of terminating his or her employment or consulting relationship with Borrower.

6. Affirmative Covenants. Borrower, until the full and complete payment of the Obligations (other than inchoate indemnity obligations), covenants and agrees that:

6.1 Good Standing. Borrower shall maintain its corporate existence and its good standing in its jurisdiction of incorporation and maintain qualification in each jurisdiction in which the failure to so qualify could reasonably be expected to have a material adverse effect on the financial condition, operations or business of Borrower. Borrower shall maintain in force all licenses, approvals and agreements, the loss of which could reasonably be expected to have a material adverse effect on its financial condition, operations or business.

6.2 Government Compliance. Borrower shall comply with all statutes, laws, ordinances and government rules and regulations to which it is subject, noncompliance with which could reasonably be expected to materially adversely affect the financial condition, operations or business of Borrower.

6.3 Financial Statements. Reports, Certificates. Borrower shall deliver to Lender: (a) as soon as available, but in any event within thirty (30) days after the end of each month, a company prepared balance sheet, income statement and cash flow statement covering Borrower's operations during such period, certified by Borrower's president, controller or chief financial officer (each, a "Responsible Officer"); (b) as soon as available, but in any event within one hundred eighty (180) days after the end of Borrower's fiscal year commencing with Borrowers' fiscal year 2010, audited financial statements of Borrower prepared in accordance with GAAP, together with an unqualified opinion (other than a qualification for a going concern) on such financial statements of a nationally recognized or other independent public accounting firm reasonably acceptable to Lender; (c) as soon as available, but in any event within ninety (90) days after the end of Borrower's fiscal year or the date of Borrower's board of directors' adoption, Borrower's operating budget and plan for the next fiscal year and (d) such other financial information as Lender may reasonably request from time to time. From and

after such time as Borrower becomes a publicly reporting company, promptly as they are available and in any event: (x) at the time of filing of Borrower's Form 10-K with the Securities and Exchange Commission after the end of each fiscal year of Borrower, the financial statements of Borrower filed with such Form 10-K; and (y) at the time of filing of Borrower's Form 10-Q with the Securities and Exchange Commission after the end of each of the first three fiscal quarters of Borrower, the financial statements of Borrower filed with such Form 10-Q. In addition, Borrower shall deliver to Lender (i) promptly upon becoming available, copies of all statements, reports and notices sent or made available generally by Borrower to its security holders; and (ii) immediately upon receipt of notice thereof, a report of any material legal actions pending or threatened against Borrower or the commencement of any action, proceeding or governmental investigation involving Borrower is commenced that is reasonably expected to result in damages or costs to Borrower of Two Hundred Fifty Thousand Dollars ($250,000).

6.4 Certificates of Compliance. Each time financial statements are furnished pursuant to Section 6.3 above, Borrower shall deliver to Lender an Officer's Certificate signed by a Responsible Officer in the form of, and certifying to the matters set forth in Exhibit E hereto.

6.5 Notice of Defaults. As soon as possible, and in any event within five (5) days after the discovery of an Event of Default, Borrower shall provide Lender with an Officer's Certificate setting forth the facts relating to or giving rise to such Event of Default and the action which Borrower proposes to take with respect thereto.

6.6 Taxes. Borrower shall make due and timely payment or deposit of all federal, state, and local taxes, assessments, or contributions required of it by law or imposed upon any Property belonging to it, and will execute and deliver to Lender, on demand, appropriate certificates attesting to the payment or deposit thereof; and Borrower will make timely payment or deposit of all tax payments and withholding taxes required of it by applicable laws, including those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income taxes, and will, upon request, furnish Lender with proof satisfactory to Lender indicating that Borrower has made such payments or deposits; provided that Borrower need not make any payment if the amount or validity of such payment is contested in good faith by appropriate proceedings which suspend the collection thereof (provided that such proceedings do not involve any substantial danger of the sale, forfeiture or loss of any material item of Collateral or Collateral which in the aggregate is material to Borrower and that Borrower has adequately bonded such amounts or reserves sufficient to discharge such amounts have been provided on the books of Borrower).

6.7 Use; Maintenance. Borrower shall keep and maintain all items of equipment and other similar types of personal property that form any significant portion or portions of the Collateral in good operating condition and repair and shall make all necessary replacements thereof and renewals thereto so that the value and operating efficiency thereof shall at all times be maintained and preserved. Borrower shall not permit any such material item of Collateral to become a fixture to real estate or an accession to other personal property, without the prior written consent of Lender. Borrower shall not permit any such material item of Collateral to be operated or maintained in violation of any applicable law, statute, rule or regulation. With respect to items of leased equipment (to the extent Lender has any security interest in any

residual Borrower's interest in such equipment under the lease), Borrower shall keep, maintain, repair, replace and operate such leased equipment in accordance with the terms of the applicable lease.

6.8 Insurance. Borrower shall keep its business and the Collateral insured for risks and in amounts, as Lender may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are satisfactory to Lender. All property policies shall have a lender's loss payable endorsement showing Lender as an additional loss payee and all liability policies shall show Lender as an additional insured. Borrower shall provide Lender at least twenty (20) days notice before cancellation of its insurance policies. At Lender's request, Borrower shall deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any property policy shall, at Lender's option, be payable to Lender on account of the Obligations. Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any property policy, toward the replacement or repair of destroyed or damaged property; provided that (i) any such replaced or repaired property (a) shall be of equal or like value as the replaced or repaired Collateral and (b) shall be deemed Collateral in which Lender has been granted a first priority security interest and (ii) after the occurrence and during the continuation of an Event of Default all proceeds payable under such property policy shall, at the option of Lender, be payable to Lender, on account of the Obligations. If Borrower fails to obtain insurance as required under Section 6.8 or to pay any amount or furnish any required proof of payment to third persons and Lender, Lender may make all or part of such payment or obtain such insurance policies required in Section 6.8, and take any action under the policies Lender deems prudent. On or prior to the first Funding Date and prior to each policy renewal, Borrower shall furnish to Lender certificates of insurance or other evidence satisfactory to Lender that insurance complying with all of the above requirements is in effect.

6.9 Security Interest. Assuming the proper filing of one or more financing statement(s) identifying the Collateral with the proper state and/or local authorities, the security interests in the Collateral granted to Lender pursuant to this Agreement (i) constitute and will continue to constitute first priority security interests (except to the extent any Permitted Liens may have a superior priority to Lender's Lien under this Agreement) and (ii) are and will continue to be superior and prior to the rights of all other creditors of Borrower (except to the extent of such Permitted Liens).

6.10 Further Assurances. At any time and from time to time Borrower shall execute and deliver such further instruments and take such further action as may reasonably be requested by Lender to make effective the purposes of this Agreement, including without limitation, the continued perfection and priority of Lender's security interest in the Collateral.

6.11 Subsidiaries. Borrower, upon Lender's reasonable request, shall cause any Subsidiary of Borrower to provide Lender with a guaranty of the Obligations and a security interest in such Subsidiary's assets to secure such guaranty.

7. Negative Covenants. Borrower, until the full and complete payment of the Obligations (other than inchoate indemnity obligations), covenants and agrees that Borrower shall not without Lender's prior written consent, which shall not be unreasonably withheld:

7.1 Chief Executive Office. Change its name, jurisdiction of incorporation, chief executive office, principal place of business or any of the items set forth in Section 1 of the Disclosure Schedule without thirty (30) days prior written notice to Lender. Lender acknowledges receipt of notice that as of the date of this Agreement Borrower intends to relocate its principal place of business on or about August 15, 2011 to 18 South McDowell, Petaluma, California.

7.2 Collateral Control. Subject to its rights under Section 4.4 and other than for Transfers permitted under Section 7.4, remove any items of Collateral from Borrower's facility located at the address set forth on the cover page hereof or as set forth on the Disclosure Schedule.

7.3 Liens. Create, incur, assume or suffer to exist any Lien of any kind upon any of Borrower's Property, whether now owned or hereafter acquired, except Permitted Liens.

7.4 Other Dispositions of Collateral. Convey, sell, lease or otherwise dispose of all or any part of the Collateral to any Person (collectively, a "Transfer"), except for: (i) Transfers of inventory in the ordinary course of business; (ii) Transfers of worn-out or obsolete equipment; (iii) Transfers permitted under subclause (f) of the definition of Permitted Liens with respect to Collateral, (iv) Transfers in connection with Permitted Liens and Permitted Investments; or (v) Transfers that are not otherwise permitted under this Section 7.4 in an amount not to exceed Two Hundred Fifty Thousand Dollars ($100,000) in the aggregate in any fiscal year.

7.5 Distributions. (i) Pay any dividends or make any distributions on its Equity Securities; (ii) purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Securities (other than repurchases pursuant to the terms of employee stock purchase plans, employee restricted stock agreements or similar arrangements in an aggregate amount not to exceed Two Hundred Fifty Thousand Dollars ($250,000)); (iii) return any capital to any holder of its Equity Securities as such; (iv) make any distribution of assets, Equity Securities, obligations or securities to any holder of its Equity Securities as such; or (v) set apart any sum for any such purpose; provided, however. Borrower may pay dividends payable solely in Borrower's common stock.

7.6 Mergers or Acquisitions. Merge or consolidate with or into any other Person (other than mergers or consolidations of a Subsidiary into another Subsidiary or into Borrower) or acquire all or substantially all of the capital stock or assets of another.

7.7 Change in Ownership. Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower or reasonably related thereto or have a material change in its ownership of greater than forty nine percent (49%) (other than by the sale by Borrower of Borrower's Equity Securities in a public offering or to venture capital investors so long as Borrower identifies to Lender the venture capital investors prior to the closing of the investment).

7.8 Transactions With Affiliates/Subsidiaries. (a) Enter into any contractual obligation with any Affiliate or engage in any other transaction with any Affiliate except (i)

upon terms at least as favorable to Borrower as an arms-length transaction with Persons who are not Affiliates of Borrower or are otherwise approved by the disinterested members of Borrower's board of directors, and (ii) Borrower's sale of equity and debt securities (provided that such debt securities are Subordinated Debt) to venture capital or other strategic investors or (b) create a Subsidiary, unless, at Lender's election, such Subsidiary guarantees the Obligations and grants a security interest in its assets to secure such guaranty, provided that Lender further agrees not to unreasonably withhold, condition or delay its consent to the creation of a Subsidiary.

7.9 Indebtedness Payments. (i) Prepay, redeem, purchase, defease or otherwise satisfy in any manner prior to the scheduled repayment thereof any Indebtedness for borrowed money or lease obligations (other than (i) Indebtedness or lease obligations in an aggregate amount not to exceed $250,000 per fiscal year, (ii) amounts due or permitted to be prepaid under this Agreement, or (iii) Permitted Indebtedness including without limitation under any revolving credit agreement constituting Permitted Indebtedness under clause (d) of the definition of Permitted Indebtedness and Indebtedness owing to Atel Ventures, Inc. (collectively, the "Excluded Indebtedness")), (ii) amend, modify or otherwise change the terms of any Indebtedness for borrowed money or lease obligations (other than Excluded Indebtedness) so as to accelerate the scheduled repayment thereof or (iii) repay any notes to officers, directors or shareholders other than converting any such notes into equity securities of the company.

7.10 Indebtedness. Create, incur, assume or permit to exist any Indebtedness except Permitted Indebtedness.

7.11 Investments. Make any Investment except for Permitted Investments.

7.12 Compliance. Become an "investment company" or a company controlled by an "investment company" under the Investment Company Act of 1940 or undertake as one of its important activities extending credit to purchase or carry margin stock, or use the proceeds of any Loan for that purpose; fail to meet the minimum funding requirements of the Employment Retirement Income Security Act of 1974, and its regulations, as amended from time to time ("ERISA"), permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrower's business or operations or could reasonably be expected to cause a material adverse change, or permit any of its Subsidiaries to do so.

7.13 Maintenance of Accounts. (i) Maintain any deposit account or account holding securities owned by Borrower except (a) accounts with the lender providing Borrower with Indebtedness permitted under subsection (d) of the definition of Permitted Indebtedness or (b) accounts with respect to which Lender is able to take such actions as it deems necessary to obtain a perfected security interest in such accounts through one or more Account Control Agreements; or (ii) grant or allow any other Person (other than Lender) to perfect a security interest in, or enter into any agreements with any Persons (other than Lender) accomplishing perfection via control as to any of its deposit accounts or accounts holding securities other than in favor of the lender providing Borrower with Indebtedness permitted under subsection (d) of

the definition of Permitted Indebtedness. Notwithstanding the foregoing, Borrower may maintain: (1) a deposit account at , account number (the "Italian Account"), (2) a deposit account with having account number (the "French Account" and collectively with the Italian Account, the "Foreign Accounts") and (3) a deposit account with , having an account number of (the "Account"), provided that (x) less than One Million Euros (€ 1,000,000) in the aggregate is maintained by the Borrower in the Foreign Accounts and (y) less than Five Thousand Dollars ($5,000) is maintained by the Borrower in the Account.

7.14 Negative Pledge Regarding Intellectual Property. Create, incur, assume or suffer to exist any Lien of any kind upon any Intellectual Property or Transfer any Intellectual Property (other than for Transfers permitted under subclause (f) of the definition of Permitted Liens), whether now owned or hereafter acquired.

7.15 Inventory and Equipment. Store Inventory or Equipment with an aggregate value in excess of Fifty Thousand Dollars ($50,000) with a bailee, warehouseman, or other third party other than Flextronics (international or domestic locations) unless the third party has been notified of Lender's security interest and Lender (a) has received an acknowledgment from the third party that it is holding or will hold the Inventory or Equipment for Lender's benefit or (b) is in pledge possession of the warehouse receipt, where negotiable, covering such Inventory or Equipment. Store or maintain any Equipment or Inventory with an aggregate value in excess of Fifty Thousand Dollars ($50,000) at a location other than at Flextronics (international or domestic locations) or the location set forth in Section 10 of this Agreement. Notwithstanding the foregoing, Borrower may maintain up to One Million Dollars ($1,000,000) in raw materials in transit (from Borrower's supplier(s) to Flextronics' manufacturing facility in China), without complying with (a) or (b), above.

8. Events of Default. Any one or more of the following events shall constitute an "Event of Default" by Borrower under this Agreement:

8.1 Failure to Pay. If Borrower fails to pay when due and payable or when declared due and payable in accordance with the Loan Documents: (i) any Scheduled Payment on the relevant Payment Date or on the relevant Maturity Date, or (ii) any other portion of the Obligations within five (5) days after receipt of written notice from Lender that such payment is due.

8.2 Certain Covenant Defaults. If Borrower fails to perform any obligation under violates any of the covenants contained in Section 7 of this Agreement.

8.3 Other Covenant Defaults. If Borrower fails or neglects to perform, keep, or observe any other material term, provision, condition, covenant, or agreement contained in this Agreement (other than as set forth in Sections 8.1. 8.2 or 8.4 through 8.13). in any of the other Loan Documents and Borrower has failed to cure such default within fifteen (15) days of the occurrence of such default. During this fifteen (15) day period, the failure to cure the default is not an Event of Default (but no Loan will be made during the cure period).

8.4 Intentionally Omitted.

8.5 Seizure of Assets, Etc. If any material portion of Borrower's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any trustee, receiver or Person acting in a similar capacity and such attachment, seizure, writ or distress warrant or levy has not been removed, discharged or rescinded within ten (10) days, or if Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs, or if a judgment or other claim becomes a lien or encumbrance upon any material portion of Borrower's assets, or if a notice of lien, levy, or assessment is filed of record with respect to any of Borrower's assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, and the same is not paid within ten (10) days after Borrower receives notice thereof; provided that none of the foregoing shall constitute an Event of Default where such action or event is stayed or an adequate bond has been posted pending a good faith contest by Borrower.

8.6 Service of Process. The service of process upon Lender seeking to attach by a trustee or other process any funds of the Borrower on deposit or otherwise held by Lender, or the delivery upon Lender of a notice of foreclosure by any Person seeking to attach or foreclose on any funds of the Borrower on deposit or otherwise held by Lender, or the delivery of a notice of foreclosure or exclusive control to any entity holding or maintaining Borrower's deposit accounts or accounts holding securities by any Person (other than Lender) seeking to foreclose or attach any such accounts or securities.

8.7 Default on Indebtedness. One or more defaults shall exist under any agreement with any third party or parties which consists of the failure to pay any Indebtedness at maturity or which results in a right by such third party or parties, whether or not exercised, to accelerate the maturity of Indebtedness in an aggregate amount in excess of Two Hundred Fifty Thousand Dollars ($250,000) provided, however, that the Event of Default under this Section 8.7 caused by the occurrence of a default under such other agreement shall be cured or waived for purposes of this Agreement upon Lender receiving written notice from the party asserting such default of such cure or waiver of the default under such other agreement, if at the time of such cure or waiver under such other agreement (x) Lender has not declared an Event of Default under this Agreement and/or exercised any rights with respect thereto; (y) any such cure or waiver does not result in an Event of Default under any other provision of this Agreement or any Loan Document; and (z) in connection with any such cure or waiver under such other agreement, the terms of any agreement with such third party are not modified or amended in any manner which could in the good faith judgment of Lender be materially less advantageous to Borrower or any Subsidiary

8.8 Judgments. If a judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least Two Hundred Fifty Thousand Dollars ($250,000) shall be rendered against Borrower and shall remain unsatisfied and unstayed for a period of ten (10) days or more.

8.9 Misrepresentations. If any material misrepresentation or material misstatement exists now or hereafter in any warranty, representation, statement, certification, or report made to Lender by Borrower or any officer, employee, agent, or director of Borrower.

8.10 Intentionally Omitted.

8.11 Unenforceable Loan Document. If any Loan Document shall in any material respect cease to be, or Borrower shall assert that any Loan Document is not, a legal, valid and binding obligation of Borrower enforceable in accordance with its terms.

8.12 Involuntary Insolvency Proceeding. If a proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of Borrower in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee (or similar official) of Borrower or for any substantial part of its Property, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of forty five (45) consecutive days or such court shall enter a decree or order granting the relief sought in such proceeding.

8.13 Voluntary Insolvency Proceeding. If Borrower shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian (or other similar official) of Borrower or for any substantial part of its Property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action in furtherance of any of the foregoing.

9. Lender's Rights and Remedies.

9.1 Rights and Remedies. Upon the occurrence of any Default or Event of Default, Lender shall not have any further obligation to advance money or extend credit to or for the benefit of Borrower. In addition, upon the occurrence of an Event of Default, Lender shall have the rights, options, duties and remedies of a secured party as permitted by law and, in addition to and without limitation of the foregoing, Lender may, at its election, without notice of election and without demand, do any one or more of the following, all of which are authorized by Borrower:

(a) Acceleration of Obligations. Declare all Obligations, whether evidenced by this Agreement, by any of the other Loan Documents, or otherwise, including (i) any accrued and unpaid interest, (ii) the amounts which would have otherwise come due under Section 2.3(b)(ii) if the Loans had been voluntarily prepaid, (iii) the unpaid principal balance of the Loans and (iv) all other sums, if any, that shall have become due and payable hereunder, immediately due and payable (provided that upon the occurrence of an Event of Default described in Section 8.12 or 8.13 all Obligations shall become immediately due and payable without any action by Lender);

(b) Protection of Collateral. Make such payments and do such acts as Lender considers necessary or reasonable to protect Lender's security interest in the Collateral. Borrower agrees to assemble the Collateral if Lender so requires and to make the Collateral available to Lender as Lender may designate. Borrower authorizes Lender and its designees and agents to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any Lien which in Lender's determination appears or is claimed to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of Borrower's owned premises, Borrower hereby grants Lender a license to enter into possession of such premises and to occupy the same, without charge, for up to one hundred twenty (120) days in order to exercise any of Lender's rights or remedies provided herein, at law, in equity, or otherwise;

(c) Preparation of Collateral for Sale. Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Collateral. Lender and its agents and any purchasers at or after foreclosure are hereby granted a non-exclusive, irrevocable, perpetual, fully paid, royalty-free license or other right, solely pursuant to the provisions of this Section 9.1, to use, without charge, Borrower's Intellectual Property, including without limitation, labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any Property of a similar nature, now or at any time hereafter owned or acquired by Borrower or in which Borrower now or at any time hereafter has any rights; provided that such license shall only be exercisable in connection with the disposition of Collateral upon Lender's exercise of its remedies hereunder;

(d) Sale of Collateral. Sell the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as Lender determines are commercially reasonable; and

(e) Purchase of Collateral. Credit bid and purchase all or any portion of the Collateral at any public sale.

Any deficiency that exists after disposition of the Collateral as provided above will be paid immediately by Borrower.

9.2 Set Off Right. Lender may set off and apply to the Obligations any and all indebtedness at any time owing to or for the credit or the account of Borrower or any other assets of Borrower in Lender's possession or control.

9.3 Effect of Sale. Upon the occurrence of an Event of Default, to the extent permitted by law, Borrower covenants that it will not at any time insist upon or plead, or in any manner whatsoever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or

hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, except as to rights expressly provided herein, hereby expressly waives for itself and on behalf of each and every Person, except decree or judgment creditors of Borrower, acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to Lender, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of Borrower in and to the Property sold, and shall be a perpetual bar, both at law and in equity, against Borrower, its successors and assigns, and against any and all Persons claiming the Property sold or any part thereof under, by or through Borrower, its successors or assigns.

9.4 Power of Attorney in Respect of the Collateral. Borrower does hereby irrevocably appoint Lender (which appointment is coupled with an interest), the true and lawful attorney in fact of Borrower with full power of substitution, for it and in its name to file any notices of security interests, financing statements and continuations and amendments thereof pursuant to the Code or federal law, as may be necessary to perfect, or to continue the perfection of Lender's security interests in the Collateral. Borrower does hereby irrevocably appoint Lender (which appointment is coupled with an interest) on the occurrence of an Event of Default, the true and lawful attorney in fact of Borrower with full power of substitution, for it and in its name: (a) to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, issues, profits, avails, distributions, income, payment draws and other sums in which a security interest is granted under Section 4 with full power to settle, adjust or compromise any claim thereunder as fully as if Lender were Borrower itself; (b) to receive payment of and to endorse the name of Borrower to any items of Collateral (including checks, drafts and other orders for the payment of money) that come into Lender's possession or under Lender's control; (c) to make all demands, consents and waivers, or take any other action with respect to, the Collateral; (d) in Lender's discretion to file any claim or take any other action or proceedings, either in its own name or in the name of Borrower or otherwise, which Lender may reasonably deem necessary or appropriate to protect and preserve the right, title and interest of Lender in and to the Collateral; (e) endorse Borrower's name on any checks or other forms of payment or security; (f) sign Borrower's name on any invoice or bill of lading for any account or drafts against account debtors; (g) make, settle, and adjust all claims under Borrower's insurance policies; (h) settle and adjust disputes and claims about the accounts directly with account debtors, for amounts and on terms Lender determines reasonable; (i) transfer the Collateral into the name of Lender or a third party as the Code permits; and (j) to otherwise act with respect thereto as though Lender were the outright owner of the Collateral.

9.5 Lender's Expenses. If Borrower fails to pay any amounts or furnish any required proof of payment due to third persons or entities, as required under the terms of this Agreement, then Lender may do any or all of the following: (a) make payment of the same or any part thereof; or (b) obtain and maintain insurance policies of the type discussed in Section 6.8 of this Agreement, and take any action with respect to such policies as Lender deems prudent. Any amounts paid or deposited by Lender shall constitute Lender's Expenses,

shall be immediately due and payable, shall bear interest at the Default Rate and shall be secured by the Collateral. Any payments made by Lender shall not constitute an agreement by Lender to make similar payments in the future or a waiver by Lender of any Event of Default under this Agreement. Borrower shall pay all reasonable fees and expenses, including without limitation, Lender's Expenses, incurred by Lender in the enforcement or attempt to enforce any of the Obligations hereunder not performed when due.

9.6 Remedies Cumulative. Lender's rights and remedies under this Agreement, the Loan Documents, and all other agreements shall be cumulative. Lender shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by Lender of one right or remedy shall be deemed an election, and no waiver by Lender of any Event of Default on Borrower's part shall be deemed a continuing waiver. No delay by Lender shall constitute a waiver, election, or acquiescence by it.

9.7 Application of Collateral Proceeds. The proceeds and/or avails of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder (as well as any other amounts of any kind held by Lender, at the time of or received by Lender after the occurrence of an Event of Default hereunder) shall be paid to and applied as follows:

(a) First, to the payment of out-of-pocket costs and expenses, including all amounts expended to preserve the value of the Collateral, of foreclosure or suit, if any, and of such sale and the exercise of any other rights or remedies, and of all proper fees, expenses, liability and advances, including reasonable legal expenses and attorneys' fees, incurred or made hereunder by Lender, including, without limitation, Lender's Expenses;

(b) Second, to the payment to Lender of the amount then owing or unpaid on the Loans for any accrued and unpaid interest, the amounts which would have otherwise come due under Section 2.3(b)(ii), if the Loans had been voluntarily prepaid, the principal balance of the Loans, and all other Obligations with respect to the Loans (provided, however, if such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Loans, then to the unpaid interest thereon, then to the amounts which would have otherwise come due under Section 2.3(b)(ii), if the Loans had been voluntarily prepaid, then to the principal balance of the Loans, and then to the payment of other amounts then payable to Lender under any of the Loan Documents); and

(c) Third, to the payment of the surplus, if any, to Borrower, its successors and assigns, or to the Person lawfully entitled to receive the same.

9.8 Reinstatement of Rights. If Lender shall have proceeded to enforce any right under this Agreement or any other Loan Document by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case (unless otherwise ordered by a court of competent jurisdiction), Lender shall be restored to its former position and rights hereunder with respect to the Property subject to the security interest created under this Agreement.

10. Waivers; Indemnification.

10.1 Demand; Protest. Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees at any time held by Lender on which Borrower may in any way be liable.

10.2 Lender's Liability for Collateral. So long as Lender complies with its obligations, if any, under the Code, Lender shall not in any way or manner be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause other than Lender's gross negligence or willful misconduct; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other Person whomsoever. All risk of loss, damage or destruction of the Collateral shall be borne by Borrower.

10.3 Indemnification and Waiver. Whether or not the transactions contemplated hereby shall be consummated:

(a) General Indemnity. Borrower agrees upon demand to pay or reimburse Lender for all liabilities, obligations and out-of-pocket expenses, including Lender's Expenses and reasonable fees and expenses of counsel for Lender from time to time arising in connection with the enforcement or collection of sums due under the Loan Documents, and in connection with any amendment or modification of the Loan Documents or any "work-out" in connection with the Loan Documents. Borrower shall indemnify, reimburse and hold Lender, and each of its respective successors, assigns, agents, attorneys, officers, directors, equity holders, servants, agents and employees (each an "Indemnified Person") harmless from and against all liabilities, losses, damages, actions, suits, demands, claims of any kind and nature (including claims relating to environmental discharge, cleanup or compliance), all costs and expenses whatsoever to the extent they may be incurred or suffered by such Indemnified Person in connection therewith (including reasonable attorneys' fees and expenses), fines, penalties (and other charges of any applicable Governmental Authority), licensing fees relating to any item of Collateral, damage to or loss of use of property (including consequential or special damages to third parties or damages to Borrower's property), or bodily injury to or death of any person (including any agent or employee of Borrower) (each, a "Claim"), directly or indirectly relating to or arising out of the use of the proceeds of the Loans or otherwise, the falsity of any representation or warranty of Borrower or Borrower's failure to comply with the terms of this Agreement or any other Loan Document. The foregoing indemnity shall cover, without limitation, (i) any Claim in connection with a design or other defect (latent or patent) in any item of equipment or product included in the Collateral, (ii) any Claim for infringement of any patent, copyright, trademark or other intellectual property right, (iii) any Claim resulting from the presence on or under or the escape, seepage, leakage, spillage, discharge, emission or release of any Hazardous Materials on the premises owned, occupied or leased by Borrower, including any Claims asserted or arising under any Environmental Law, (iv) any Claim for negligence or strict or absolute liability in tort, or (v) any Claim asserted as to or arising under any Account Control Agreement or any Landlord Agreement; provided, however. Borrower shall not indemnify Lender for any liability incurred by Lender as a direct and sole result of Lender's gross negligence or willful misconduct. Such

indemnities shall continue in full force and effect, notwithstanding the expiration or termination of this Agreement. Upon Lender's written demand, Borrower shall assume and diligently conduct, at its sole cost and expense, the entire defense of Lender, each of its members, partners, and each of their respective, agents, employees, directors, officers, equity holders, successors and assigns against any indemnified Claim described in this Section 10.3(a). Borrower shall not settle or compromise any Claim against or involving Lender without first obtaining Lender's written consent thereto, which consent shall not be unreasonably withheld.

(b) Waiver. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT OR ANYWHERE ELSE, BORROWER AGREES THAT IT SHALL NOT SEEK FROM LENDER UNDER ANY THEORY OF LIABILITY (INCLUDING ANY THEORY IN TORTS), ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES.

(c) Survival; Defense. The obligations in this Section 10.3 shall survive payment of all other Obligations pursuant to Section 12.8. At the election of any Indemnified Person, Borrower shall defend such Indemnified Person using legal counsel satisfactory to such Indemnified Person in such Person's reasonable discretion, at the sole cost and expense of Borrower. All amounts owing under this Section 10.3 shall be paid within thirty (30) days after written demand.

11. Notices. Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other agreement entered into in connection herewith shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by certified mail, postage prepaid, return receipt requested, by prepaid nationally recognized overnight courier, or by prepaid facsimile to Borrower or to Lender, as the case may be, at their respective addresses set forth below:

If to Borrower:	Enphase Energy, Inc. 201 1st Street, Suite 300 Petaluma, CA 94952 Attention: Chief Financial Officer
If to Lender:	Horizon Technology Finance Corporation 76 Batterson Park Road Farmington, CT 06032 Attention: Legal Department

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other.

12. General Provisions.

12.1 Successors and Assigns. This Agreement and the Loan Documents shall bind and inure to the benefit of the respective successors and permitted assigns of each of the parties; provided, however, neither this Agreement nor any rights hereunder may be assigned by Borrower without Lender's prior written consent, which consent may be granted or withheld in Lender's sole discretion. Lender shall have the right without the consent of or notice to Borrower to sell, transfer, assign, negotiate, or grant participations in all or any part of, or any interest in Lender's rights and benefits hereunder. Lender may disclose the Loan Documents and any other financial or other information relating to Borrower or any Subsidiary to any potential participant or assignee of any of the Loans, provided that such participant or assignee agrees to protect the confidentiality of such documents and information using the same measures that it uses to protect its own confidential information. Borrower hereby authorizes and directs Lender, for and on behalf of the Borrower, to maintain a record of ownership of the Notes and any interest therein, which record, or "book-entry system", shall identify the owner or owners of the Notes and any interests therein. Notwithstanding any other provision of this Agreement or the Loan Documents, the right to the principal of, and stated interest on, the Notes may be transferred only through such book-entry system.

12.2 Time of Essence. Time is of the essence for the performance of all obligations set forth in this Agreement.

12.3 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

12.4 Entire Agreement; Construction; Amendments and Waivers.

(a) Entire Agreement. This Agreement and each of the other Loan Documents dated as of the date hereof, taken together, constitute and contain the entire agreement between Borrower and Lender and supersede any and all prior agreements, negotiations, correspondence, understandings and communications between the parties, whether written or oral, respecting the subject matter hereof. Borrower acknowledges that it is not relying on any representation or agreement made by Lender or any employee, attorney or agent thereof, other than the specific agreements set forth in this Agreement and the Loan Documents.

(b) Construction. This Agreement is the result of negotiations between and has been reviewed by each of Borrower and Lender as of the date hereof and their respective counsel; accordingly, this Agreement shall be deemed to be the product of the parties hereto, and no ambiguity shall be construed in favor of or against Borrower or Lender. Borrower and Lender agree that they intend the literal words of this Agreement and the other Loan Documents and that no parol evidence shall be necessary or appropriate to establish Borrower's or Lender's actual intentions.

(c) Amendments and Waivers. Any and all discharges or waivers of, or consents to any departures from any provision of this Agreement or of any of the other Loan Documents shall not be effective without the written consent of Lender. Any and all amendments

and modifications of this Agreement or of any of the other Loan Documents shall not be effective without the written consent of Lender and Borrower. Any waiver or consent with respect to any provision of the Loan Documents shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on Borrower in any case shall entitle Borrower to any other or further notice or demand in similar or other circumstances. Any amendment, modification, waiver or consent affected in accordance with this Section 12.4 shall be binding upon Lender and on Borrower.

12.5 Reliance by Lender. All covenants, agreements, representations and warranties made herein by Borrower shall be deemed to be material to and to have been relied upon by Lender, notwithstanding any investigation by Lender.

12.6 No Set-Offs by Borrower. All sums payable by Borrower pursuant to this Agreement or any of the other Loan Documents shall be payable without notice or demand and shall be payable in United States Dollars without set-off or reduction of any manner whatsoever.

12.7 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts (including signatures delivered by facsimile or other electronic means), each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement.

12.8 Survival. All covenants, representations and warranties made in this Agreement shall continue in full force and effect so long as any Obligations or commitment to fund remain outstanding. The obligations of Borrower to indemnify Lender with respect to the expenses, damages, losses, costs and liabilities described in Section 10.3 shall survive until all applicable statute of limitations periods with respect to actions that may be brought against Lender have run.

13. Relationship of Parties. Borrower and Lender acknowledge, understand and agree that the relationship between Borrower, on the one hand, and Lender, on the other, is, and at all time shall remain solely that of a borrower and lender. Lender shall not under any circumstances be construed to be a partner or a joint venturer of Borrower or any of its Affiliates; nor shall Lender under any circumstances be deemed to be in a relationship of confidence or trust or a fiduciary relationship with Borrower or any of its Affiliates, or to owe any fiduciary duty to Borrower or any of its Affiliates. Lender does not undertake or assume any responsibility or duty to Borrower or any of its Affiliates to select, review, inspect, supervise, pass judgment upon or otherwise inform Borrower or any of its Affiliates of any matter in connection with its or their Property, any Collateral held by Lender or the operations of Borrower or any of its Affiliates. Borrower and each of its Affiliates shall rely entirely on their own judgment with respect to such matters, and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by Lender in connection with such matters is solely for the protection of Lender and neither Borrower nor any Affiliate is entitled to rely thereon.

14. Confidentiality. In handling any information that Borrower notifies Lender is to be considered confidential, Lender agrees to use the same degree of care to safeguard and prevent

disclosure of such confidential information as Lender uses with its own confidential information, but in any event no less than a reasonable degree of care. Lender shall not disclose such information to any third party (other than to Lender's members, partners, attorneys, governmental regulators, or auditors, or to Lender's subsidiaries and affiliates and prospective transferees and purchasers of the Loan, all subject to the same confidentiality obligation set forth herein or as required by law, regulation, subpoena or other order to be disclosed) and shall use such information only for purposes of evaluation of its investment in Borrower and the exercise of Lender's rights and the enforcement of its remedies under this Agreement and the other Loan Documents. The obligations of confidentiality shall not apply to any information that (a) was known to the public prior to disclosure by Borrower under this Agreement, (b) becomes known to the public through no fault of Lender, (c) is disclosed to Lender by a third party having a legal right to make such disclosure, or (d) is independently developed by Lender. Notwithstanding the foregoing, Lender's agreement of confidentiality shall not apply if Lender has acquired indefeasible title to any Collateral or in connection with any enforcement or exercise of Lender's rights and remedies under this Agreement following an Event of Default, including the enforcement of Lender's security interest in the Collateral.

15. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CONNECTICUT, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. EACH OF BORROWER AND LENDER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF CONNECTICUT. BORROWER AND LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

BORROWER:
ENPHASE ENERGY, INC.

By: /s/ Paul Nahi
Name: Paul Nahi
Title: President and Chief Executive Officer

LENDER:
HORIZON TECHNOLOGY FINANCE CORPORATION

By: /s/ Robert D. Pomeroy, Jr.
Robert D. Pomeroy, Jr.
Chief Executive Officer

ASSIGNEE AND HOLDER OF ADVANCE (LOAN A):
HORIZON CREDIT I LLC

By: Compass Horizon Funding Company LLC, it sole member
By: Horizon Technology Finance Corporation, its sole member

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

LIST OF EXHIBITS AND SCHEDULES

EXHIBIT A

Intentionally Omitted

EXHIBIT B

FUNDING CERTIFICATE

The undersigned, being the duly elected and acting _____ of ENPHASE ENERGY, INC., a Delaware corporation ("Borrower"), does hereby certify to HORIZON TECHNOLOGY FINANCE CORPORATION, (the "Lender") in connection with that certain Venture Loan and Security Agreement dated on or about the date hereof by and between Borrower and Lender (the "Loan Agreement"; with other capitalized terms used below having the meanings ascribed thereto in the Loan Agreement) that:

1. The representations and warranties made by Borrower in Section 5 of the Loan Agreement and in the other Loan Documents are true and correct as of the date hereof.

2. No event or condition has occurred that would constitute a Default or an Event of Default under the Loan Agreement or any other Loan Document.

3. Borrower is in compliance with the covenants and requirements contained in Sections 4, 6 and 7 of the Loan Agreement.

4. All conditions referred to in Section 3 of the Loan Agreement to the making of the Loan to be made on or about the date hereof have been satisfied.

5. No material adverse change in the general affairs, management, results of operations, condition (financial or otherwise) or prospects of Borrower, whether or not arising from transactions in the ordinary course of business, has occurred.

6. The proceeds for the Advance shall be disbursed as follows:

Disbursement from Lender:	
Loan Amount	$2,000,000
Less:	
Legal Fees	$
Balance of Commitment Fee	$
Net Proceeds due from Lender:	$

7. The aggregate net proceeds of the Advance in the amount of $_____ shall be transferred to Borrower's account as follows:

Account Name:
Bank Name:
Bank Address:
Account Number:
ABA Number:

Dated: _____, 2011

BORROWER:
ENPHASE ENERGY, INC.

By: _____

Name: _____

Title: _____

EXHIBIT C

SECURED PROMISSORY NOTE

$2,000,000.00 Dated: March __, 2011

FOR VALUE RECEIVED, the undersigned, ENPHASE ENERGY, INC., a Delaware corporation ("Borrower"), HEREBY PROMISES TO PAY to HORIZON TECHNOLOGY FINANCE CORPORATION, a Delaware corporation ("Lender") the principal amount of Two Million Dollars ($2,000,000.00) or such lesser amount as shall equal the outstanding principal balance of the applicable Advance (the "Loan") made to Borrower by Lender pursuant to the Loan Agreement (as defined below), and to pay all other amounts due with respect to the Loan on the dates and in the amounts set forth in the Loan Agreement.

Interest on the principal amount of this Note from the date of this Note shall accrue at a fixed rate equal to the Loan Rate as set forth herein, or, if applicable, the Default Rate. The Loan Rate for this Note is __% per annum based on a year of twelve 30-day months. If the Funding Date is not the first day of the month, interim interest accruing from Funding Date through the last day of that month shall be paid on the first calendar day of the next calendar month, Commencing _____, 200__, through and including _____, 200__, on the first day of each month (each an "Interest Payment Date") Borrower shall make payments of accrued interest only on the outstanding principal amount of the Loan in the amount of _____ Dollars ($_____), Commencing on _____, 200__, and continuing on the first day of each month thereafter (each a "Principal and Interest Payment Date" and, collectively with each Interest Payment Date, each a "Payment Date"), Borrower shall make to Lender ____ (__) equal payments of principal plus accrued interest on the then outstanding principal amount due under each in the amount of _____ Dollars ($_____). If not sooner paid, all outstanding amounts hereunder and under the Loan Agreement shall become due and payable on _____.

Principal, interest and all other amount due with respect to the Loan, are payable in lawful money of the United States of America to Lenders as set forth in the Loan Agreement. The principal amount of this Note and the interest rate applicable thereto, and all payments made with respect thereto, shall be recorded by Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Note.

This Note is referred to in, and is entitled to the benefits of, the Amended and Restated Venture Loan and Security Agreement on or about the date hereof by and between Borrower and Lender (the "Loan Agreement"). The Loan Agreement, among other things, (a) provides for the making of secured Loans to Borrower, and (b) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

This Note may not bee prepaid, except as set forth in Section 2.3 of the Loan Agreement.

This Note and the obligation of Borrower to repay the unpaid principal amount of the Loan, interest on the Loan and all other amounts due Lender under the Loan Agreement is secured under the Loan Agreement.

Presentment for payment, demand, notice of protest and all other demands and notices of any kind in connection with the execution, delivery, performance and enforcement of this Note are hereby waived.

Borrower shall pay all reasonable fees and expenses, including, without limitation, reasonable attorneys' fees and costs, incurred by Lender in the enforcement or limitation, to enforce any of Borrower's obligations hereunder not performed when due. This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of Connecticut.

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed by one of its officers thereunto duly authorized on the date hereof.

BORROWER:
ENPHASE ENERGY, INC.

By: _____

Name: _____

Title: _____

EXHIBIT D

TO BE MUTUALLY AGREED UPON BY LENDER'S AND BORROWER'S COUNSEL

EXHIBIT E

FORM OF OFFICER'S CERTIFICATE

TO: COMPASS HORIZON FUNDING COMPANY LLC

Reference is made to the Amended and Restated Venture Loan and Security Agreement dated as of March __, 2011 (as it may be amended from time to time, the "Loan Agreement") and between ENPHASE ENERGY, INC. ("Borrower") and COMPASS HORIZON FUNDING COMPANY LLC ("Lender"). Unless otherwise defined herein, capitalized terms have the meanings given such terms in the Loan Agreement.

The undersigned Responsible Officer of Borrower hereby certifies to Lender that:

1. No Event of Default has occurred under the Loan Agreement. (If an Event of Default has occurred, specify the nature and extent thereof and the action Borrower proposes to take with respect thereto.)
2. The information provided in Section 1 of the Disclosure Schedule is currently true and accurate, except as noted below.
3. Borrower is in compliance with the provision with provisions of Sections 4.6 and 7 of the Loan Agreement, except as noted below.
4. Attached herewith are the [monthly financial statements pursuant to Section 6.3(a) of the Loan Agreement/annual audited financial statement pursuant to Section 6.3(b) of the Loan Agreement]. These have been prepared in accordance with GAAP and are consistent from one period to the next except as noted below.

NOTES TO ABOVE CERTIFICATIONS:

_____

_____

BORROWER:
ENPHASE ENERGY, INC.

By: _____
Name: _____
Title: _____

FIRST AMENDMENT OF AMENDED AND RESTATED VENTURE LOAN AND SECURITY AGREEMENT

This FIRST AMENDMENT OF AMENDED AND RESTATED VENTURE LOAN AND SECURITY AGREEMENT (this "Agreement"), dated as of June 30, 2011, is entered into by and between ENPHASE ENERGY, INC., a Delaware corporation ("Borrower"), and HORIZON TECHNOLOGY FINANCE CORPORATION ("Lender"), a Delaware corporation.

RECITALS

A. Borrower and Lender are parties to a certain Amended and Restated Venture Loan and Security Agreement dated as of March 25, 2011 (the "Loan Agreement") pursuant to which Lender, among other things, has (i) provided certain loan to Borrower as evidenced by (a) certain Secured Promissory Notes executed by Borrower in favor of Lender, in original principal amounts of Nine Million Dollars ($9,000,000.00) (the "Notes"), and (ii) been granted a security interest in all assets of Borrower, except for Borrower's Intellectual Property (as defined in the Loan Agreement).

B. Borrower has now requested that Lender permit Borrower to create a certain Subsidiary (as defined in the Loan Agreement) in New Zealand, and open and maintain a certain deposit account in New Zealand in connection with the creation of such Subsidiary.

C. Lender is willing to grant such request, but only to the extent, and in accordance with the terms, and subject to the conditions, set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Borrower and Lender hereby agree as follows:

1. Definitions; Interpretation. Unless otherwise defined herein, all capitalized terms used herein and defined in the Loan Agreement shall have the respective meanings given to those terms in the Loan Agreement. Other rules of construction set forth in the Loan Agreement, to the extent not inconsistent with this Agreement, apply to this Agreement and are hereby incorporated by reference.

2. Confirmation. Borrower hereby acknowledges and agrees that: (i) the Loan Agreement sets forth the legal, valid, binding and continuing Obligations of Borrower to Lender, (ii) the Obligations to Lender under the Loan Agreement are secured by validly perfected security interests in all assets of Borrower, except for Borrower's Intellectual Property, and with respect to Third Party Equipment, consistent with the provisions of Section 4.8 of the Loan Agreement, and (iii) Borrower has no cause of action, claim, defense or set-off against the Lender in any way regarding or relating to the Loan Agreement or Lender's actions thereunder and to the extent any such cause of action, claim, defense or set-off ever existed, it is waived and Lender is released from any claims of Borrower. Borrower represents and warrants that no Default or Event of Default has occurred under the Loan Agreement.

3. Amendments to Loan Agreement.

(a) Borrower and Lender agree that the reference to "July 31, 2011" after the phrase "Commitment Termination Date (Loan C) appearing on the cover page of the Loan Agreement is deleted in its entirety and is replaced by "September 30, 2011."

(b) Borrower and Lender hereby agree that the definition of "Subsidiary" within Section 1.1 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

""Subsidiary" means any corporation or other entity of which a majority of the outstanding Equity Securities entitled to vote for the election of directors or other governing body (otherwise than as the result of a default) is owned by Borrower directly or indirectly through Subsidiaries, including without limitation Enphase Energy SAS, Enphase Energy SRL and Enphase Energy New Zealand Limited."

(c) Borrower and Lender hereby agree that Section 7.13 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

"7.13 Maintenance of Accounts. (i) Maintain any deposit account or account holding securities owned by Borrower except (a) accounts with the lender providing Borrower with Indebtedness permitted under subsection (d) of the definition of Permitted Indebtedness or (b) accounts with respect to which Lender is able to take such actions as it deems necessary to obtain a perfected security interest in such accounts through one or more Account Control Agreements; or (ii) grant or allow any other Person (other than Lender) to perfect a security interest in, or enter into any agreements with any Persons (other than Lender) accomplishing perfection via control as to any of its deposit accounts or accounts holding securities other than in favor of the lender providing Borrower with Indebtedness permitted under subsection (d) of the definition of Permitted Indebtedness. Notwithstanding the foregoing, Borrower may maintain: (1) a deposit account at Banca Popolare di Milano, BPM, subsidiary, having account number (the "Italian Account"), (2) a deposit account with BNP Paribas having account number (the "French Account"), (3) a deposit account with Bank of New Zealand having an account number (the "New Zealand Account" and collectively with the Italian Account and the French Account, the "Foreign Accounts"), and (4) a deposit account with Bank of the West, having an account number of (the "Bank of the West Account"), provided that (x) less than One Million euro (€1,000,000) in the aggregate is maintained by the Borrower in the Foreign Accounts and (y) less than Five Thousand Dollars ($5,000) is maintained by the Borrower in the Bank of the West Account."

4. Conditions to Effectiveness. Lender's consent and agreement herein is expressly conditioned on all of the following:

(a) Borrower executing and delivering an executed copy of this Agreement;

(b) Borrower executing and delivering an executed copy of the letter agreement of even date herewith between Borrower and Lender pursuant to which Lender waived notice of, and consented to, the creation of the Subsidiaries (as defined therein) and the opening and maintenance of the Foreign Accounts; and

(c) Borrower's payment of Lender's in-house legal expenses in the amount of Five Thousand and 00/100 Dollars ($5,000.00) incurred in connection with the drafting, negotiation and execution of this Agreement.

5. Effect of Agreement. On and after the date hereof, each reference to the Loan Agreement in the Loan Agreement or in any other document shall mean the Loan Agreement as amended by this Agreement. Except as expressly provided hereunder, the execution, delivery and effectiveness of this Agreement shall not operate as a waiver of any right, power, or remedy of Lender, nor constitute a waiver of any provision of the Loan Agreement Except to the limited extent expressly provided herein, nothing contained herein shall, or shall be construed to (nor shall the Borrower ever argue to the contrary) (i) modify the Loan Agreement or any other Loan Document (ii) modify, waive, impair, or affect any of the covenants, agreements, terms, and conditions thereof, or (iii) waive the due keeping, observance and/or performance thereof, each of which is hereby ratified and confirmed by the Borrower. Except as amended above, the Loan Agreement remains in full force and effect.

6. Headings. Headings in this Agreement are for convenience of reference only and are not part of the substance hereof.

7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut without reference to conflicts of law rules.

8. Counterparts. This Agreement may be executed in any number of counterparts, including by electronic or facsimile transmission, each of which when so delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

9. Integration. This Agreement and the Loan Documents constitute and contain the entire agreement of Borrower and Lender with respect to their respective subject matters, and supercede any and all prior agreements, correspondence and communications.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, Borrower and Lender have caused this Agreement to be executed as of the day and year first above written.

BORROWER:
ENPHASE ENERGY, INC.

By: /s/ Sanjeev Kumar
Name: Sanjeev Kumar
Title: CFO

LENDER:
HORIZON TECHNOLOGY FINANCE CORPORATION

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

SECOND AMENDMENT OF AMENDED AND RESTATED VENTURE LOAN AND SECURITY AGREEMENT

This SECOND AMENDMENT OF AMENDED AND RESTATED VENTURE LOAN AND SECURITY AGREEMENT (this "Agreement"), dated as of December 30, 2011, is entered into by and among ENPHASE ENERGY, INC., a Delaware corporation ("Borrower"), HORIZON TECHNOLOGY FINANCE CORPORATION ("Horizon"), a Delaware corporation and HORIZON CREDIT I LLC ("HCI" and collectively with Horizon, "Lender"), a Delaware limited liability company, as assignee and holder of Advance (Loan A).

RECITALS

A. Pursuant to that certain Amended and Restated Venture Loan and Security Agreement dated as of March 25,2011, as amended on June 30,2011 by that certain First Amendment of Amended and Restated Venture Loan and Security Agreement (as the same has been and may be further amended, supplemented or otherwise modified from time to time, the "Loan Agreement") between Borrower and Lender, Lender, among other things, has (i) provided certain loans to Borrower as evidenced by (a) a certain Secured Promissory Note (Loan A) executed by Borrower in favor of Lender, dated as of March 11,2010, in the original principal amount of Seven Million Dollars ($7,000,000.00) ("Note A"), (b) a certain Secured Promissory Note (Loan B) executed by Borrower in favor of Lender, dated as of March 25,2011, in the original principal amount of Two Million Dollars ($2,000,000.00) ("Note B") and (iii) a certain Secured Promissory Note (Loan C) executed by Borrower in favor of Lender, dated as of September 23,2011, in the original principal amount of Three Million Dollars ($3,000,000) ("Note C" and together with Note A and Note B, the "Notes") and (ii) been granted a security interest in all assets of Borrower, except for Borrower's Intellectual Property (as defined in the Loan Agreement) and certain specified equipment.

B. Borrower has now requested that Lender permit Borrower to amend the definition of Permitted Indebtedness under the Loan Agreement.

C. Lender is willing to grant such request, but only to the extent, and in accordance with the terms, and subject to the conditions, set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Borrower and Lender hereby agree as follows:

1. Definitions: Interpretation. Unless otherwise defined herein, all capitalized terms used herein and defined in the Loan Agreement shall have the respective meanings given to those terms in the Loan Agreement. Other rules of construction set forth in the Loan Agreement, to the extent not inconsistent with this Agreement, apply to this Agreement and are hereby incorporated by reference.
2. Confirmation. Borrower hereby acknowledges and agrees that: (i) the Loan Agreement sets forth the legal, valid, binding and continuing Obligations of Borrower to

Lender, and (ii) the Obligations to Lender under the Loan Agreement are secured by validly perfected security interests in all assets of Borrower, except for Borrower's Intellectual Property, and with respect to Third Party Equipment, consistent with the provisions of Section 4.8 of the Loan Agreement, and (iii) Borrower has no cause of action, claim, defense or set off against the Lender in any way regarding or relating to the Loan Agreement or Lender's actions thereunder and to the extent any such cause of action, claim, defense or set-off ever existed, it is waived and Lender is released from any claims of Borrower. Borrower represents and warrants that no Default or Event of Default has occurred and is continuing under the Loan Agreement.

3. Amendments to Loan Agreement.

(a) Borrower and Lender hereby agree that the definition of "Permitted Indebtedness" within Section 1.1 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

"Permitted Indebtedness" means and includes:

(a) Indebtedness of Borrower to Lender;

(b) Indebtedness arising from the endorsement of instruments in the ordinary course of business;

(c) Indebtedness existing on the date hereof and set forth on the Disclosure Schedule;

(d) Indebtedness in an aggregate principal amount not exceeding Thirty-Three Million Dollars ($33,000,000), consisting of a revolving credit facility from Bridge Bank, N.A. and Comerica Bank and in which the loans are limited to not more than Eighty Percent (80%) of Borrower's outstanding accounts receivable and Fifty Percent (50%) of Borrower's eligible inventory;

(e) Indebtedness secured by a lien described in clause (g) of the defined term "Permitted Liens," provided (i) such Indebtedness does not exceed the lesser of the cost or fair market value of the equipment financed with such Indebtedness and (ii) such Indebtedness does not exceed Five Million Dollars ($5,000,000) in the aggregate at any given time; and

(f) Indebtedness to Oracle America, Inc. or one of its affiliates, including Oracle Credit Corporation in an aggregate amount not to exceed $500,000;

(g) Inter-company Indebtedness incurred in the ordinary course of business;

(h) Other Indebtedness in an aggregate amount not exceeding Seven Hundred Fifty Thousand Dollars ($750,000) at any time;

(i) Subordinated Debt; and

(j) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (i) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

4. Conditions to Effectiveness. Lender's consent and agreement herein is expressly conditioned on all of the following:

(a) Borrower executing and delivering an executed copy of this Agreement; and

(b) Borrower's agreement to pay, when invoiced, Lender's in-house legal expenses in the amount of Two Thousand Five Hundred and 00/100 Dollars ($2,500.00) incurred in connection with the drafting, negotiation and execution of this Agreement.

5. Effect of Agreement. On and after the date hereof, each reference to the Loan Agreement in the Loan Agreement or in any other document shall mean the Loan Agreement as amended by this Agreement. Except as expressly provided hereunder, the execution, delivery and effectiveness of this Agreement shall not operate as a waiver of any right, power, or remedy of Lender, nor constitute a waiver of any provision of the Loan Agreement. Except to the limited extent expressly provided herein, nothing contained herein shall, or shall be construed to (nor shall the Borrower ever argue to the contrary) (i) modify the Loan Agreement or any other Loan Document (ii) modify, waive, impair, or affect any of the covenants, agreements, terms, and conditions thereof, or (iii) waive the due keeping, observance and/or performance thereof, each of which is hereby ratified and confirmed by the Borrower. Except as amended above, the Loan Agreement remains in full force and effect.

6. Headings. Headings in this Agreement are for convenience of reference only and are not part of the substance hereof.

7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut without reference to conflicts of law rules.

8. Counterparts. This Agreement may be executed in any number of counterparts, including by electronic or facsimile transmission, each of which when so delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

9. Integration. This Agreement and the Loan Documents constitute and contain the entire agreement of Borrower and Lender with respect to their respective subject matters, and supersede any and all prior agreements, correspondence and communications.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, Borrower and Lender have caused this Agreement to be executed as of the day and year first above written.

BORROWER:
ENPHASE ENERGY, INC.

By: /s/ Paul Nahi
Name: Paul Nahi
Title: Chief Executive Officer

LENDER:
HORIZON TECHNOLOGY FINANCE CORPORATION

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

HORIZON CREDIT I LLC
By: Compass Horizon Funding Company LLC, its sole member
By: Horizon Technology Finance Corporation, its sole member

By: /s/ Robert D. Pomeroy, Jr.
Name: Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

ENPHASE ENERGY, INC.

BRIDGE BANK, NATIONAL ASSOCIATION
COMERICA BANK

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This **AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT** is entered into as of March 24, 2011, by and between **BRIDGE BANK, NATIONAL ASSOCIATION** ("Bridge" and, solely in its capacity as collateral agent for the Lenders (as defined below), "Collateral Agent"), **COMERICA BANK** ("Comerica" and, collectively, with Bridge, the "Lenders" and each, individually, a "Lender") and **INPHASE ENERGY, INC.** ("Borrower").

RECITALS

Borrower and Bridge are parties to that certain Loan and Security Agreement, dated as of January 19, 2010 (as amended from time to time, including that certain Loan and Security Modification Agreement dated as of April 20, 2010, that certain Loan and Security Modification Agreement dated as of June 7, 2010 and that certain Loan and Security Modification Agreement dated as of September 13, 2010, collectively, the "Original Agreement"). Borrower and Lenders wish to amend and restate the terms of the Original Agreement. This Agreement sets forth the terms on which Lenders will advance credit to Borrower, and Borrower will repay the amounts owing to Lenders.

AGREEMENT

The parties agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1 Definitions. As used in this Agreement, the following terms shall have the following definitions:

"Accounts" means all presently existing and hereafter arising accounts, contract rights, payment intangibles, and all other forms of obligations owing to Borrower arising out of the sale or lease of goods (including, without limitation, the licensing of software and other technology) or the rendering of services by Borrower, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrower and Borrower's Books relating to any of the foregoing.

"Advance" or "Advances" means a cash advance or cash advances under the Revolving Facility.

"Affiliate" means, with respect to any Person, any Person that owns or controls directly or indirectly such Person, any Person that controls or is controlled by or is under common control with such Person, and each of such Person's senior executive officers, directors, and partners.

"Approved Forecast" has the meaning assigned in Section 6.7.

"Atel" means ATEL Ventures, Inc.

"Atel Indebtedness" means indebtedness of Borrower in favor of Atel, not to exceed the principal amount of Two Hundred Sixteen Thousand Nine Hundred Seventy Four Dollars ($216,974) as of January 31, 2011.

"Borrower's Books" means all of Borrower's books and records including: ledgers; records concerning Borrower's assets or liabilities the Collateral, business operations or financial condition; and all computer programs, or tape files, and the equipment, containing such information.

"Borrowing Base" means an amount equal to (1) eighty percent (80%) of Eligible Accounts, plus (2) fifty percent (50%) of Eligible Inventory (provided that Advances against Eligible Inventory shall not exceed the lesser of fifty percent (50%) of Eligible Accounts or Ten Million Dollars ($10,000,000)); all as determined by Lenders with reference to the most recent Borrowing Base Certificate delivered by Borrower.

"Business Day" means any day that is not a Saturday, Sunday, or other day on which banks in the State of California are authorized or required to close.

"Change in Control" shall mean a transaction in which any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of a sufficient number of shares of all classes of stock then outstanding of Borrower ordinarily entitled to vote in the election of directors, empowering such "person" or "group" to elect a majority of the Board of Directors of Borrower, who did not have such power-before such transaction.

"Closing Date" means the date of this Agreement.

"Code" means the California Uniform Commercial Code.

"Collateral" means the property described on **Exhibit A** attached hereto.

"Collateral Agent" means, Bridge, not in its individual capacity but solely in its capacity as agent on behalf of and for the benefit of the Lenders.

"Collateral Agent-Related Person" means the Collateral Agent, together with its Affiliates, and the officers, directors, employees, agents, advisors, auditors and attorneys-in-fact of such Persons; provided, however, that no Collateral Agent-Related Person shall be an Affiliate of Borrower.

"Commitment Amount" is set forth in Schedule 1.1, as amended from time to time.

"Commitment Percentage" is set forth in schedule 1.1, as amended from time to time.

"Contingent Obligation" means as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to (i) any indebtedness, lease, dividend, letter of credit or other obligation of another; (ii) any obligations with respect to undrawn letters of credit, corporate credit cards, or merchant services issued or provided for the account of that Person; and (iii) all obligations arising under any agreement or arrangement designed to protect such Person against fluctuation in interest rates, currency exchange rates or commodity prices; provided, however, that the term "Contingent Obligation" shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by Collateral Agent in good faith; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

"Copyrights" means any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof.

"Credit Card Exposure" has the meaning assigned in Section 2.1(c).

"Credit Card Reserve" has the meaning assigned in Section 2.1(c).

"Credit Card Services" has the meaning assigned in Section 2.1(c).

"Credit Extension" means each Advance, Letter of Credit, use of Credit Card Services, FX Contracts or any other extension of credit by any Lender for the benefit of Borrower hereunder.

"Daily Balance" means the amount of the Obligations owed at the end of a given day.

"Disclosure letter" means the disclosure letter delivered to Lenders by Borrower on the Closing Date, and approved by Lenders.

"Domestic Subsidiary" shall mean any direct or indirect Subsidiary of Borrower incorporated or organized under the laws of the United States of America, or any state or other political subdivision thereof or which is considered to be a "disregarded entity" for United States federal income tax purposes and which is not a "controlled foreign corporation" as defined under Section 957 of the Internal Revenue Code, in each case provided such Subsidiary is owned by Borrower or a Domestic Subsidiary of Borrower, and "Domestic Subsidiaries" shall mean any or all of them.

"Eligible Accounts" means those Accounts that arise in the ordinary course of Borrower's business that comply with all of Borrower's representations and warranties to Lenders set forth in Section 5.4; provided, that standards of eligibility may be fixed and revised from time to time by Required Lenders' in Required Lenders reasonable judgment and upon notification thereof to Borrower in accordance with the provisions hereof. Unless otherwise agreed to by Required Lenders, Eligible Accounts shall not include the following:

(a) Accounts that the account debtor has failed to pay within ninety (90) days of invoice date;

(b) Accounts with respect to an account debtor, thirty five percent (35%) of whose Accounts the account debtor has failed to pay within ninety (90) days of invoice date;

(c) Accounts with respect to which the account debtor is an officer, employee, or agent of Borrower;

(d) Accounts with respect to which goods are placed on consignment, guaranteed sale, sale or return, sale on approval, bill and hold or other terms by reason of which the payment by the account debtor may be conditional;

(e) "Prebilled" accounts, "progress billings" or "retention billings";

(f) Accounts with respect to which the account debtor is an Affiliate of Borrower;

(g) Accounts with respect to which the Account debtor is Paramit Corporation or Flextronics;

(h) Accounts with respect to which the account debtor does not have its principal place of business in the United States or Canada, except for Eligible Foreign Accounts;

(i) Accounts with respect to which the account debtor is the United States or any department, agency, or instrumentality of the United States;

(j) Accounts with respect to which Borrower is liable to the account debtor for goods sold or services rendered by the account debtor to Borrower or for deposits or other property of the account debtor held by Borrower, but only to the extent of any amounts owing to the account debtor against amounts owed to Borrower;

(k) Accounts with respect to an account debtor, including Subsidiaries and Affiliates, whose total obligations to Borrower exceed thirty percent (30%) of all Accounts, to the extent such obligations exceed the aforementioned percentage, except as approved in writing by Required Lenders;

(l) Accounts that are subject to Borrower's standard five (5) days rejection or return policy;

(m) Accounts with respect to which the account debtor disputes liability or makes any claim with respect there to as to which Required Lenders believe, in their sole discretion, that there may be a basis for dispute (but only to the extent of the amount subject to such dispute or claim), or is subject to any Insolvency Proceeding, or becomes insolvent, or goes out of business; and

(n) Accounts the collection of which either of the Required Lenders reasonably determines to be doubtful in its reasonable credit judgment.

"Eligible Foreign Accounts" means Accounts with respect to which the account debtor does not have its principal place of business in the United States or Canada and that (i) are supported by one or more letters of credit in an amount and of a tenor, and issued by a financial institution, reasonably acceptable to Required Lenders, or (ii) that Required Lenders approve on a case-by-case basis.

"Eligible Inventory" means Inventory that meets all of Borrower's representations and warranties in Section 5.5 and is otherwise reasonably acceptable to Required Lenders in all respects.

"Equipment" means all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Borrower has any interest.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

"Event of Default" has the meaning assigned in Article 8.

"Foreign Exchange Sublimit" means a sublimit for foreign exchange contracts under the Revolving Line not to exceed Two Million Five Hundred Thousand Dollars ($2,500,000).

"Foreign Subsidiaries" means each Subsidiary of Borrower which is not a Domestic Subsidiary.

"FX Contracts" has the meaning assigned in Section 2.1(d).

"FX Reserve" has the meaning assigned in Section 2.1(d).

"GAAP" means generally accepted accounting principles as in effect from time to time.

"Governmental Authority" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantor(s)" shall mean each Domestic Subsidiary of Borrower which has executed and delivered to the Collateral Agent a Guaranty (or a joinder to a Guaranty), and a Security Agreement (or a joinder to the Security Agreement).

"Guaranty" shall mean, collectively, the guaranty agreements executed and delivered by the applicable Guarantors from time to time after the Closing Date (whether by execution of joinder agreements or otherwise) pursuant to Section 6.9 hereof or otherwise, in each case in form and substance reasonably acceptable to Collateral Agent, as amended, restated or otherwise modified from time to time.

"Horizon" means Compass Horizon Funding Company LLC.

"Indebtedness" means (a) all indebtedness for borrowed money or the deferred purchase price of property or services, including without limitation reimbursement and other obligations with respect to surety bonds and letters of credit, (b) all obligations evidenced by notes, bonds, debentures or similar instruments, (c) all capital lease obligations and (d) all Contingent Obligations.

"Initial Revenue Cure" has the meaning assigned in Section 6.7.

"Insolvency Proceeding" means any proceeding commenced by or against any person or entity under any provision of the United States Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law,

including assignments for the benefit of creditors, formal or informal moratoria, compositions, extension generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"Inventory" means all inventory in which Borrower has or acquires any interest, including work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or at any time hereafter owned by or in the custody or possession, actual or constructive of Borrower, including such inventory as is temporarily out of its custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and Borrower's Books relating to any of the foregoing.

"Investment" means any beneficial ownership of (including stock, partnership interest of other securities) any Person, or any loan, advance or capital contribution to any Person.

"Investors" means certain existing investors in Borrower and certain of such investors' Affiliates.

"Investors' Indebtedness" means subordinated convertible Indebtedness of Borrower in favor of Investors in the aggregate principal amount not to exceed Fifty Million Dollars ($50,000,000); provided the same is subject to the Investors Subordination Agreement.

"Investors' Lien" means a Lien in favor of the Investors, or an agent or representative thereof, to secure repayment of the Investors' Indebtedness.

"Investors' Note Purchase Agreement" means that certain [Note Purchase Agreement] by and between Borrower and Investors, pursuant to which Borrower issues to Investors the Investors' Indebtedness, all instruments and agreements executed and/or delivered in connection therewith, and all schedules and exhibits thereto; all in form and content reasonably acceptable to Lenders.

"Investors Subordination Agreement" means that certain subordination agreement between Investors and Collateral Agent, with respect to the Investors' Indebtedness, in form and content acceptable to Collateral Agent in its sole discretion; provided that, without limiting the foregoing, the Investors Subordination Agreement shall provide, among other things, that (i) that the Investors' Indebtedness cannot be repaid before the Obligations under this Agreement are indefeasibly repaid in full, in cash, and the Lenders' commitments to lend hereunder have been terminated; (ii) interest payable on account of the Investors' Indebtedness may not be paid currently, or in cash, but must be accrued, if at all as PIK (payment in kind non-cash) interest; and (iii) Investors (nor any agent or any representative of Investors) may not declare a default of the Investors' Indebtedness or otherwise attempt to accelerate payment of the Investors' Indebtedness (or otherwise pursue any rights or remedies with respect thereto) unless and until the Obligations under this Agreement are indefeasibly repaid in full, in cash, and the Lenders' commitments to lend hereunder have been terminated.

"IRC" means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

"Issuing Lender" means Bridge.

"Lender Expenses" means all: reasonable costs or expenses (including reasonable attorneys' fees and expenses) incurred in connection with the preparation, negotiation, administration, and enforcement of the Loan Documents; reasonable Collateral audit fees; and Lenders' reasonable attorneys' fees and expenses incurred in amending, enforcing or defending the Loan Documents (including fees and expenses of appeal), incurred before, during and after an Insolvency Proceeding, whether or not suit is brought.

"Lien" means any mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

"Letter of Credit" has the meaning set forth in Section 2.1(b)(i).

"Letter of Credit Obligations" mean at any date of determination, the Stated Amount of all outstanding Letters of Credit and unreimbursed payments and disbursements under such Letters of Credit.

"Loan Commitment" means, for any Lender, the obligation of such Lender to make Advances, up to the principal amount shown on Schedule 1.1. "Loan Commitments" means the aggregate amount of such commitments of all Lenders.

"Loan Documents" means, collectively, this Agreement, any note or notes executed by Borrower, and any other agreement entered into in connection with this Agreement, all as amended or extended from time to time.

"Material Adverse Effect" means a material adverse effect on (i) the business operations or condition (financial or otherwise) of Borrower and its Subsidiaries taken as a whole or (ii) the ability of Borrower to repay the Obligations or otherwise perform its obligations under the Loan Documents or (iii) the value or priority of Lenders' security interests in the Collateral. In determining whether a "Material Adverse Effect" has occurred under clause (i) or (ii) above, Lenders' primary, though not sole, consideration will be whether Borrower has or will have sufficient cash resources to repay the Obligations as and when due.

"Negotiable Collateral" means all letters of credit of which Borrower is a beneficiary, notes, drafts, instruments, securities, documents of title, and chattel paper, and Borrower's Books relating to any of the foregoing.

"New Equity" means the receipt by Borrower, after the Closing Date, of net proceeds from the sale and issuance of Borrower's equity securities or Subordinated Debt (excluding the Investors' Indebtedness).

"Obligations" means all principal and interest in respect of Advances, Lender Expenses and other amounts owed to Lenders, or any of them, by Borrower pursuant to this Agreement or any other agreement, whether absolute or contingent, due or to become due, now existing or hereafter arising, including any interest that accrues after the commencement of an Insolvency Proceeding (whether or not allowed in such Insolvency Proceeding), and including obligations due in respect of Letters of Credit, Corporate Credit Card Exposure, FX Contracts, and cash management, ACH, overdraft and treasury management services in the ordinary course of business, and including any such debt, liability, or obligation owing from Borrower to others that a Lender may have obtained by assignment or otherwise.

"Patents" means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

"Periodic Payments" means all installments or similar recurring payments that Borrower may now or hereafter become obligated to pay to any Lender pursuant to the terms and provisions of any instrument, or agreement now or hereafter in existence between Borrower and any Lender.

"Permitted Foreign Cash" has the meaning assigned in Section 6.7.

"Permitted Indebtedness" means:

(a) Indebtedness of Borrower in favor of Lenders arising under this Agreement or any other Loan Documents;

(b) Indebtedness existing on the Closing Date and disclosed in the Disclosure Letter;

(c) Indebtedness secured by a lien described in clause (c) of the defined term "Permitted Liens," provided (i) such Indebtedness does not exceed the lesser of the cost or fair market value of the equipment or other fixed or capital assets financed with such Indebtedness and (ii) such Indebtedness does not exceed $5,000,000 in the aggregate at any given time; and

(d) the Atel Indebtedness;

(e) Subordinated Debt;

(f) the Venture Debt;

(g) Indebtedness to Oracle America, Inc. or one of its affiliates, including Oracle Credit Corporation, in an aggregate amount not to exceed $500,000 (the "Oracle Debt");

(h) the Investors' Indebtedness;

(i) Indebtedness constituting (but without duplication with) Investments permitted under clause (h) of the defined term "Permitted Investments;"

(j) Other Indebtedness not otherwise permitted by Section 7.4, not exceeding Five Hundred Thousand Dollars ($500,000) in the aggregate outstanding at any time; and

(k) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (g) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

"Permitted Investment" means:

(a) Investments existing on the Closing Date disclosed in the Disclosure Letter;

(b) (i) marketable direct obligations issued or conditionally guaranteed by the United States of America or any agency of any State thereof maturing within one (1) year from the date of acquisition thereof, (ii) commercial paper maturing more than one (1) year from the date of creation thereof and currently having rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Service, (iii) certificates of deposit maturing no more than one (1) year from the date of investment therein issued by a Lender; (iv) Lenders' money market accounts; and (v) Investments made in accordance with Borrower's board approved short term investment policy, as provided to, reviewed and approved by Required Lenders (such approval not to be unreasonably withheld or delayed;

(c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower;

(d) Investments accepted in connection with Transfers permitted by Section 7.1;

(e) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower's Board of Directors; not to exceed Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate in any fiscal year;

(f) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(g) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (g) shall not apply to Investments of Borrower in any Subsidiary;

(h) Investments in Subsidiaries made in the ordinary course of business, not to exceed Four Million Five Hundred Thousand Dollars ($4,500,000) in the aggregate in any fiscal year;

(i) (x) joint ventures or strategic alliances in the ordinary course of Borrower's business consisting of the nonexclusive licensing of technology, the development of technology or the providing of technical support, provided that any cash investments by Borrower do not exceed Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate in any fiscal year; and (y) strategic alliances with particular customers in which such customers will share in the research and development expense of Borrower associated with the incorporation by such customers of microconverters purchased from Borrower into solar panels produced by such customers;

(j) Investments in connection with mergers or acquisitions permitted by Section 7.3 and Investments accepted in connection with such mergers or acquisitions permitted by Section 7.3;

(k) Investments permitted pursuant to Section 7.6;

(l) Investments consisting of the conversion or settlement of any convertible securities or debt of Borrower or otherwise in exchange therefor; and

(m) Other Investments aggregating not in excess of One Hundred Fifty Thousand Dollars ($150,000) at any time.

"Permitted Liens" means the following:

(a) Any Liens existing on the Closing Date and disclosed in the Disclosure Letter or arising under this Agreement or the other Loan Documents;

(b) Liens for taxes fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings, provided the same have no priority over any of Lenders' security interests;

(c) Liens (i) upon or in any equipment or other fixed or capital assets which was not financed by a Lender acquired or held by Borrower or any of its Subsidiaries to secure the purchase price of such equipment or such fixed or capital assets or indebtedness incurred solely for the purpose of financing the acquisition of such equipment or such fixed or capital assets, or (ii) existing on such equipment at the time of its acquisition, provided that the Lien is confined solely to the property so acquired and improvements thereon, and the proceeds of such equipment;

(d) Liens securing the Atel Indebtedness;

(e) the Investors Lien;

(f) Liens of carriers, warehousemen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(g) Liens to secure payment of workers' compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(h) leases or subleases of real property granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), and leases, subleases, non-exclusive licenses or sublicenses of personal property (other than Intellectual Property) granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), if the leases, subleases, licenses and sublicenses do not prohibit granting Lenders a security interest therein;

(i) non-exclusive license of Intellectual Property granted to third parties in the ordinary course of business, and licenses of Intellectual Property that could not result in a legal transfer of title of the

licensed property that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States;

(j) Liens arising from attachments or judgments, orders or decrees in circumstances not constituting an Event of Default under Sections 8.4 and 8.7;

(k) Liens in favor of customs and revenue authorities incurred in the ordinary course of business to secure payment of custom duties in connection with the importation of goods;

(l) Liens securing the Venture Debt;

(m) Liens securing the Oracle Debt;

(n) Deposits made in the ordinary course of business to secure Indebtedness for real property lease obligations (provided that any such deposit is in the form of a Letter of Credit issued under this Agreement); and

(o) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clauses (a) through (m) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase.

"Person" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or governmental agency.

"Prime Rate" means the greater of (i) the variable rate of interest, per annum, most recently announced by Bridge, as its "prime rate," whether or not such announced rate is the lowest rate available from Bridge and (ii) 3.25%.

"Pro Rata Share" means, as of any date of determination, with respect to each Lender, a percentage (expressed as a decimal, rounded to the ninth decimal place) determined by dividing the outstanding principal amount of the Advances made by such Lender by the aggregate outstanding principal amount of the Advances.

"Required Lenders" means (i) for so long as all of the Persons that are Lenders on the Closing Date (each an "Original Lender") have not assigned or transferred any of their interests in their respective Advances, Lenders holding one hundred percent (100%) of the aggregate outstanding principal balance of the Revolving Line, or (ii) at any time from and after any Original Lender has assigned or transferred any interest in its Advances, Lenders holding sixty-six percent (66%) of the aggregate outstanding principal balance of the Revolving Line. For purposes of this definition only a Lender shall be deemed to include itself, and any Lender that is an Affiliate of such Lender.

"Responsible Officer" means each of the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Controller of Borrower.

"Revolving Facility" means the facility under which Borrower may request Lenders to issue Advances, as specified in Section 2.1(a) hereof.

"Revolving Line" means a credit extension of up to Twenty Five Million Dollars ($25,000,000) (inclusive of the aggregate face amount of Letters of Credit, the aggregate limits of the Credit Card Services and any amounts outstanding under the Foreign Exchange Sublimit).

"Revolving Maturity Date" means March 24, 2013.

"Revolving Outstandings" means at any time, the sum of (a) the aggregate amount of the outstanding Advances, (b) the Stated Amount of all Letters of Credit, (c) the Credit Card Reserve, and (d) the FX Reserve in effect from time to time.

"Schedule" means the schedule attached hereto and approved by Required Lenders, if any.

"Security Agreement" shall mean, collectively, the security agreement(s) executed and delivered by the Guarantors on the Closing Date pursuant to Section 3.1(K) hereof, and any such agreements executed and delivered after the Closing Date (whether by execution of a joinder agreement to any existing security agreement or otherwise) pursuant to Section 6.9 hereof or otherwise, in form and substance reasonably acceptable to Collateral Agent, as amended, restated or otherwise modified from time to time.

"Shares" means (i) sixty-five percent (65%) of the issued and outstanding capital stock, membership units or other securities owned or held of record by Borrower in any Subsidiary of Borrower which is not an entity organized under the laws of the United States or any territory thereof, and (ii) one hundred percent (100%) of the issued and outstanding capital stock, membership units or other securities owned or held of record by Borrower in any Subsidiary of Borrower which is an entity organized under the laws of the United States or any territory thereof.

"Stated Amount" means, with respect to any Letter of Credit at any date of determination, (a) the maximum aggregate amount available for drawing thereunder under any and all circumstances, plus (b) the aggregate amount of all unreimbursed payments and disbursements under such Letter of Credit.

"Subordinated Debt" means any debt incurred by Borrower that is subordinated to the debt owing by Borrower to Lenders hereunder or under any of the Loan Documents on terms reasonably acceptable to Collateral Agent (and identified as being such by Borrower and Collateral Agent)

"Subsidiary" means any corporation, company or partnership in which (i) any general partnership interest or (ii) more than 50% of the stock or other units of ownership which by the terms thereof has the ordinary voting power to elect the Board of Directors, managers of trustees of the entity, at the time as of which any determination is being made, is owned by Borrower, either directly or through an Affiliate.

"Tangible Net Worth" means, at any date as of which the amount thereof shall be determined, total assets (less goodwill/intangibles) minus Total Liabilities (which shall include Subordinated Debt, but not the Investors' Indebtedness), on a consolidated basis determined in accordance with GAAP.

"Total Liabilities means at any date as of which the amount thereof shall be determined, all obligations that should, in accordance with GAAP, be classified as liabilities on the consolidated balance sheet of Borrower, including in any event all indebtedness; provided that, accrued interest on the Investors' Indebtedness shall not be included in "Total Liabilities" for purposes of calculating Tangible Net Worth.

"Trademarks" means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks.

"Venture Debt" means indebtedness incurred in favor of Horizon, not to exceed Twelve Million Dollars ($12,000,000), provided that Horizon has executed an intercreditor agreement with Lenders, in form and content reasonably acceptable to Collateral Agent.

1.2 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP and all calculations made hereunder shall be made in accordance with GAAP. When used herein, the terms "financial statements" shall include the notes and schedules thereto.

2. LOAN AND TERMS OF PAYMENT.

2.1 Credit Extensions.

Borrower promises to pay to the order of each Lender, in lawful money of the United States of America, the aggregate unpaid principal amount of all Credit Extensions made by such Lender to Borrower hereunder Borrower shall also pay interest on the unpaid principal amount of such Credit Extensions at rates in accordance with the terms hereof.

(a) Revolving Advances.

(i) Subject to and upon the terms and conditions of this Agreement, Borrower may request , and the Lenders agree, severally and not jointly according to each Lenders' Loan Commitment as forth on Schedule 1.1 hereto, to make Advances in an aggregate outstanding amount not to exceed the lesser of (i) the Revolving Line or (ii) the Borrowing Base, *minus* the Stated Amount of all Letters of Credit, the Credit Card Reserve and the FX Reserve in effect from time to time Subject to the terms and conditions of this Agreement, amounts borrowed pursuant to this Section 2.1 (a) may be repaid and reborrowed at any time prior to the Revolving Maturity Date, at which time all Advances under this Section 2.1 (a) shall be immediately due and payable. Borrower may prepay any Advances without penalty or premium.

(ii) Whenever Borrower desires an Advance, Borrower will notify each Lender by facsimile transmission or telephone no later than 3.00 p.m. Pacific fine on the Business Day that the Advance is to be made. Each such notification shall be promptly confirmed by a Payment/Advance Form in substantially the form of **Exhibit B-1** (with respect to Bridge) and B.2 (with respect to Comerica) hereto. Each Lender is authorized to make Advances under this Agreement, based upon instructions received from a Responsible Officer or a designee of a Responsible Officer, or without instructions if in such Lender's discretion such Advances are necessary to meet Obligations which have become due and remain unpaid. Lenders shall be entitled to rely on any telephonic notice given by a person who a Lender reasonably believes to be a Responsible Officer or a designee thereof, and Borrower shall indemnify and hold Lenders harmless for any damages or loss suffered by any Lender as a result of such reliance. Each Lender will credit the amount of Advances made under this Section 2.1 (a) to Borrower's deposit account maintained with each such Lender.

(b) Letters of Credit.

(i) Commitment. Subject to the terms of this Agreement, at the request of Borrower, Issuing Lender will issue from time to time standby or documentary letters of credit, in each case for the account of Borrower and containing terms and conditions which are consistent with this Agreement and reasonably satisfactory to Issuing Lender (each such letter of credit, a "Letter of Credit") in an aggregate outstanding face amount not to exceed file lesser of the Revolving Line or the Borrowing base *minus* the aggregate amount of the outstanding Advances at any time, the Credit Card Exposure, and the FX Amount, provided that the Stated Amount of all Letters of Credit shall not exceed $5,000,000. No Letter of Credit shall be issued (including any renewal or extension of any Letter of Credit previously issued) unless: (a) after giving effect to each such issuance, (i) the aggregate Stated. Amount of all Letters of Credit shall not at any time exceed $5,000,000 and (ii) Revolving Outstandings will not at any time exceed the Revolving Line, (b) the conditions set forth in Section 3 have been satisfied, (c) the issuance of the Letter of Credit would not violate one or more policies of the Issuing Lender, and (d) no order, Judgment or decree of any Governmental Authority or arbitrator shall purport by its terms to enjoin or restrain Issuing Lender from issuing the Letter of Credit requested or any Lender from taking an assignment of its Pro Rata Share thereof, and no law, rule, regulation, request or directive (whether or not having the force of law) shall prohibit the Issuing Lender from issuing, or any Lender from taking an assignment of its Pro Rata Share of, the Letter of Credit requested or letters of credit generally, or will impose upon the Issuing Lender any restriction, reserve or capital requirement not in effect on the closing Date and for which the Issuing Lender is not already compensated for hereunder, or will impose on the Issuing Lender unreimbursed loss, cost or expense that was not applicable on the Closing Date deemed to be material to it by the Issuing Lender.

(ii) Application. Borrower shall give notice to Issuing Lender of the proposed issuance of each Letter of Credit on a Business Day which is at least five (5) Business Days prior to the

proposed date of issuance of such Letter of Credit. Each such notice shall be accompanied by a Letter of Credit application (each, an "Application") in Issuing Lender's form, duly executed by Borrower and in all respects reasonably satisfactory to Issuing Lender, together with such other documentation as Issuing Lender may request in support thereof, it being understood that each Application shall specify, among other things, the date on which the proposed Letter of Credit is to be issued, and the expiration date of such Letter of Credit. Issuing Lender shall promptly advise Comerica of the issuance of each Letter of Credit and of any amendment thereto, extension thereof or event or circumstance changing the amount available for drawing thereunder. In the event of any inconsistency between the terms of any Application and the terms of this Agreement with respect to the content of such Application, the terms of such Application shall control. Issuing Lender shall deliver to Comerica upon its request a list of all outstanding Letters of Credit issued by Issuing Lender, together with such information related thereto as Comerica may reasonably request. Unless otherwise expressly agreed to by the Issuing Lender and the Borrower, the rules of the International Standby Practices 98 will apply to each Letter of Credit.

(iii) Reimbursement Obligations.

A. Borrower hereby unconditionally and irrevocably agrees to reimburse Issuing Lender for each payment or disbursement made by Issuing Lender under any Letter of Credit honoring any demand for payment made thereunder, in each case on the date that such payment or disbursement is made. Issuing Lender shall promptly notify Borrower and Comerica whenever any demand for payment is made under any Letter of Credit; provided, that the failure of Issuing Lender to so notify Borrower shall not affect the rights of Issuing Lender or Lenders in any manner whatsoever Any amount not reimbursed on the date of such payment or disbursement (whether or not through the extension of an Advance pursuant to Section 2.1 (b)(iv)) shall bear interest from the date of such payment or disbursement to the date that Issuing Lender is reimbursed by Borrower therefor, payable on demand, at the interest rate per annum from time to time in effect Advances made by Issuing Lender.

B. Borrower's reimbursement obligations hereunder shall be irrevocable and unconditional under all circumstances, including (i) any lack of validity or enforceability of any Letter of Credit, any Application, this Agreement or any other Loan Document, (ii) the existence of any claim, set off, defense or other right which any Loan Party may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), Issuing Lender, any Lender or any other Person, whether in connection with any Letter of Credit, any Application, this Agreement, any other Loan Document, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between any Lender and the beneficiary named in any Letter of Credit), (iii) the validity, sufficiency or genuineness of any document which Issuing Lender (or, as applicable, the issuer of any underlying letter of credit) has determined complies on its face with the terms of the applicable Letter of Credit (or, if applicable, underlying letter of credit), even if such document should later prove to have been forged, fraudulent, invalid or insufficient in any respect or any statement therein shall have been untrue or inaccurate in any respect, (iv) the surrender or impairment of any security for the performance or observance of any of the terms hereof, (v) any failure, omission, delay or lack on the part of Issuing Lender, any Lender or any party to any of the documents related to the applicable Letter of Credit to enforce, assert or exercise any right, power or remedy conferred upon Issuing Lender, any Lender or any such party under this Agreement, any of the other Loan documents or any of the documents related to the applicable Letter of Credit, or any other acts or omissions on the part of Issuing Lender, any Lender or any such party (vi) payment under a Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of the Letter of Credit and (vii) any other event or circumstance whether or not similar to the foregoing including any other circumstance that might otherwise constitute a defense available to, of a discharge of, the Borrower or any Lender, except to the extent such reimbursement obligations result from the gross negligence or willful misconduct of Issuing Lender or any Lender.

(iv) Participations in Letters of Credit.

A. Concurrently with the issuance of each Letter of Credit in accordance with this Agreement, Issuing Lender shall be deemed to have sold and transferred to each other Lender, and each other Lender shall be deemed irrevocably and unconditionally to have purchased and received from Issuing Lender, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Pro Rata Share in such Letter of Credit and Borrower's reimbursement obligations with respect thereto. If Borrower

does not pay any reimbursement obligation when due. then Borrower shall be deemed to have immediately requested that Lenders make an Advance in a principal amount equal to such reimbursement obligation. The proceeds of such Advance shall be paid over to Issuing Lender for the account of Borrower in satisfaction of such reimbursement obligations.

B. If Issuing Lender makes any payment or disbursement under any Letter of Credit in accordance with this Agreement and (i) Borrower has not reimbursed Issuing Lender in full for such payment or disbursement in accordance with Section 2.1(b)(iii), (ii) an Advance may not, for any reason, be made pursuant to Section 2.1(b)(iv)(A) or (iii) any reimbursement received by Issuing Lender from Borrower is or must be returned or rescinded upon or during any Insolvency Proceeding of any Lender or otherwise each other Lender shall be irrevocably and unconditionally obligated to pay to Issuing Lender, promptly after Issuing Lender's demand, its Pro Rata Share of such payment or disbursement (but no such payment shall diminish the Obligations of Borrower under Section 2.1(b)(iii) or otherwise.

(v) Indemnification of Issuing Lender. Borrower hereby indemnifies and agrees to hold harmless the Lenders and the Issuing Lender and their respective Affiliates, and the respective officers, directors, employees and agents of such Persons (each an "L/G Indemnified Person"), from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever which the Lenders or the Issuing Lender or the Collateral Agent or any such Person may incur or which may be claimed against any of them by reason of or in connection with any Letter of Credit collectively, the "L/C Indemnified Amounts"), and none of the Issuing Lender, the Collateral Agent or any Lender or any of their respective officers, directors, employees or agents shall be liable or responsible for:

A. The use which may be made of any Letter of Credit or for any acts or omissions of any beneficiary in connection therewith;

B. the validity, sufficiency or genuineness of documents or of any endorsement thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged;

C. payment by the Issuing Lender to the beneficiary under any Letter of Credit against presentation of documents which do not strictly comply with the terms of any Letter of Credit (unless such payment resulted from the gross negligence or willful misconduct of the Issuing Lender), including failure of any documents to bear any reference or adequate reference to such Letter of Credit;

D. any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit; or

E. any other event or circumstance whatsoever arising in connection with any Letter of Credit.

It is understood that in making any payment under a Letter of Credit the Issuing Lender will rely on documents presented to it under such Letter of Credit as to any and all matters set forth therein without further investigation and regardless of any notice or information to the contrary.

With respect to subparagraphs (A) through (E) of this subsection (v), (i) Borrower shall not be required to indemnity any L/C Indemnifies Person for any L/C Indemnified Amounts to the extent such amounts result from the gross negligence or willful misconduct of such L/C Indemnified Person, and (ii) the Issuing Lender shall be liable to Borrower to the extent but only to the extent, of any direct, as opposed to consequential or incidental, damages suffered by Borrower which were caused by the gross negligence or willful misconduct of the Issuing Lender or any officer, director, employee or agent of the Issuing Lender or by the Issuing Lender's wrongful dishonor of any Letter of Credit after the presentation to it by the beneficiary thereunder of a draft or other demand for payment and other documentation strictly complying with the terms and conditions of such Letter of Credit.

(c) Corporate Credit Cards. Borrower may obtain corporate credit cards ("Credit card Services") issued for its account from Bridge, provided that the aggregate limit of such corporate credit cards

issued by Bridge ("Credit Card Exposure") shall not exceed $100.000 at any time outstanding. A reserve ("Credit Card Reserve") shall be established against availability under the Borrowing Base in the maximum amount of the Credit Card Exposure. The terms and conditions (including repayment and fees) of such Credit Card Services shall be subject to the terms and conditions of Bridge's standard forms of application and agreement for the Credit Card Services, which Borrower hereby agrees to execute as a condition precedent to the use of the Credit Card Services. All corporate credit cards will be cancelled on and no further Credit Card Services will be provided after the Revolving Maturity Date.

(d) Foreign Exchange Sublimit. Subject to and upon the terms and conditions of this Agreement and any other agreement that Borrower may enter into with any Lender in connection with foreign exchange transactions ("FX Contracts"), Borrower may request that a Lender agree severally and not jointly, to enter into FX Contracts with Borrower expiring not later than the Revolving Maturity Date, and a Lender may agree (if it so elects) to do so (provided that no Lender shall have any obligation to enter into FX Contracts). Borrower shall pay any standard issuance and other fees that each Lender notifies Borrower will be charged for issuing and processing FX Contracts for Borrower. The aggregate FX Amount shall at all times be equal to or less than Two Million Five Hundred Thousand Dollars ($2,500,000) for all FX Contracts entered into with Lenders hereunder. In addition, no single Lender shall have an aggregate FX Amount in excess of $1,250,000. The "FX Amount" shall equal the amount determined by multiplying (i) the aggregate amount in United States Dollars, of FX Contracts between Borrower and any participating Lender remaining outstanding as of any date of determination by (ii) the applicable Foreign Exchange Reserve percentage as of such date. The "Foreign Exchange Reserve Percentage" shall be a percentage as determined by each Lender, in its sole discretion from time to time. The initial Foreign Exchange Reserve Percentage shall be ten percent (10%). A reserve (the "FX Reserve") shall be established against availability under the Borrowing Base in the aggregate FX Amount in effect from time to time. Each Lender shall advise the other Lenders and the Collateral Agent in writing promptly upon entering into an FX Contract with Borrower (with a copy to Borrower), specifying in such notice the FX Amount related to such Contract. Lenders shall be entitled to receive collection proceeds under Section 9.4 in respect of FX Contracts entered into by it with Borrowed up to the amount of the FX Reserve applicable to such FX Contracts (until the amount of such reserve has been exhausted) in the chronological order in which such contracts have been entered into. Once the amount of the FX Reserve has been exhausted, no additional collection proceeds shall be available for application against the Borrower's Obligations under FX Contracts until all other Obligations have been paid and discharged in full.

(e) Collateralization of Obligations Extending Beyond Maturity. If Borrower has not secured to the relevant Lender satisfaction Borrower's obligations with respect to any Letters of Credit, Credit Card Services, or FX Contracts that may extend beyond the Revolving Maturity Date, then, effective as of the Revolving Maturity Date the balance in any deposit accounts held by any such issuing Lender and the certificates of deposit or time deposit accounts issued by such Lender in Borrower's name (and any interest paid thereon or proceeds thereof, including any amounts payable upon the maturity or liquidation of such certificates or accounts), shall automatically secure such obligations to the extent of the then continuing or outstanding Stated Amount of Letters of Credit, Credit Card Services or FX Contracts; provided, however, that if there are insufficient balances in such accounts to secure such obligations, Borrower shall immediately deposit such additional funds in the relevant Lenders, accounts as are necessary to fully secure such obligations. Borrower authorizes each Lender to hold such balances in pledge and to decline to honor any drafts thereon or any requests by Borrower or any other Person to pay or otherwise transfer any part of such balances for so long as the Letters of Credit, Credit Card Services or FX Contracts are outstanding or continue.

2.2 Overadvances. If the Revolving Outstandings exceeds the lesser of the Revolving Line of the Borrowing Base at any time, Borrower shall immediately pay to Lenders, in cash, each Lender's Pro Rata Share of the amount of such excess, for application against the outstanding Advances, or to be held as cash collateral.

2.3 Interest Rates, Payments, and Calculations.

(a) Interest Rate for Advances. Except as set forth in Section 2.3(b), the Advances shall bear interest, on the outstanding Daily Balance thereof, at a rate equal to one and one quarter percent (1.25%) above the Prime Rate.

(b) Late Fee; Default Rate. If any payment is not made within ten (10) days after the date such payment is due, Borrower shall pay Lenders a late fee equal to the lesser of (i) five percent (5%) of the amount of such unpaid amount or (ii) the maximum amount permitted to be charged under applicable law, not in any case to be less than $25.00. All Obligations shall bear interest, from and after the occurrence and during the continuance of an Event of Default, at a rate equal to five (5) percentage points above the interest rate applicable immediately prior to the occurrence of the Event of Default.

(c) Payments. Interest hereunder shall be due and payable on the tenth-(10th) calendar day of each month during the term hereof. Lenders shall, at their option, charge such interest, all Lender Expenses, and all Periodic Payments against any of Borrower's deposit accounts maintained with such Lender or against the Revolving Line, in which case those amounts shall thereafter accrue interest at the rate then applicable hereunder. Any interest not paid when due shall be compounded by becoming a part of the Obligations, and such interest shall thereafter accrue interest at the rate then applicable hereunder. All payment shall be free and clear of any taxes, withholdings, duties, impositions or other charges, to the end that Lenders will receive the entire amount of any Obligations payable hereunder, regardless of source of payment.

(d) Computation. In the event the Prime Rate is changed from time to time hereafter, the applicable rate of interest hereunder shall be increased or decreased, effective as of the day the Prime Rate is changed, by an amount equal to such change in the Prime Rate. All interest chargeable under the Loan Documents shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed.

(e) Remittances; Lockbox Account Collection Services. Within sixty (60) days after the Closing Date and at all times thereafter, Borrower shall (i) notify, transfer and deliver to Bridge all payments in respect of Accounts Borrower receives (other than the Permitted Foreign Cash), and (ii) enter into a collection services agreement reasonably acceptable to Bridge (the "Lockbox Agreement"). Borrower shall use the lockbox address as the remit to and payment address for all of Borrower's Accounts (other than the Permitted Foreign Cash) and it will be considered an immediate Event of Default if this does not occur or the lockbox is not operational within sixty (60) days of the Closing Date. Prior to the establishment of the Lockbox Account, Borrower may continue to use the remote deposit check scanner to deposit checks to Borrower's operating account maintained with Bridge. Notwithstanding the foregoing, Lenders acknowledge and agree that Borrower's non-U.S. customers shall send payments to Borrower's foreign subsidiaries, which will subsequently (other than the Permitted Foreign Cash) (but within five (5) days of receipt thereof) remit payments of Borrower on account of Accounts receivable through the lockbox. Prior to the occurrence of an Event of Default, all amounts received to the Lockbox Account or otherwise received by Bridge shall be credited to Borrower's operating account with Bridge; after the occurrence and during the continuance of an Event of Default, Bridge may apply such amounts to the Obligations in the Lender's sole discretion subject to Lenders' rights to receive ratable distributions in respect of the Obligations owing to it in accordance with Section 9.4.

2.4 Crediting Payments. Prior to the occurrence of an Event of Default, each Lender shall credit a wire transfer of funds, check or other item of payment to such deposit account or Obligation as Borrower specifies. After the occurrence and during the continuance of an Event of Default, the receipt by a Lender of any wire transfer of funds, check, or other item of payment shall be promptly applied to conditionally reduce Obligations, but shall not be considered a payment on account unless such payment is of immediately available federal funds or unless and until such check or other item of payment is honored when presented for payment. Notwithstanding anything to the contrary contained herein, any wire transfer or payment received by a Lender after 12.00 noon Pacific time shall be deemed to have been received by such Lender as of the opening of business on the immediately following Business Day. Whenever any payment to a Lender under the Loan Documents would otherwise be due (except by reason of acceleration) on a date that is not a Business Day, such payment shall instead be due on the next Business Day, and additional fees or interest, as the case may be, shall accrue and be payable for the period of such extension.

2.5 Fees. Borrower shall pay to Lenders the following:

(a) Facility Fee. On the Closing Date and the first anniversary thereof, a facility fee equal to One Hundred Thousand Dollars ($100,000), to be shared between the Lenders pursuant to their respective Commitment Percentages, which shall be nonrefundable; and

(b) Letter of Credit Fees.

(i) Borrower agrees to pay to Issuing Lender on demand, for the account of each Lender according to such Lender's Pro Rata Share (as adjusted from time to time), any fees as to each Letter of Credit as have been agreed to by Borrower and Lenders.

(ii) In addition, with respect to each Letter of Credit, Borrower agrees to pay to Issuing Lender, for its own account, (i) such fees and reasonable out-of-pocket expenses as Issuing Lender customarily requires (or, as the case may be, is required to pay to the issuer of the letter of credit) in connection with the issuance, negotiation, processing and/or administration of letters of credit in similar situations and (ii) a letter of credit fronting fee in the amount and at the times agreed to by Borrower and Issuing Lender.

(c) Lender Expenses. On the Closing Date, all Lender Expenses incurred through the Closing Date, including reasonable attorneys' fees and expenses and, after the Closing Date, all Lender Expenses, including reasonable attorneys' fees and expenses, as and when they are incurred by Bank.

2.6 Term. This Agreement shall become effective on the Closing Date and, subject to Section 12.7, shall continue in full force and effect for so long as any Obligations (other than inchoate indemnity obligations) remain outstanding or any Lender has any obligation to make Credit Extensions under this Agreement. Notwithstanding the foregoing, Lenders shall have the right to terminate their obligation to make Credit Extensions under this Agreement immediately and without notice upon the occurrence and during the continuance of an Event of Default. Notwithstanding termination, Lenders' Liens on the Collateral shall remain in effect for so long as any Obligations (other than inchoate indemnity obligations) are outstanding.

2.7 Administration. Lenders have elected to administer this Agreement without designating an administrative agent. To facilitate the administration of this Agreement, each Lender agrees (but without liability to Borrower or the other Lenders for failing to do so) to advise the other Lenders promptly of any Advances, Letters of Credit or FX Contracts made, issued or entered into by it, and of any payments received by it (whether voluntary payments, setoff amounts, automatic payments by debit to accounts maintained by borrower with it or otherwise). Furthermore, to the extent Advances properly made by any Lender exceed the amounts which should have been funded or carried by such Lender, as the case may be, based on its applicable Loan Commitment, the other Lenders shall (to the extent such Lenders have not funded or are not carrying outstanding Advances based on their applicable Loan Commitment) purchase participations in such overfunded Lender's Advances (or otherwise adjust the amount of their outstandings by mutual agreement), until the amount of such overfunding has been eliminated.

3. CONDITIONS OF LOANS.

3.1 Conditions Precedent to Initial Credit Extension. The obligation of each Lender to make the initial Credit Extension is subject to the condition precedent that Lenders shall have received, in form and substance satisfactory to Lenders, the following:

(a) this Agreement;

(b) a certificate of the Secretary of Borrower with respect to incumbency and resolutions authorizing the execution and delivery of this Agreement;

(c) UCC National Form Financing Statement Amendment;

(d) an Amended and Restated Intercreditor Agreement, duly executed by ATEL with respect to the ATEL Indebtedness;

(e) an Amended and Restated Intercreditor Agreement, duly executed by Horizon with respect to the Venture Debt;

(f) (i) agreement to provide insurance and (ii) insurance authorization letter in the forms attached hereto;

(g) payment of the fees and Lender Expenses then due specified in Section 2.5 hereof;

(h) current financial statements of Borrower;

(i) an audit of the Collateral, the results of which shall be satisfactory to Lenders; and

(j) such other documents, and completion of such other matters, as Lenders may reasonably deem necessary or appropriate.

3.2 Conditions Precedent to all Credit Extensions. The obligation of Lenders to make each Credit Extension, including the initial Credit Extension, is further subject to the following conditions:

(a) timely receipt by each Lender of the Payment/Advance Form as provided in Section 2.1; and

(b) the representations and warranties contained in Section 5 shall be true and correct in all material respects on and as of the date of such Payment/Advance Form and on the effective date of each Credit Extension as though made at and as of each such date, and no Event of Default shall have occurred and be continuing, or would exist after giving effect to such Credit Extension (provided, however, that those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of such date). The making of each Credit Extension shall be deemed to be a representation and warranty by Borrower on the date of such Credit Extension as to the accuracy of the facts referred to in this Section 3.2.

4. CREATION OF SECURITY INTEREST.

4.1 Grant of Security Interest. Borrower grants and pledges to Collateral Agent, for the ratable benefit of each Lender, a continuing security interest in all presently existing and hereafter acquired or arising Collateral in order to secure prompt repayment of any and all Obligations and in order to secure prompt performance by Borrower of each of its covenants and duties under the Loan Documents. Except as set forth in the Disclosure Letter, such security interest constitutes a valid, first priority security interest in the presently existing Collateral, and will constitute a valid, first priority security interest in Collateral acquired after the date hereof.

4.2 Delivery of Additional Documentation Required. Borrower shall from time to time execute and deliver to the Collateral Agent, at the request of any Lender, all Negotiable Collateral, all financing statements and other documents that such Lender may reasonably request, in form reasonably satisfactory to Required Lenders, to perfect and continue the perfection of Lenders' security interests in the Collateral and in order to fully consummate all of the transactions contemplated under the Loan Documents. Subject to the requirements of Sections 6.7 and 9.4, Borrower from time to time may deposit with each Lender specific time deposit accounts to secure specific Obligations.

4.3 Right to Inspect. Collateral Agent and the Lenders (through any of its officers, employees, or agents) shall have the right, upon reasonable prior notice and at Borrower's sole expense, from time to time during Borrower's usual business hours but no more than twice a year (unless an Event of Default has occurred and is continuing), to inspect Borrower's Books and to make copies thereof and to check, test, and appraise the Collateral in order to verify Borrower's financial condition or the amount, condition of, or any other matter relating to the Collateral.

4.4 Pledge of Collateral. To the extent permitted by applicable law and the terms and conditions governing the Shares, Borrower hereby pledges, assigns and grants to Collateral Agent, for the ratable benefit of each Lender, a security interest in all the Shares, together with all proceeds and substitutions thereof, all cash, stock and other moneys and property paid thereon, all rights to subscribe for securities declared of granted in connection therewith, and all other cash and noncash proceeds of the foregoing, as security for the performance of the Obligations. To the extent permitted by applicable law and the terms and conditions governing the Shares, within sixty (60) days of the Closing Date, the certificate or certificates for the Shares will be delivered to Collateral Agent, accompanied by an instrument of assignment duly executed in blank by Borrower. To the extent required by the terms and conditions governing the Shares, Borrower shall cause the books of each entity whose Shares are part of the Collateral and any transfer agent to reflect the pledge of any applicable Shares. Upon the occurrence and during the continuance of an Event of Default hereunder. Collateral Agent, for the ratable benefit of each Lender, may effect the transfer of any securities included in the Collateral (including but not limited to the Shares) into the name of Collateral Agent and cause new certificates representing such securities to be issued in the name of Collateral Agent or its transferee. Borrower will execute and deliver such documents, and take or cause to be taken such actions, as Collateral Agent may reasonably request to perfect or continue the perfection of Collateral Agent's security interest in the Shares. Unless an Event of Default shall have occurred and be continuing, Borrower shall be entitled to exercise any voting rights with respect to the Shares and to give consents, waivers and ratifications in respect thereof, provided that no vote shall be cast or consent, waiver or ratification given or action taken which would be inconsistent with any of the terms of this Agreement or which would constitute or create any violation of any of such terms. All such rights to vote and give consents, waivers and ratifications shall terminate upon the occurrence and continuance of an Event of Default.

5. REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants as follows:

5.1 Due Organization and Qualification. Borrower and each Subsidiary is a corporation duly existing under the laws of its state of incorporation and qualified and licensed to do business in any state in which the conduct of its business or its ownership of property requires that it be so qualified.

5.2 Due Authorization; No Conflict. The execution, delivery, and performance of the Loan Documents are within Borrower's powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in Borrower's Articles of Incorporation or Bylaws, nor will they constitute an event of default under any material agreement to which Borrower is a party or by which Borrower is bound. Borrower is not in default under any material agreement to which it is a party or by which it is bound.

5.3 No Prior Encumbrances. Borrower has good and marketable title to its property, free and clear of Liens, except for Permitted Liens.

5.4 Bona Fide Eligible Accounts. The Eligible Accounts are bona fide existing obligations. The property and services giving rise to such Eligible Accounts has been delivered or rendered to the account debtor or to the account debtor's agent for immediate and unconditional acceptance by the account debtor. Borrower has not received notice of actual or imminent Insolvency Proceeding of any account debtor that is included in any Borrowing Base Certificate as an Eligible Account.

5.5 Merchantable Inventory; Eligible Inventory. All Inventory is in all material respects of good and marketable quality free from all material defects, except for Inventory for which adequate reserves have been made. For any item of Inventory consisting of "Eligible Inventory" in any Borrowing Base Certificate, such Inventory (a) consists of finished goods, in good, new, and merchantable condition, which is not perishable, in transit, returned, consigned, obsolete, not merchantable, damaged, or defective, and is not comprised of demonstrative or custom inventory, works in progress, packaging or shipping materials, or supplies; (b) meets all applicable standards established by any applicable Governmental Authority having regulatory authority over such Inventory; (c) has been manufactured in compliance with the applicable Fair Labor Standards Act with respect to such Inventory; (d) is not subject to any Liens, except the first priority Liens granted or in favor of Lenders under this Agreement or any of the other Loan Documents and Permitted Liens; and (e) is located only in the United

States, and, in the case of Inventory in the possession of any third party, Lenders have received written acknowledgment of Lenders' prior lien therein, in form and content reasonably acceptable to Required Lenders.

5.6 Intellectual Property. Borrower is the sole owner of the Intellectual Property, except for non-exclusive licenses granted by Borrower to its customers in the ordinary course of business. Each of the Patents is valid and enforceable, and no part of the Intellectual Property has been judged invalid or unenforceable, in whole or in part, and to the best of Borrower's knowledge, no claim has been made that any part of the Intellectual Property violates the rights of any third party. Except as set forth in the Disclosure Letter, Borrower is not a party to, or bound by, any agreement that restricts the grant by Borrower of a security interest in Borrower's rights under such agreement.

5.7 Name; Location of Chief Executive Office. Except as disclosed in the Disclosure Letter, Borrower has not done business under any name other than that specified on the signature page hereof. As of the date hereof, the chief executive office of Borrower is located at the address indicated in Section 10 hereof. All Borrower's Inventory and Equipment with an aggregate value in excess of $50,000 is located only at Flextronics (international or domestic locations; subject to a bailee agreement (over domestic Inventory) in form and content reasonably acceptable to Required Lenders) or the location set forth in Section 10 hereof or in the Disclosure Letter.

5.8 Litigation. Except as set forth in the Disclosure Letter, there are no actions or proceedings pending by or against Borrower or any Subsidiary before any court or administrative agency in which an adverse decision could have a Material Adverse Effect or a material adverse effect on Borrower's interest or Lenders' security interest in the Collateral.

5.9 No Material Adverse Change in Financial Statements. All consolidated and consolidating financial statements related to Borrower and any Subsidiary that Lenders have received from Borrower fairly present in all material respects Borrower's financial condition as of the date thereof and Borrower's consolidated and consolidating results of operations for the period then ended. There has not been a material adverse change in the consolidated or the consolidating financial condition of Borrower since the date of the most recent of such financial statements submitted to Lenders.

5.10 Solvency, Payment of Debts. Borrower is able to pay its debts (including trade debts) as they mature.

5.11 Regulatory Compliance. Borrower and each Subsidiary have met the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA, and no event has occurred resulting from Borrower's failure to comply with ERISA that could result in Borrower's incurring any material liability. Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940. Borrower is not engaged principally, or as one of the important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T and U of the Board of Governors of the Federal Reserve System). Borrower has complied with all the provisions of the Federal Fair Labor Standards Act. Borrower has not violated any statutes, laws, ordinances or rules applicable to it, violation of which could have a Material Adverse Effect.

5.12 Environmental Condition. Except as disclosed in the Disclosure Letter, none of Borrower's or any Subsidiary's properties or assets has ever been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous owners or operators, in the disposal of, or to produce, store, handle, treat, release or transport, any hazardous waste or hazardous substance other than in accordance with applicable law; to the best of Borrower's knowledge, none of Borrower's properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a hazardous waste or hazardous substance disposal site or a candidate for closure pursuant to any environmental protection statute; no lien arising under any environmental protection statute has attached to any revenues or to any real or personal property owned by Borrower or any Subsidiary, and neither Borrower nor any Subsidiary has received a summons, citation, notice, or directive from the Environmental Protection Agency or any other federal, state or other governmental agency concerning any action or omission by Borrower or any Subsidiary resulting in the releasing, or otherwise disposing of hazardous waste or hazardous substances into the environment.

5.13 Taxes. Borrower and each Subsidiary have filed or caused to be filed all material tax returns required to be filed, and have paid, or have made adequate provision for the payment of, all material taxes reflected therein.

5.14 Subsidiaries. Borrower does not own any stock, partnership interest or other equity securities of any Person, except for Permitted Investments.

5.15 Government Consents. Borrower and each Subsidiary have obtained all material consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all governmental authorities that are necessary for the continued operation of Borrower's business as currently conducted.

5.16 Accounts. Except as set forth in Section 6.7, none of Borrower's nor any Subsidiary's cash or investment property is maintained or invested with a Person other than Lenders.

5.17 Shares. Borrower has full power and authority to create a first lien on any Shares pledged and delivered to Collateral Agent and no disability or contractual obligation exists that would prohibit Borrower from pledging the Shares pursuant to this Agreement. To Borrower's knowledge, there are no subscriptions, warrants, rights of first refusal or other restrictions on transfer relative to, or options exercisable with respect to the Shares. The Shares have been and will be duly authorized and validly issued, and are fully paid and non-assessable. To Borrower's knowledge, the Shares are not the subject of any present or threatened in writing suit, action, arbitration, administrative or other proceeding, and Borrower knows of no reasonable grounds for the institution of any such proceedings.

5.18 Full Disclosure. No representation, warranty or other statement made by Borrower in any certificate or written statement furnished to any Lender contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained in such certificates or statements not misleading.

6. AFFIRMATIVE COVENANTS.

Borrower shall do all of the following:

6.1 Good Standing. Borrower shall maintain its and each of its Subsidiaries' corporate existence and good standing in its jurisdiction of incorporation and maintain qualification in each jurisdiction in which it is required under applicable law. Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, in force all licenses, approvals and agreements, the loss of which could have a Material Adverse Effect.

6.2 Government Compliance. Borrower shall meet, and shall cause each Subsidiary to meet, the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA. Borrower shall comply, and shall cause each Subsidiary to comply, with all statutes, laws, ordinances and government rules and regulations to which it is subject, noncompliance with which could have a Material Adverse Effect.

6.3 Financial Statements, Reports, Certificates. Borrower shall deliver the following to Lenders: (a) (i) as soon as available, but in any event within thirty (30) days after the end of each calendar month, a company prepared consolidated balance sheet, income statement, and cash flow statement covering Borrower's consolidated operations during such period, prepared in accordance with GAAP, consistently applied, in a form acceptable to Lenders and certified by a Responsible Officer; and (ii) as soon as available, but in any event within thirty (30) days after the end of each calendar quarter, a company prepared consolidating balance sheet, income statement, and cash flow statement covering Borrower's consolidating operations during such period, prepared in accordance with GAAP, consistently applied, in a form acceptable to Lenders and certified by a Responsible Officer; (b) as soon as available, but in any event within one hundred eighty (180) days after the end of Borrower's fiscal year (beginning with the 2010 fiscal year), audited consolidated financial statements of Borrower prepared in accordance with GAAP, consistently applied, together with an unqualified opinion (other than a qualification for a

going concern) on such financial statements of an independent certified public accounting firm reasonably acceptable to Required Lenders; (c) copies of all statements, reports and notices sent or made available generally by Borrower to its security holders or to any holders of Subordinated Debt and, if applicable, all reports on Forms 10-K and 10-Q filed with the Securities and Exchange Commission; (d) promptly upon receipt of notice thereof, a report of any legal actions pending or threatened against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary of Two Hundred Fifty Thousand Dollars ($250,000) or more; (e) such budgets, sales projections, operating plans or other financial information as any Lender may reasonably request from time to time including, as soon as available, but in any event no later than thirty (30) days after the end of Borrower's fiscal year, an annual operating budget approved by Borrower's board of directors; and (f) (i) within thirty (30) days of the last day of each year, a report signed by Borrower, in form reasonably acceptable to Lenders, listing any applications or registrations that Borrower has made or filed in respect of any Patents, Copyrights of Trademarks and the status of any outstanding applications or registrations, as well as any material change in Borrower's intellectual property and (ii) promptly after filing, written notice of the filing of any applications or registrations with the United States Patent and Trademark Office and the United States Copyright Office, including the date of such filing and the registration or application numbers, if any.

Within twenty (20) days after the last day of each month, Borrower shall deliver to Lenders a Borrowing Base Certificate signed by a Responsible Officer in substantially the form of **Exhibit C** hereto, together with (i) aged listings of accounts receivable and accounts payable, and (ii) perpetual inventory reports for the Inventory valued on a first-in, first-out basis at the lower of cost or market (in accordance with GAAP) and/or such other inventory reports as are requested by Lenders in their good faith business judgment.

Borrower shall deliver to Lenders with the monthly financial statements a Compliance Certificate signed by a Responsible Officer in substantially the form of **Exhibit D** hereto and a deferred revenue report.

Lenders shall have a right from time to time hereafter (x) to audit Borrower's Accounts, provided that such audits will be conducted (i) within thirty (30) days of the Closing Date; and (ii) no more often than every six (6) months thereafter unless an Event of Default has occurred and is continuing; and (y) to appraise Collateral (including but not limited to the Inventory) (i) prior to any Advance against the "Eligible Inventory;" and (ii) every twelve (12) months thereafter unless an Event of Default has occurred and is continuing; in each case of (x) and (y), at Borrower's expense.

6.4 Inventory; Returns. Borrower shall keep all Inventory in good and marketable condition, free from all material defects except for Inventory for which adequate reserves have been made. Returns and allowances, if any as between Borrower and its account debtors shall be on the same basis and in accordance with the usual customary practices of Borrower, as they exist at the time of the execution and delivery of this Agreement. Borrower shall promptly notify Lenders of all returns and recoveries and of all disputes and claims, where the return, recovery, dispute or claim involves more than Two Hundred Fifty Thousand Dollars ($250,000).

6.5 Taxes. Borrower shall make, and shall cause each Subsidiary to make, due and timely payment or deposit of all material federal, state, and local taxes, assessments, or contributions required of it by law, and will execute and deliver to Lenders, on demand, appropriate certificates attesting to the payment or deposit thereof; and Borrower will make, and will cause each Subsidiary to make, timely payment or deposit of all material tax payments and withholding taxes required of it by applicable laws, including, but not limited to, those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income taxes, and will, upon request, furnish Lenders with proof reasonably satisfactory to Lenders indicating that Borrower or a Subsidiary has made such payments or deposits, provided that Borrower or a Subsidiary need not make any payment if the amount or validity of such payment is contested in good faith by appropriate proceedings and is reserved against (to the extent required by GAAP) by Borrower.

6.6 Insurance.

(a) Borrower, at its expense, shall keep the Collateral insured against loss or damage by fire theft, explosion, sprinklers, and all other hazards and risks, and in such amounts, as ordinarily insured against by other owners in similar businesses conducted in the locations where Borrower's business is

conducted on the date hereof. Borrower shall also maintain insurance relating to Borrower's business, ownership and use of the Collateral in amounts and of a type that are customary to businesses similar to Borrower's.

(b) All such policies of insurance shall be in such form with such companies, and in such amounts as are reasonably satisfactory to Collateral Agent. All such policies of property insurance shall contain a lender's loss payable endorsement, in a form reasonably satisfactory to Collateral agent, showing each Lender as an additional loss payee thereof, and all liability insurance policies shall show each Lender as an additional insured and shall specify that the insurer must give at least twenty (20) days notice to Collateral Agent before canceling its policy for any reason. Upon any Lenders' request, Borrower shall deliver to Lenders certified copies of such policies of insurance and evidence of the payments of all premiums therefor. All proceeds payable under any such policy shall, at the option of Lenders, be payable to Collateral Agent, for the benefit of the Lenders according to their Pro Rata Share, to be applied on account of the Obligations.

6.7 Accounts. Borrower shall maintain (x) its primary operating accounts with Bridge, which accounts shall represent at least 50% of the dollar value of Borrower's accounts at all financial institutions; (y) at least 30% of the dollar value of Borrower's accounts at all financial institutions with Comerica; and (z) at least One Million Dollars ($1,000,000) in a non interest-bearing demand deposit account with each of Bridge and Comerica; provided that (i) in the event Borrower obtains an advance of the Investors' Indebtedness, Borrower shall maintain at least Two Million Dollars ($2,000,000) in a non interest-bearing demand deposit account with each of Bridge and Comerica; (ii) in the event Borrower's quarterly revenue is less than eighty percent (80%) of Borrower's Board-approved forecast submitted to Lenders in accordance with Section 6.3 (the "Approved Forecast"), Borrower shall, until such time as Borrower achieves and maintains two (2) consecutive quarters of quarterly revenue equal to or greater than eighty percent (80%) of the Approved Forecast (the "Initial Revenue Cure"), maintain consolidated, unrestricted cash in a non interest-bearing demand deposit account with Bridge in the amount of at least Three Million Dollars ($3,000,000) (or, Four Million Dollars ($4,000,000) in the event Borrower has obtained an advance of the Investors' Indebtedness), and with Comerica in the amount of at least Two Million Dollars ($2,000,000) (or, Three Million Dollars ($3,000,000) in the event Borrower has obtained an advance of the Investors' Indebtedness); provided that, in the event that, after the Initial Revenue Cure, Borrower's quarterly revenue is less than eighty percent (80%) of the Approved Forecast, Borrower shall at all times thereafter maintain consolidated, unrestricted cash in a non interest-bearing demand deposit account with Bridge in the amount of at least Three Million Dollars ($3,000,000) (or, Four Million Dollars ($4,000,000) in the event Borrower has obtained an advance of the Investors' Indebtedness), and with Comerica in the amount of at least Two Million Dollars ($2,000,000) (or, Three Million Dollars ($3,000,000) in the event Borrower has obtained an advance of the Investors' Indebtedness); (iii) Borrower may continue to maintain its existing account with Bank of the West with a balance not to exceed Five Thousand Dollars ($5,000) (with respect to which a control agreement shall not be required); (iv) Borrower may maintain up to five percent (5.00%) of consolidated cash in its existing accounts held outside the United States to support Borrower's Foreign Subsidiaries ("Permitted Foreign Cash"), provided that if amounts in such accounts exceed five percent (5.00%) of consolidated cash, Borrower shall, within five (5) calendar days, cause such excess amount to be transferred to an account with Bridge or Comerica; and (v) Borrower shall not, and shall not permit any Subsidiary, to open any accounts other than those described herein, without Required Lenders' prior written consent (which consent shall not be unreasonably withheld).

6.8 Financial Covenants. Borrower shall at all times maintain the following financial covenants and ratios:

(a) Asset Coverage Ratio. A ratio of (a) unrestricted cash at Lenders (and at financial institutions (permitted in accordance with Section 6.7) subject to control agreements in favor of, and in form and content reasonably acceptable to, Collateral Agent, for the ratable benefit of the Lenders (including that amounts subject to such accounts must be credited first to accounts with either Lender before being credited elsewhere)) plus Eligible Accounts plus Eligible Inventory (not to exceed to the lesser of fifty percent (50%) of Eligible Accounts or Ten Million Dollars ($10,000,000)) to (b) all Obligations owing from Borrower to Lenders (including the face amount of any issued but undrawn Letters of Credit, the aggregate amount outstanding on account of the Credit Card Services and any amounts outstanding under the Foreign Exchange Sublimit), measured monthly, of at least 1.50 to 1.00.

(b) Tangible Net Worth. Tangible Net Worth of at least Eight Million Dollars ($8,000,000), increasing by (i) twenty five percent (25%) of New Equity, (ii) twenty five percent (25%) of the principal amount of the Investors' Indebtedness actually advanced to Borrower after the initial advance thereunder, (regardless of the amount of such initial advance thereunder), and (iii) and seventy percent (70%) of quarterly net profit after tax, if a positive number (determined in accordance with GAAP), not to exceed Ten Million Dollars ($10,000,000) through December 31, 2011, measured quarterly.

6.9 Future Subsidiaries; Additional Collateral. With respect to each Person which becomes a Subsidiary of Borrower (directly or indirectly) subsequent to the Closing Date, Borrower Shall cause such new Subsidiary to execute and deliver to the Collateral Agent, for and on behalf of each of the Lenders:

(a) within thirty (30) days after the date such Person becomes a Domestic Subsidiary, a Guaranty, or in the event that a Guaranty already exists, a joinder agreement to the Guaranty whereby such Domestic Subsidiary becomes obligated as a Guarantor under the Guaranty;

(b) within thirty (30) days after the date such Person becomes a Domestic Subsidiary, a joinder agreement to the Security Agreement whereby such Domestic Subsidiary grants a Lien over its assets as set forth in the Security Agreement, and such Domestic Subsidiary shall take such additional actions as may be necessary to ensure a valid first priority perfected Lien over such assets of such Domestic Subsidiary, subject only to the other Liens permitted pursuant to this Agreement and

(c) within thirty (30) days after the date such Person becomes a Subsidiary, a pledge agreement with respect to the Shares of such Subsidiary, and such other instruments as may reasonably be requested by Collateral Agent to perfect a security interest in the Shares of such Subsidiary, all in form and content reasonably acceptable to Collateral Agent, except to the extent (i) prohibited by applicable law, and (ii) prohibited by the documents governing such Shares.

6.10 Share Pledges. Borrower shall, within sixty (60) days of the Closing Date, cause to be delivered to Collateral Agent such documents and agreements as Collateral Agent reasonable deems necessary to perfect Collateral Agent's security interest in Shares of Borrower's Foreign Subsidiaries, except to the extent (i) prohibited by applicable law, and (ii) prohibited by the documents governing such Shares.

6.11 Further Assurances. At any time and from time to time Borrower shall execute and deliver such further instruments and take such further action as may reasonably be requested by any Lender to effect the purposes of this Agreement.

7. NEGATIVE COVENANTS.

Borrower will not do any of the following without Lenders' prior written consent, which shall not be unreasonably withheld:

7.1 Dispositions. Convey, sell, lease, transfer or otherwise dispose of (collectively, a "Transfer") or permit any of its Subsidiaries to Transfer, all or any part of its business or property, other than: (i) Transfers of Inventory in the ordinary course of business; (ii) Transfers of non-exclusive licenses and similar arrangements for the use of the property of Borrower or its Subsidiaries in the ordinary course of business and of licenses that could not result in a legal transfer of title of the licensed property but that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States; (iii) Transfers of surplus, worn-out or obsolete Equipment which was not financed by a Lender; (iv) Transfers in connection with Permitted Liens and Permitted Investments; (v) transfers from any Subsidiary to Borrower and from any Foreign Subsidiary to another Foreign Subsidiary; (vi) transfers permitted under Sections 7.3, 7.6, and 7.7; and (vii) Transfers that are not otherwise permitted under this Section 7.1 in an amount not to exceed Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate in any fiscal year.

7.2 Change in Business; Change in Control or Executive Office. Engage in any business, or permit any of its Subsidiaries to engage in any business, other than the businesses currently engaged in by

Borrower and any business substantially similar or related thereto (or incidental thereto); or cease to conduct business in the manner conducted by Borrower as of the Closing Date; or suffer or permit a Change in Control; or without thirty (30) days prior written notification to Lenders, relocate its chief executive office or state of incorporation or change its legal name; or without Required Lenders' prior written consent, change the date on which its fiscal year ends. Lender acknowledges receipt of notice that as of the date of this Agreement Borrower intends to relocate its principal place of business.

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with or into any other business organization, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person, provided that a Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 Indebtedness. Create, incur, assume or be or remain liable with respect to any Indebtedness**,** or permit any Subsidiary so to do, other than Permitted Indebtedness.

7.5 Encumbrances. Create, incur, assume or suffer to exist any Lien with respect to any of its property, including intellectual property, or assign or otherwise convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries so to do, except for Permitted Liens, or agree with any Person, other than Lenders and any holders of Permitted Indebtedness under clauses (b), (c), (d), (f) and (g) of such defined term, not to grant a security interest in, or otherwise encumber, any of its property, including intellectual property, or permit any Subsidiary to do so.

7.6 Distributions. Pay any dividends or make any other distribution or payment on account of or in redemption, retirement or purchase of any capital stock (or permit any of its Subsidiaries to do so), except that Borrower may (i) pay dividends in capital stock, (ii) repurchase the stock of employees, officers or directors pursuant to stock repurchase agreements or stock purchase plans as long as an Event of Default does not exist prior to such repurchase or would not exist after giving effect to such repurchase, (iii) repurchase the stock of employees, officers or directors pursuant to stock repurchase agreements or stock purchase plans by the cancellation of indebtedness owed by such employees to Borrower regardless of whether an Event of Default exists, (iv) convert any of its convertible securities (including warrants) into other securities pursuant to the terms of such convertible securities, and (v) distribute securities to employees, officers or directors on the exercise of their options.

7.7 Investments. Directly or indirectly acquire or own, or make any Investment in or to any Person, or permit any of its Subsidiaries so to do, other than Permitted Investments; or, subject to Section 6.7, maintain or invest any of its property with a Person other than a Lender or permit any of its Subsidiaries to do so unless such Person has entered into an account control agreement with Lenders in form and substance reasonably satisfactory to Required Lenders, or suffer or permit any Subsidiary to be a party to, or be bound by, an agreement that restricts such Subsidiary from paying dividends or otherwise distributing property to Borrower.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower except for (i) transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person or are otherwise approved by the disinterested members of Borrower's board of directors, (ii) Borrower's sale of equity and debt securities (provided that such debt securities constitute Subordinated Debt) to venture capital or other strategic investors (including but not limited to the Investors' Indebtedness, provided the same is subject to the Investors Subordination Agreement prior to any credit extension thereunder), (iii) reasonable and customary fees paid to members of the Board of Directors of Borrower and its Subsidiaries, (iv) employment arrangements with executive officers entered into in the ordinary course of business, on fair and reasonable terms, as approved by Borrower's Board of Directors, or (v) any transaction between Borrower and its Subsidiaries or between Borrower's Subsidiaries constituting Permitted Investments and/or Permitted Indebtedness. Without limiting the foregoing, but subject to Collateral Agent's receipt of the Investors Subordination Agreement, Collateral Agent and Lenders hereby acknowledge and agree that Borrower may execute, deliver and perform the terms and conditions of the Investors' Note Purchase Agreement.

7.9 Subordinated Debt. Make any payment in respect of any Subordinated Debt, or permit any of its Subsidiaries to make any such payment, except in compliance with the terms of such Subordinated Debt or

any intercreditor or subordination agreement, or amend any provision contained in any documentation relating to the Subordinated Debt without Required Lenders' prior written consent.

7.10 Inventory and Equipment. Store the Inventory or the Equipment with an aggregate value in excess of Fifty Thousand Dollars ($50,000) with a bailee, warehouseman, or other third party other than Flextronics (international or domestic locations) or any foreign locations located outside the United States and disclosed in the Disclosure Letter unless the third party has been notified of Lenders' security interest and Collateral Agent, for the ratable benefit of the Lenders (a) has received an acknowledgment from the third party that it is holding or will hold the Inventory or Equipment for Collateral Agent's benefit or (b) is in pledge possession of the warehouse receipt, where negotiable, covering such Inventory or Equipment; provided that, Borrower shall provide Lenders an Amended and Restated Bailee Acknowledgement, or similar, in form and content reasonably acceptable to Required Lenders, duly executed by Flextronics US, within sixty (60) days of the Closing Date (or such extension as agreed to by Required Lenders). Store or maintain any Equipment or Inventory with an aggregate value in excess of Fifty Thousand Dollars ($50,000) at a location other than at Flextronics (international or domestic locations) or the location set forth in Section 10 of this Agreement or in the Disclosure Letter Notwithstanding the foregoing, Borrower may maintain (i) test equipment and (ii) up to Three Million Dollars ($3,000,000) in raw materials in transit from Borrower's supplier(s) to Phoenix or Flextronics' manufacturing facilities (domestic or international) without complying with (a) or (b), above.

7.11 Compliance. Become an "investment company" or be controlled by an "investment company," within the meaning of the Investment Company Act of 1940, or become principally engaged in, or undertake as one of its important activities, the business of extending credit for the purpose of purchasing or carrying margin stock, or use the proceeds of any Credit Extension for such purpose. Fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur, fail to comply with the Federal Fair Labor Standards Act or violate any law or regulation, which violation could have a Material Adverse Effect, or a material adverse effect on the Collateral or the priority of Lenders' Lien on the Collateral, or permit any of its Subsidiaries to do any of the foregoing.

8. EVENTS OF DEFAULT.

Any one or more of the following events shall constitute an Event Default by Borrower under this Agreement:

8.1 Payment Default. If Borrower fails to pay, when due, any of the Obligations;

8.2 Covenant Default.

(a) If Borrower fails to perform any obligation under Article 6 or violates any of the covenants contained in Article 7 of this Agreement; or

(b) If Borrower fails or neglects to perform or observe any other material term, provision, condition, covenant contained in this Agreement, in any of the Loan Documents, or in any other present or future agreement between Borrower and any Lender and as to any default under such other term, provision, condition or covenant that can be cured, has failed to cure such default within ten days after Borrower receives notice thereof or any officer of Borrower becomes aware thereof; provided, however, that if the default cannot by its nature be cured within the ten day period or cannot after diligent attempts by Borrower be cured within such ten day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional reasonable period (which shall not in any case exceed 30 days) to attempt to cure such default, and within such reasonable time period the failure to have cured such default shall not be deemed an Event of Default but no Credit Extensions will be made.

8.3 Material Adverse Effect. If there occurs any circumstance or circumstances that could reasonably be expected to have a Material Adverse Effect, as determined by the Required Lenders;

8.4 Attachment. If any material portion of Borrower's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any trustee, receiver or person acting in a similar capacity and such attachment, seizure, writ or distress warrant or levy has not been removed, discharged or rescinded within ten (10) days, or if Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs, or if a judgment or other claim becomes a lien or encumbrance upon any material portion of Borrower's assets, or if a notice of lien, levy, or assessment is filed of record with respect to any of Borrower's assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, and the same is not paid within ten (10) days after Borrower receives notice thereof, provided that none of the foregoing shall constitute an Event of Default where such action or event is stayed or an adequate bond has been posted pending a good faith contest by Borrower (provided that no Credit Extensions will be required to be made during such cure period);

8.5 Insolvency. If Borrower is unable to pay its debts (including trade debts) as they become due, or if an Insolvency Proceeding is commenced by Borrower, or if an Insolvency Proceeding is commenced against Borrower and is not dismissed or stayed within forty five (45) days (provided that no Credit Extensions will be made prior to the dismissal of such Insolvency Proceeding);

8.6 Other Agreements. If there is a default or other failure to perform in any agreement to which Borrower is a party or by which it is bound resulting in a right by a third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of Five Hundred Thousand Dollars ($500,000) or which could have a Material Adverse Effect; provided, however, that the Event of Default under this Section 8.6 caused by the occurrence of a default under such other agreement shall be cured or waived for purposes of this Agreement upon Lenders receiving written notice from the party asserting such default of such cure or waiver of the default under such other agreement, if at the time of such cure or waiver under such other agreement (x) Lenders have not declared an Event of Default under this Agreement and/or exercised any rights with respect thereto; (y) any such cure or waiver does not result in an Event of Default under any other provision of this Agreement or any Loan Document; and (z) in connection with any such cure or waiver under such other agreement, the terms of any agreement with such third party are not modified or amended in any manner which could in the good faith judgment of a Lender be materially less advantageous in Borrower or any Subsidiary.

8.7 Judgments. If a judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least Five Hundred Thousand Dollars ($500,000) (not covered by insurance) shall be rendered against Borrower and shall remain unsatisfied and unstayed for a period of ten (10) days (provided that no Credit Extensions will be made prior to the satisfaction or stay of such judgment); or

8.8 Misrepresentations. If any material misrepresentation or material misstatement exists now or hereafter in any warranty or representation set forth herein or in any certificate delivered to any Lender by any Responsible Officer pursuant to this Agreement or to induce any Lender to enter into this Agreement or any other Loan Document.

9. RIGHTS AND REMEDIES.

9.1 Rights and Remedies.

(a) Upon the occurrence and during the continuance of an Event of Default, Collateral Agent may, and at the written direction of the Required Lenders shall, without notice or demand, do any or all of the following: (i) deliver notice of the Event of Default to Borrower, (ii) by notice to Borrower declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs, all Obligations shall be immediately due and payable without any action by Collateral Agent or the Lenders) or (iii) by notice to Borrower suspend or terminate the obligations, if any, of the Lenders to make Credit Extensions for Borrower's benefit under this Agreement or under any other agreement between Borrower and Collateral Agent and/or the Lenders (but if an Event of Default described in Section 8.5 occurs all obligations, if any, of the Lenders to make Credit Extensions for Borrower's benefit under this Agreement or under any other agreement between Borrower and Collateral Agent and/or the Lenders shall be immediately terminated without any action by Collateral Agent or the Lenders)

(b) Without limiting the rights of the Collateral Agent and the Lenders set forth in Section 9.1(a) above, upon the occurrence and during the continuance of an Event of Default, Collateral Agent shall have the right, at the written direction of the Required Lenders, without notice or demand, to do any or all of the following:

(i) foreclose upon and/or sell or otherwise liquidate, the Collateral, and credit bid and purchase at any public sale;

(ii) apply to the Obligations any (a) balances and deposits of Borrower that Collateral Agent or any Lender holds or controls, or (b) any amount held or controlled by Collateral Agent or any Lender owing to or for the credit or the account of Borrower; (provided that each Lender shall retain its setoff rights and its right to place a "hold" on any accounts maintained with it, exercisable without the approval of the other Lenders); and/or

(iii) commence and prosecute an Insolvency Proceeding or consent to Borrower commencing any Insolvency Proceeding.

(c) Without limiting the rights of the Collateral Agent and the Lenders set forth in Sections 9.1(a) and (b) above, upon the occurrence and during the continuance of an Event of Default, Collateral Agent shall have the right, without notice or demand, to do any or all of the following:

(i) settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Collateral Agent and the Required Lenders consider advisable, notify any Person owing Borrower money of Collateral Agent's and Lenders ' security interest in such funds, and verify the amount of such account;

(ii) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Collateral Agent requests and make it available in a location as Collateral Agent reasonably designates. Collateral Agent may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Collateral Agent a license to enter and occupy any of its premises, without charge, to exercise any of Collateral Agent's rights or remedies;

(iii) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, and/or advertise for sale, the Collateral. Upon the occurrence and during the continuance of an Event of Default, Collateral Agent and Lenders are hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of advertising for sale, and selling any Collateral and, in connection with Collateral Agent's or Lenders' exercise of their rights under this Section 9.1, Borrower's rights under all licenses and all franchise agreements inure to Collateral Agent for the benefit of the Lenders;

(iv) place a "hold" on any account maintained with Collateral Agent or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or, similar agreements providing control of any Collateral;

(v) demand and receive possession of Borrower's Books;

(vi) appoint a receiver to manage and realize upon any of the Collateral, and such receiver shall have any right and authority as any competent court will grant or authorize in accordance with any applicable law, including any power or authority to manage the business of Borrower; and

(vii) Subject to clauses 9.1(a) and 9.1(b), exercise all rights and remedies available to Collateral Agent and Lenders under the Loan Documents or at law or equity, including all remedies

provided under the Code (including disposal of the Collateral pursuant to the terms thereof), and including the power of attorney in Section 9.2.

Notwithstanding any provision of this Section 9.1 to the contrary, but subject to the next succeeding paragraph, upon the occurrence of any Event of Default, Collateral Agent and each Required Lender shall have the right to exercise any and all remedies referenced in this Section 9.1 following the occurrence of an Exigent Circumstance. As used in the immediately preceding sentence, "Exigent Circumstance" means any event or circumstance that, in the reasonable judgment of Collateral Agent or any Required Lender, imminently threaten the ability of Collateral Agent or any Required Lender to realize upon all or any material portion of the Collateral, such as, without limitation, fraudulent removal, concealment, or abscondment thereof, destruction or material waste thereof, or failure of Borrower after reasonable demand to maintain or reinstate adequate casually insurance coverage, or which, in the reasonable judgment of Collateral Agent or any Required Lender, could reasonably be expected to result in a material diminution in value of the Collateral.

In the event of an Exigent Circumstance, the Required Lenders shall attempt to mutually agree as to what enforcement action (as described in this Section 9.1; each, an "Enforcement Action") to take; provided, however, that if after consultation, the Required Lenders cannot mutually agree on what action to take, then the Required Lender wishing to take the stronger Enforcement Action (the "Enforcing Lender") shall have the right to determine and shall control the timing, order and type of Enforcement Actions which will be taken and all other matters in connection with any such Enforcement Actions, upon any Required Lender becoming the Enforcing Lender, if the Enforcing Lender is not already the Collateral Agent, then automatically and without the necessity of any further action being taken by any party, (x) the original Collateral Agent shall be deemed to have resigned as Collateral Agent and (y) the Lenders shall be deemed to have unanimously appointed the Enforcing Lender as successor Collateral Agent under this Agreement and the Loan Documents (and the Enforcing Lender shall be deemed to have accepted such appointment) in accordance with 13.9 of this Agreement. In taking such Enforcement Actions pursuant to the previous sentence, the Enforcing Lender as such successor agent shall act in accordance with, and subject to the terms, conditions, rights and duties of Article 13 of this Agreement.

9.2 Power of Attorney. Borrower hereby irrevocably appoints Collateral Agent as its lawful attorney-in-fact, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's name on any checks of other forms of payment or security; (b) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors, (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Collateral Agent determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Collateral Agent or a third party as the Code or any applicable law permits. Borrower hereby appoints Collateral Agent as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of Collateral Agent's and Lenders' security interest in the Collateral regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Collateral Agent and the Lenders are under no further obligation to make Credit Extensions hereunder. Collateral Agent's foregoing appointment as Borrower's attorney in fact, and all of Collateral Agent's rights and powers, coupled with an interest, are irrevocable until all Obligations (other than inchoate indemnity obligations) have been fully repaid and performed and Collateral Agent's and the Lenders' obligation to provide Credit Extensions terminates.

9.3 Protective Payments. If Borrower fails to obtain the insurance called for by Section 6.6 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document, Collateral Agent and any Lender (but without duplication with each other) may obtain such insurance or make such payment, and all amounts so paid by Collateral Agent or any Lender are Lenders' Expenses and immediately due and payable, bearing interest at the Default Rate, and secured by the Collateral. Collateral Agent will make reasonable efforts to provide Borrower with notice of Collateral Agent or any Lender obtaining such insurance or making such payment at the time it is obtained or paid or within a reasonable time thereafter. No such payments by Collateral Agent or any Lender are deemed an agreement to make similar payments in the future or Collateral Agent's or any Lenders' waiver of any Event of Default.

9.4 Application of Payments and Proceeds. Notwithstanding anything to the contrary contained in this Agreement, upon the occurrence and during the continuance of an Event of Default, (a) Borrower irrevocably waives the right to direct the application of any and all payments at any time or times thereafter received by Collateral Agent or any Lender from or on behalf of Borrower of all or any part of the Obligations, and, as between Borrower on the one hand and Collateral Agent and Lenders on the other, Collateral Agent and Lenders shall have the continuing and exclusive right to apply and to reapply any and all payments received against the Obligations in such manner as Collateral Agent and/or Lenders may deem advisable (subject to the pro rata application of all such sums in accordance with this Agreement and to the order of application set forth in clause (b) of this Section 9.4) notwithstanding any previous application by Collateral Agent or any Lender, and (b) the proceeds of any sale of, or other realization upon all or any part of the Collateral shall be applied: first, to the Lenders' Expenses; second, to accrued and unpaid interest on the Obligations (including any interest which but for the provisions of the United States Bankruptcy Code, would have accrued on such amounts); third to the principal amount of the Obligations outstanding (subject in the case of Credit Card Exposure and FX Contracts to the applicable amount of the Credit Card Reserve or the FX Reserve, as the case may be); and fourth, to any other indebtedness or obligations of Borrower owing to Collateral Agent or any Lender under the Loan Documents. Any balance remaining shall be delivered to Borrower or to whomever may be lawfully entitled to receive such balance or as a court of competent jurisdiction may direct. In carrying out the foregoing, (x) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category, and (y) each of the Persons entitled to receive a payment in any particular category shall receive an amount equal to its Pro Rata Share of amounts available to be applied pursuant thereto for such category. Any reference in this Agreement to an allocation between or sharing by the Lenders of any right, interest or obligation "ratably," "proportionally" or in similar terms shall refer to Pro Rata Share unless expressly provided otherwise. Collateral Agent, or if applicable, each Lender, shall promptly remit to the other Lenders such sums as may be necessary to ensure the ratable repayment of each Lender's portion of the Advances and the ratable distribution of interest, fees and reimbursements paid or made by Borrower. Notwithstanding the foregoing, a Lender receiving a scheduled payment shall not be responsible for determining whether the other Lenders also received their scheduled payment on such date; provided, however, if it is later determined that a Lender received more than its Pro Rata Share of scheduled payments made on any date or dates, then such Lender shall remit to Collateral Agent or other Lenders such sums as may be necessary to ensure the ratable payment of such scheduled payments, as instructed by Collateral Agent. Any payment or distribution of any kind or character, whether in cash, properties or securities, shall be received by a Lender in excess of its ratable share then the portion of such payment or distribution in excess of such Lender's Pro Rata Share shall be received by such Lender in trust for and shall be promptly paid over to the other Lender for application to the payments of amounts due on the other Lenders' claims. To the extent any payment for the account of Borrower is required to be returned as a voidable transfer or otherwise, the Lenders shall contribute to one another as is necessary to ensure that such return of payment is on a pro rata basis. If any Lender shall obtain possession of any Collateral, it shall hold such Collateral for itself and as agent and bailee for Collateral Agent and Lenders for purposes of perfecting Collateral Agent's and Lenders' security interest therein. Notwithstanding anything to the contrary contained herein, Borrower shall not be liable for the failure of any Lender to comply with its obligations hereunder.

9.5 Liability for Collateral. So long as Collateral Agent and the Lenders comply with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Collateral Agent and the Lenders, Collateral Agent and the Lenders shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 Remedies Cumulative. Collateral Agent's or any Lenders' failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Collateral Agent or any Lender thereafter to demand strict performance and compliance herewith or therewith. Collateral Agent's and Lenders' rights and remedies under this Agreement and the other Loan Documents are cumulative. Collateral Agent and Lenders have all rights and remedies provided under the Code, any applicable law, by law, or in equity. Collateral Agent's or any Lenders' exercise of one right or remedy is not an election, and Collateral Agent's or any Lenders' waiver of any Event of Default is not a continuing waiver. Collateral Agent's or any Lender's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand; Protest. Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper and guarantees at any time held by Collateral Agent or any Lender on which Borrower may in any way be liable.

10. NOTICES.

Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other agreement entered into in connection herewith shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by a recognized overnight delivery service, certified mail, postage prepaid, return receipt requested, or by telefacsimile to Borrower or to Lenders, as the case may be, at its addresses set forth below:

If to Borrower:	Enphase Energy, Inc. 201 First Street, Suite 300 Petaluma, CA 94952 Attn: Chief Financial Officer
If to Collateral Agent or Bridge Bank:	Bridge Bank, National Association 55 Almaden Boulevard San Jose, California 95113 Attn: Mike Field, Executive Vice President
If to Comerica Bank:	Comerica Bank M/C 7578 39200 Six Mile Rd Livonia, MI 48152 Attn: National Documentation Services
With a copy to:	Comerica Bank M/C 4120 226 Airport Parkway, Suite 100 San Jose, CA 95110 Attn: Guy Simpson, Vice President

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other.

11. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of California, without regard to principles of conflicts of law. Each of Borrower and Lenders hereby submits to the exclusive jurisdiction of the state and Federal courts located in the County of Santa Clara, State of California. BORROWER AND LENDERS EACH HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH PARTY RECOGNIZES AND AGREES THAT THE FOREGOING WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR IT TO ENTER INTO THIS AGREEMENT. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL

COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

If the jury waiver set forth in Section 11 is not enforceable, then any dispute, controversy or claim arising out of or relating to this Agreement, the Loan Documents or any of the transactions contemplated therein shall be settled by judicial reference pursuant to Code of Civil Procedure Section 638 et seq. before a referee sitting without a jury, such referee to be mutually acceptable to the parties or, if no agreement is reached, by a referee appointed by the Presiding Judge of the California Superior Court for Santa Clara County. This Section shall not restrict a party from exercising remedies under the Code or from exercising pre-judgment remedies under applicable law.

12. GENERAL PROVISIONS.

12.1 Successor and Assigns. This Agreement shall bind and inure to the benefit of the respective successors and permitted assigns of each of the parties; provided, however, that neither this Agreement nor any rights hereunder may be assigned by Borrower without Required Lenders' prior written consent, which consent may be granted or withheld in Required Lenders' sole discretion. Lenders shall have the right without the consent of or notice to Borrower to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Lenders' obligations, rights and benefits hereunder.

12.2 Indemnification. Borrower shall defend, indemnify and hold harmless Lenders and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Agreement; and (b) all losses or Lender Expenses in any way suffered, incurred, or paid by a Lender as a result of or in any way arising out of, following, or consequential to transactions between a Lender and Borrower whether under this Agreement, or otherwise (including without limitation reasonable attorneys' fees and expenses), except for losses caused by Lenders' gross negligence or willful misconduct.

12.3 Time of Essence. Time is of the essence for the performance of all obligations set forth in this Agreement.

12.4 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

12.5 Amendments in Writing; Integration. (a) No amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, or any consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by Borrower, Collateral Agent and the Required Lenders provided that:

(i) (x) no such amendment, waiver or other modification that would have the effect of increasing or reducing a Lender's Commitment Amount or Commitment Percentage shall be effective as to such Lender without such Lender's written consent and (y) no such amendment, waiver or other modification that would have the effect of increasing the aggregate Commitment Amount shall be effective without all Lenders' consent;

(ii) no such amendment, waiver or modification that would affect the rights and duties of Collateral Agent shall be effective without Collateral Agent's written consent or signature;

(iii) no such amendment, waiver or other modification shall, unless signed by all the Lenders directly affected thereby, (A) reduce the principal of, rate of interest on or any fees with respect to the Revolving Line, any Letter of Credit, Credit Card Exposure or FX Contract or forgive any principal, interest (other than default interest) or fees (other than late charges) with respect to the Revolving Line, any Letter of Credit, Credit Card Exposure or FX Contract (B) postpone the date fixed for, or waive, any payment of principal of or interest on the Revolving Line or any Letter of Credit, Credit Card Exposure or FX Contract (other than default interest) or any fees provided for hereunder (other than late charges or for any termination of any commitment); (C)

change the definition of the term “Required Lenders” or the percentage of Lenders which shall be required for Lenders to take any action hereunder or change any provision hereunder requiring the consent, approval or action of all Lenders; (D) release all or substantially all or any material portion of the Collateral, authorize Borrower to sell or otherwise dispose of all or substantially all or any material portion of the Collateral or release any guarantor of all or any portion of the Obligations or its guaranty obligations with respect thereto, except, in each case with respect to this clause (D), as otherwise may be expressly permitted under this Agreement or the other Loan Documents (including in connection with any disposition permitted hereunder); (E) amend, waive or otherwise modify this Section 12.5 or the definitions of the terms used in this Section 12.5 insofar as the definitions affect the substance of this Section 12.5; (F) consent to the assignment, delegation or other transfer by Borrower of any of its rights and obligations under any Loan Document or release Borrower of its payment obligations under any Loan Document, except, in each case with respect to this clause (F), pursuant to a merger or consolidation permitted pursuant to this Agreement; (G) amend any of the provisions of Section 9.4 or amend any of the definitions Pro Rata Share, Commitment Amount, Commitment Percentage or that provide for the Lenders to receive then Pro Rata Shares of any fees, payments, setoffs or proceeds of Collateral hereunder; or (H) subordinate the Liens granted in favor of Collateral Agent or any Lender securing the Obligations, except with respect to Liens expressly permitted to be senior to the Collateral Agent’s Liens hereunder. It is hereby understood and agreed that all Lenders shall be deemed directly affected by an amendment, waiver or other modification of the type described in the preceding clauses (C), (D), (E), (F), (G) and (H) of the preceding sentence; and

(iv) the provisions of the foregoing clauses (i), (ii) and (iii) are subject to the provisions of any interlender or agency agreement among the Lenders and Collateral Agent pursuant to which any Lender may agree to give its consent in connection with any amendment, waiver or modification of the Loan Documents only in the event of the unanimous agreement of all Lenders.

(b) Other than as expressly provided for in Section 12.5(a)(i)-(iii), Collateral Agent may, if requested by the Required Lenders, from time to time designate covenants in this Agreement less restrictive by notification to a representative of Borrower.

(c) This Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

12.6 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement.

12.7 Survival. All covenants, representations and warranties made in this Agreement shall continue in full force and effect so long as any Obligations remain outstanding or any Lender has any obligation to make Credit Extensions to Borrower. The obligations of Borrower to indemnify Lenders with respect to the expenses, damages, losses, costs and liabilities described in Section 12.2 shall survive until all applicable statute of limitations periods with respect to actions that may be brought against Lenders have run.

12.8 Confidentiality. In handling any confidential information Lenders and all employees and agents of Lenders, including but not limited to accountants, shall exercise the same degree of care that it exercises with respect to its own proprietary information of the same types to maintain the confidentiality of any non-public information thereby received or received pursuant to this Agreement except that disclosure of such information may be made (i) to the subsidiaries or affiliates of Lenders in connection with their present or prospective business relations with Borrower, (ii) to prospective transferees or purchasers of any interest in the Loans, provided that they have entered into a comparable confidentiality agreement in favor of Borrower and have delivered a copy to Borrower, (iii) as required by law, regulations, rule or order, subpoena, judicial order or similar order, (iv) as may be required in connection with the examination, audit or similar investigation of a Lender and (v) as a Lender may determine in connection with the enforcement of any remedies hereunder. Confidential information hereunder shall not include information that either: (a) is in the public domain or in the knowledge or possession of a Lender when disclosed to such Lender, or becomes part of the public domain after disclosure to a

Lender through no fault of any Lender; or (b) is disclosed to a Lender by a third party, provided such Lender does not have actual knowledge that such third party is prohibited from disclosing such information.

12.9 Patriot Act. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. WHAT THIS MEANS FOR YOU: when you open an account, we will ask your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

12.10 Effect of Amendment and Restatement. Except as otherwise set forth herein, this Agreement is intended to and does completely amend and restate, without novation, the Original Agreement. All security interests granted under the Original Agreement are hereby confirmed and ratified and shall continue to secure all Obligations under this Agreement.

13. COLLATERAL AGENT.

13.1 Appointment and Authorization of Collateral Agent. Each Lender hereby irrevocably appoints, designates and authorizes Collateral Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Loan Document, Collateral Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall Collateral Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Collateral Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the other Loan Documents with reference to Collateral Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

13.2 Delegation of Duties. Collateral Agent may execute any of its duties under this Agreement or any other Loan Document by or through its, or its Affiliates', agents, employees or attorneys-in-fact and shall be entitled to obtain and rely upon the advice of counsel and other consultants or experts concerning all matters pertaining to such duties. Collateral Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

13.3 Liability of Collateral Agent. Except as otherwise provided herein, no Collateral Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by Borrower or any officer thereof, contained herein or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Collateral Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Collateral Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of Borrower or any Affiliate thereof.

13.4 Reliance by Collateral Agent. Collateral Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation reasonably believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrower), independent accountants and other experts selected by Collateral Agent. As between Collateral Agent

and Lenders. Collateral Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of all Lenders as it deems appropriate and if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Collateral Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of all Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

13.5 Notice of Default. Collateral Agent shall not be deemed to have knowledge or notice of the occurrence of any default and/or Event of Default, unless Collateral Agent shall have received written notice from a Lender or Borrower, describing such default or Event of Default. Collateral Agent will notify the Lenders of its receipt of any such notice. Collateral Agent shall take such action permitted by this Agreement with respect to an Event of Default as may be directed in writing by the Required Lenders in accordance with Article 9(a); provided, however, that while an Event of Default has occurred and is continuing, Collateral Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default as Collateral Agent shall deem advisable or in the best interest of the Lenders, including without limitation, satisfaction of other security interests, liens or encumbrances on the Collateral not permitted under the Loan Documents, payment of taxes on behalf of Borrower, payments to landlords, warehouseman, bailees and other persons in possession of the Collateral and other actions to protect and safeguard the Collateral, and actions with respect to insurance claims for casualty events affecting Borrower and/or the Collateral.

13.6 Credit Decision; Disclosure of Information by Collateral Agent. Each Lender acknowledges that no Collateral Agent-Related Person has made any representation or warranty to it, and that no act by Collateral Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of Borrower or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Collateral Agent-Related Person to any Lender as to any matter, including whether Collateral Agent-Related Persons have disclosed material information in their possession. Each Lender represents to Collateral Agent that it has, independently and without reliance upon any Collateral Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of, and investigation into, the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower and its Subsidiaries, and all applicable bank or other regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon any Collateral Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by Collateral Agent herein, Collateral Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrower or any of its Affiliates which may come into the possession of any Collateral Agent-Related Person.

13.7 Indemnification of Collateral Agent. Whether or not the transactions contemplated hereby are consummated, each Lender shall, severally and pro rata based on its respective Pro Rata Share, indemnify upon demand each Collateral Agent-Related Person (to the extent not reimbursed by or on behalf of Borrower and without limiting the obligation of Borrower to do so), and hold harmless each Collateral Agent-Related Person from and against any and all claims, damages, losses, liabilities, costs or expenses (which shall not include legal expenses of Collateral Agent incurred in connection with the closing of the transactions contemplated by this Agreement) incurred by it; provided, however, that no Lender shall be liable for the payment to any Collateral Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a judgment by a court of competent jurisdiction to have resulted from such Collateral Agent-Related Person's own gross negligence or willful misconduct; provided, however, that no action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section 13.7. Without limitation of the foregoing, each Lender shall, severally and pro rata based on its respective Pro Rata Share, reimburse Collateral Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Lenders' Expenses incurred after the closing of the transactions contemplated by this Agreement)

incurred by Collateral Agent (in its capacity as Collateral Agent, and not as a Lender) in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that Collateral Agent is not reimbursed for such expenses by or on behalf of Borrower. The undertaking in this Section 13.7 shall survive the payment in full of the Obligations, the termination of this Agreement and the resignation of Collateral Agent.

13.8 Collateral Agent in its Individual Capacity. With respect to its Credit Extensions, Bridge shall have the same rights and powers under this Agreement as any other Lender and may exercise such rights and powers as though it were not Collateral Agent, and the terms "Lender" and "Lenders" include Bridge in its individual capacity.

13.9 Successor Collateral Agent. Collateral Agent may resign as Collateral Agent upon ten (10) days' notice to the Lenders and Borrower. If Collateral Agent resigns under this Agreement, all Lenders shall appoint from among the Lenders (or the affiliates thereof) a successor Collateral Agent for the Lenders, which successor Collateral Agent shall (unless an Event of Default has occurred and is continuing) be subject to the approval of Borrower (which approval shall not be unreasonably withheld or delayed). If no successor Collateral Agent is appointed prior to the effective date of the resignation of Collateral Agent, Collateral Agent may appoint, after consulting with the Lenders and upon notice to Borrower, a successor Collateral Agent from among the Lenders (or the affiliates thereof). Upon the acceptance of its appointment as successor Collateral Agent hereunder, the Person acting as such successor Collateral Agent shall succeed to all the rights, powers and duties of the retiring Collateral Agent and the respective term "Collateral Agent" means such successor Collateral Agent and the retiring Collateral Agent's appointment, powers and duties in such capacities shall be terminated without any other further act or deed on its behalf. After any retiring Collateral Agent's resignation hereunder as Collateral Agent, the provisions of this Article 13 and Section 12.1 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Collateral Agent under this Agreement. If no successor Collateral Agent has accepted appointment as Collateral Agent by the date ten (10) days following a retiring Collateral Agent's notice of resignation, the retiring Collateral Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of Collateral Agent hereunder until such time, if any, as the Lenders appoint a successor agent as provided for above.

13.10 Collateral Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to Borrower, Collateral Agent (irrespective of whether the principal of any Loan, shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether Collateral Agent shall have made any demand on Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Credit Extensions and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and Collateral Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and Collateral Agent and their respective agents and counsel and all other amounts due the Lenders and Collateral Agent allowed in such judicial proceeding); and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

(c) and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to Collateral Agent and, in the event that Collateral Agent shall consent to the making of such payments directly to the Lenders, to pay to Collateral Agent any amount due for the reasonable compensation, expenses, disbursements and advances of Collateral Agent and its agents and counsel, and any other amounts due Collateral Agent under this Agreement. To the extent that Collateral Agent fails timely to do so, each Lender may file a claim relating to such Lender's claim.

13.11 Collateral and Guaranty Matters. The Lenders irrevocably authorize Collateral Agent, at its option and in its discretion, to release any guarantor and any Lien on any Collateral granted to or held by Collateral Agent under any Loan Document (i) upon the date that all Obligations due hereunder have been fully and indefeasibly paid in full and no Commitment Amounts or other obligations of any Lender to provide funds to Borrower under this Agreement remain outstanding, (ii) that is transferred or to be transferred as part of or in connection with any Transfer permitted hereunder or under any other Loan Document, or (iii) as approved in accordance with Section 12.5. Upon request by Collateral Agent at any time, all Lenders will confirm in writing Collateral Agent's authority to release its interest in particular types or items of Property, pursuant to this Section 13.11.

13.12 Cooperation of Borrower. If necessary, Borrower agrees to (i) execute any documents reasonably required to effectuate and acknowledge each assignment of the Commitment Amount or Loan to an assignee in accordance with Section 12.1, (ii) make such Borrower's management available to meet with Collateral Agent and prospective participants and assignees of Commitment Amounts or Credit Extensions (which meetings shall be conducted no more often than twice every twelve months unless an Event of Default has occurred and is continuing), and (iii) assist Collateral Agent or the Lenders in the preparation of information relating to the financial affairs of Borrower as any prospective participant or assignee of the Commitment Amount or Revolving Line reasonably may request. Borrower authorizes each Lender to disclose to any prospective participant or assignee of the Commitment Amount, any and all information in such Lender's possession concerning Borrower and its financial affairs which has been delivered to such Lender by or on behalf of Borrower pursuant to this Agreement, or which has been delivered to such Lender by or on behalf of Borrower in connection with such Lender's credit evaluation of Borrower prior to entering into this Agreement, so long as any such Person enters into a confidentiality agreement or otherwise agrees to be bound by the terms of Section 12.8.

[Balance of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

ENPHASE ENERGY, INC.

By: /s/ Paul Nahi

Title: President & Chief Executive Officer

COLLATERAL AGENT AND LENDER:

BRIDGE BANK, NATIONAL ASSOCIATION

By: /s/ Michael Lederman

Title: SVP

LENDER:

COMERICA BANK

By: /s/ Guy Simpson

Title: Vice President

SCHEDULE 1.1

COMMITMENT AMOUNTS AND PERCENTAGES

Lender	Loan Commitment Amount	Commitment Percentage
Bridge Bank, N.A.	$ 15,000,000	60.00%
Comerica Bank	$ 10,000,000	40.00%
TOTAL	**$ 25,000,000**	**100.00%**

EXHIBIT A

DEBTOR: **ENPHASE ENERGY, INC.**

SECURED PARTY: **BRIDGE BANK, NATIONAL ASSOCIATION and COMERICA BANK**

COLLATERAL DESCRIPTION ATTACHMENT
TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

All personal property of Borrower (herein referred to as "Borrower" or "Debtor") whether presently existing or hereafter created or acquired, and wherever located, including, but not limited to:

(a) all accounts (including health-care-insurance receivables), chattel paper (including tangible and electronic chattel paper), deposit accounts, documents (including negotiable documents), equipment (including all accessions and additions thereto), general intangibles (including payment intangibles and excluding Intellectual Property (as defined below)), goods (including fixtures), instruments (including promissory notes), inventory (including all goods held for sale or lease or to be furnished under a contract of service, and including returns and repossessions), investment property (including securities and securities entitlements), letter of credit rights, money, and all of Debtor's books and records with respect to any of the foregoing, and the computers and equipment containing said books and records;

(b) any and all cash proceeds and/or noncash proceeds of any of the foregoing, including, without limitation, insurance proceeds, and all supporting obligations and the security therefore or for any right to payment. All terms above have the meanings given to them in the California Uniform Commercial Code, as amended or supplemented from time to time.

Notwithstanding the foregoing, the Collateral shall not include any copyrights, patents, trademarks, servicemarks and applications therefore, now owned or hereafter acquired, or any claims for damages by way of any past, present and future infringement of any of the foregoing (collectively, the "Intellectual Property"); provided, however, that the Collateral shall include all accounts and general intangibles that consist of rights to payment and proceeds for the sale, licensing or disposition of all or any part, or rights in, the foregoing (the "Rights to Payment"). Notwithstanding the foregoing, if a judicial authority (including a U.S. Bankruptcy Court) holds that a security interest in the underlying Intellectual Property is necessary to have a security interest in the Rights to Payment, then the Collateral shall automatically, and effective as of the Closing Date, include the Intellectual Property to the extent necessary to permit perfection of each Secured Party's security interest in the Rights to Payment.

Notwithstanding the foregoing, the term "Collateral" shall not include (A) the capital stock of the controlled foreign corporation in excess of 65% of the voting power of all classes of capital stock of such controlled foreign corporation entitled to vote, (B) the Equipment identified on Annex I hereto, or (C) or rights of Borrower as a licensee; in each case of (B) and (C) to the extent the granting of a security interest therein (i) would be contrary to applicable law or (ii) is prohibited by or would constitute a default under any agreement or document governing such property (but only to the extent such prohibition is enforceable under applicable law); provided that upon the termination or lapsing of any such prohibition, such property shall automatically be part of the Collateral; and provided further that the provision of this paragraph shall in no case exclude from the definition of "Collateral" any Accounts, proceeds of the disposition of any property, or general intangibles consisting of rights to payment, all of which shall at all times constitute "Collateral"; and provided further that any Equipment financed by any Secured Party will at all times constitute "Collateral".

ANNEX I
(List of Equipment Excluded from Collateral)

[hard copy to be attached]

EXHIBIT B-1

BRIDGE BANK, N.A.

REVOLVING ADVANCE REQUEST

(To be submitted no later than 2:00 PM to be considered for same day processing)

To: Bridge Bank, National Association

Fax: _____

Date: _____

From: ENPHASE ENERGY, INC.

_____
Authorized Signature

_____
Authorized Signer's Name (please print)

_____
Phone Number

To Account # _____

Borrower hereby request an Advance from Bridge Bank in the amount of $_____; such amount represents 60% of the total Advance requested in the amount of $_____ (the "Total Advance Amount"). Borrower is simultaneously requesting an Advance form Comerica Bank in the amount of $_____, representing 40% of the Total Advance Amount.

Borrower hereby authorizes Lender to rely on facsimile stamp signatures and treat them as authorized by Borrower for the purpose of requesting the above advance.

All representations and warranties of Borrower stated in the Amended and Restated Loan and Security Agreement are true, correct and complete in all material respects as of the date of this Advance Request; provided that those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of such date.

Capitalized terms used herein and not otherwise defined have the meanings set forth in the Amended and Restated Loan and Security Agreement.

EXHIBIT B-2

COMERICA BANK – TECHNOLOGY & LIFE SCIENCE DIVISION
LOAN ANALYSIS
LOAN ADVANCE/PAYDOWN REQUEST FORM

DEADLINE FOR SAME DAY PROCESSING IS 2:00* P.M., P.S.T.
DEADLINE FOR WIRE TRANSFERS IS 1:30 P.M., P.S.T.
**At month end and the day before a holiday, the cut off time is 1:30 P.M., P.S.T.*
***Subject to 3 day advance notice.*

To: Loan Analysis
FAX #: (650) 462-6061

DATE: _____ TIME: _____

FROM: ENPHASE ENERGY, INC.
Borrower's Name

FROM: _____
Authorized Signer's Name

FROM: _____
Authorized Signature (Borrower)

PHONE #: _____

FROM ACCOUNT #: _____
(please include Note number, if applicable)

TO ACCOUNT #: _____

(please include Note number, if applicable)

TELEPHONE REQUEST (For Bank Use Only):

The following person is authorized to request the loan payment transfer/loan advance on the designated account and is known to me.

_____
Authorized Request & Phone #

_____
Received by (Bank) & Phone #

_____
Authorized Signature (Bank)

REQUESTED TRANSACTION TYPE	REQUEST DOLLAR AMOUNT
PRINCIPAL INCREASE* (ADVANCE)	$_____
PRINCIPAL PAYMENT (ONLY)	$_____

FOR BANK USE ONLY

Date Rec'd:

Time:

Comp. Status: YES NO
Status Date:
Time:
Approval:

OTHER INSTRUCTION

_____
_____
_____

All representations and warranties of Borrower stated in the Loan Agreement are true, correct and complete in all material respects as of the date of the telephone request for and advance confirmed by this Borrowing Certificate; provided, however, that those representations and warranties the date expressly referring to another date shall be true, correct and complete in all material respects as of such date. Any advance amount requested herein represents 60% of the total Advance requested in the amount of $_____ (the "Total Advance Amount"). Borrower is simultaneously requesting an Advance from Bridge Bank, NA, in the amount of $_____, representing 60% of the Total Advance Amount.

***ISTHERE A WIRE REQUEST TIED TO THIS LOAN ADVANCE? (PLEASE CIRCLE ONE) YES NO**

If YES, the Outgoing Wire Transfer Instructions must be completed below.

OUTGOING WIRE TRANSFER INSTRUCTIONS **Fed Reference Number** **Bank Transfer Number**

The Items marked with asterisk (*) are required to be completed.

*Beneficiary Name
*Beneficiary Account Number
*Beneficiary Address
Currency Type US DOLLARS ONLY
*ABA Routing Number (9 Digits)
*Receiving Institution Name
*Receiving Institution Address
*Wire Amount $

EXHIBIT C

BORROWING BASE CERTIFICATE
BRIDGE BANK AND COMERICA BANK

ENPHASE ENERGY, INC.:

ACCOUNTS RECEIVABLE BORROWING BASE CALCULATION: **As of Date:** _____

1.	Add: Accounts Receivable Aged Current to 30 Days			$0	
2.	Add: Accounts Receivable Aged 31 to 60 days			$0	
3.	Add: Accounts Receivable Aged 61 to 90 days			$0	
4.	Add: Accounts Receivable Aged 91 Days and Over			$0	
5.	**GROSS ACCOUNTS RECEIVABLE**				$ 0
6.	Less: Account Receivable Aged over	90	days	$0	
7.	Less: U.S. Government Receivables (Net of > 90s)			$0	
8.	Less: Foreign Receivables (Net of > 90s)			$0	
9.	Less: Affiliate or Related Accounts Receivables (Net of > 90s)			$0	
10.	Less: Account concentration in excess of	30%	$ 0	$0	
11.	Less: Cross Aging	35%		$0	
12.	Less: Contra Accounts, Prebills, Progress Billings, Retention bill and holds returns			$0	
13.	Less: Over 90 day A/R credits			$0	
14.	Add: Lines 6 through 13 - Total Ineligible Accounts			$0	
15.	**NET ELIGIBLE ACCOUNTS RECEIVABLE**				$ 0
16.	Account Receivable Advance Rate				80%
17.	**ACCOUNT RECEIVABLE BORROWING BASE**				**$ 0**
18.	**INVENTORY**				
19.	Eligible Inventory Value as of _____				
20.	**ELIGIBLE AMOUNT OF INVENTORY (lesser of (1) 50% of #19 or (2) 50% of #17; not to exceed $10,000,000)**				
	MAXIMUM AVAILABLE LINE OF CREDIT		$ 0		
21.	Less: Outstanding Loan Balance				$ 0
22.	**AVAILABLE FOR DRAWN/NEED TO PAY**				$ 0

If line #22 is a negative number, this amount must be remitted to the Bank immediately to bring loan balance into compliance. By signing this form you authorize the bank to deduct any advance amounts directly from the company's checking account at Bridge Bank in the event there is an Over advance.

The undersigned represents and warrants that the foregoing is true, complete and correct, and that the information reflected in this Borrowing Base Certificate complies with the representations and warranties set forth in the Amended and Restated Loan and Security Agreement between the undersigned and Bridge Bank, National Association and Comerica Bank.

_____ Date: _____
Prepared By:

_____ Date: _____
Bank Reviewed:

EXHIBIT D

COMPLIANCE CERTIFICATE

TO: BRIDGE BANK, NATIONAL ASSOCIATION and COMERICA BANK

FROM: ENPHASE ENERGY, INC.

The undersigned authorized officer of ENPHASE ENERGY, INC. hereby certifies that in accordance with the terms and conditions of the Amended and Restated Loan and Security Agreement between Borrower, Bridge Bank, N.A. and Comerica Bank (the "Agreement"), (i) Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below and (ii) all representations and warranties of Borrower stated in the Agreement are true and correct in all material respects as of the date hereof; provided, however that those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects of such date. Attached herewith are the required documents supporting the above certification. The Officer further certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letters or footnotes.

Please indicate compliance status by circling Yes/No under "Complies" column.

Reporting Covenant	Required	Complies	
Annual financial statements (CPA Audited)	FYI within 180 days	Yes	No
Monthly financial statements (consolidated), Compliance Certificate and deferred revenue report	Monthly within 30 days	Yes	No
Quarterly financial statements (consolidating)	Quarterly within 30 days	Yes	No
10K and 10Q	(as applicable)	Yes	No
Annual operating budget, sales projections and operating plans approved by board of directors	Annual no later than 30 days after the end of each fiscal year	Yes	No
A/R & A/P Agings, Inventory Report, Borrowings Base Certificate	Prior to each Credit Extension, and monthly within 20 days	Yes	No
A/R Audit	Initial (within 30 days of close) and Semi-Annual thereafter	Yes	No
Inventory Exam	Prior to any Advance on "Eligible Inventory" and Annually thereafter	Yes	No
IP Report	Annually within 30 days, and promptly after filings with the USPTO and/or Copyright Office	Yes	No
Deposit balances with Bridge Bank	$_____		
Deposit balances with Comerica Bank	$_____		
Deposit balances outside Bridge Bank or Comerica Bank (explain on attachment)	$_____		
Amount/% of Total Cash maintained with foreign subsidiaries	$_____/%_____ (may not exceed 5%)	Yes	No

Financial Covenants	Required	Actual	Complies	
Minimum Asset Coverage Ratio (monthly)	1.50: 1.00	_____:1.00	Yes	No
Minimum Tangible Net Worth (quarterly)	$8,000,000*	$_____	Yes	No
Minimum Unrestricted Cash in DDA at each of Bridge and Comerica	$1,000,000**	$_____	Yes	No

Comments Regarding Exceptions: See Attached.

Sincerely,

SIGNATURE

TITLE

DATE

BANK USE ONLY

Received by: _____
AUTHORIZED SIGNER

Date: _____

Verified: _____
AUTHORIZED SIGNER

Date: _____

Compliance Status Yes No

* increasingly by (i) 25% of New Equity, (ii) 25% of Investors' indebtedness actually advanced (after the initial advance thereof, and (iii) 70% of quarterly net profit after tax (determined in accordance with GAAP), not to exceed $10,000,000 through 12/31/11.

** to increase to $3,000,000 ($4,000,000 in the event of any advance of the Investors' Indebtedness) at Bridge and $2,000,000 ($3,000,000 in the event of any advance of the Investors' Indebtedness) at Comerica in the event Borrower's quarterly revenue is <80% of the Board-approved forecast delivered to Lenders in accordance with Section 6.3.

INSURANCE AUTHORIZATION LETTER

In accordance with the insurance coverage requirements of the AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT dated as of March , 2011 (the "Agreement") between Bridge Bank, National Association ("Lender and Collateral Agent"), and ENPHASE ENERGY, INC. ("Borrower"), coverage is to be provided as set forth below:

COVERAGE: All risk including liability and property damage.
INSURED: ENPHASE ENERGY, INC.

LOCATION(s) OF COLLATERAL:

1. 201 1st St. Petaluma, CA 9495
2. Flextronics, Milpitas, CA
3. Flextronics Global Services 213 Harry Walker Parkway South New Marker Ontario, Canada

Insuring Agent: Marsh Risk and Insurance Services
Address: 1732 N. First St. Ste 400
San Jose, CA 95112
Phone Number:
Fax Number:

ADDITIONAL INSURED AND LOSS PAYEE

Lender, as its interest may appear below

BRIDGE BANK, NATIONAL ASSOCIATION
Collateral Agent
55 Almaden Blvd.
San Jose, CA 95113
Attn: Note Dept.

The above coverage is to be provided prior to funding the Agreement. Borrower hereby agrees to pay for the coverage above and by signing below acknowledges obligation to do so.

Signature: _____
Sanjeev Kumar

Title: _____
Chief Financial Officer

Date: March 3, 2011

Comerica

Agreement to Furnish Insurance to Loan and Security Agreement

(Herein called "Bank")

Borrower(s): ENPHASE ENERGY, INC.

I understand that the Security Agreement or Deed of Trust which I executed in connection with this transaction requires me to provide a physical damage insurance policy including a Lenders Loss Payable Endorsement in favor of the Bank as shown below, within ten (10) days from the date of this agreement.

The following minimum insurance must be provided according to the terms of the security documents.

☐ AUTOMOBILES, TRUCKS, RECREATIONAL VEHICLES PERSONAL PROPERTY
Comprehensive & Collision
Lender's Loss Payable Endorsement

☐ BOATS
All Risk Hull Insurance
Lender's Loss Payable Endorsement
☐ Breach of Warranty Endorsement

☐ MOBILE HOMES
Fire, Theft & Combined Additional Coverage
Lender's Loss Payable Endorsement
☐ Earthquake

☒ INVENTORY

☐ Other _____

☒ MACHINERY & EQUIPMENT: MISCELLANEOUS
Fire & Extended Coverage
Lender's Loss Payable Endorsement
☐ Breach of Warranty Endorsement

☐ AIRCRAFT
All Risk Ground & Flight Insurance
Lender's Loss Payable Endorsement
☐ Breach of Warranty Endorsement

☐ REAL PROPERTY
Fire & Extended Coverage
Lender's Loss Payable Endorsement
☐ All Risk Coverage
☐ Special Form Risk Coverage
☐
☐ Earthquake
☐ Other _____

I may obtain the required insurance from any company that is reasonably acceptable to the Bank, and will deliver proof of such coverage with an effective date of March 24, 2011 or earlier.

I understand and agree that if I fail to deliver proof of insurance to the Bank at the address below, or upon the lapse or cancellation of such insurance, the Bank may procure lender's Single Interest Insurance or other similar coverage on the property. If the Bank procures insurance to protect its interest in the property described in the security documents, the cost for the insurance will be added to my indebtedness as provided in the security documents. Lender's Single Interest Insurance shall cover only the Bank's interest as a secured party, and shall become effective at the earlier of the funding date of this transaction or the date my insurance was cancelled or expired. I UNDERSTAND THAT LENDER'S SINGLE INTEREST INSURANCE WILL PROVIDE ME WITH ONLY LIMITED PROTECTION AGAINST PHYSICAL DAMAGE TO THE COLLATERAL, UP TO THE BALANCE OF THE LOAN, HOWEVER, MY EQUITY IN THE PROPERTY WILL NOT BE INSURED. FURTHER, THE INSURANCE WILL NOT PROVIDE MINIMUM PUBLIC LIABILITY OR PROPERTY DAMAGE INDEMNIFICATION AND DOES NOT MEET THE REQUIREMENTS OF THE FINANCIAL RESPONSIBILITY LAW.

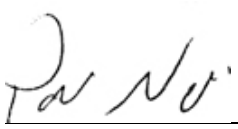
CALIFORNIA CIVIL CODE SECTION 2955.5 HAZARD INSURANCE DISCLOSURE: No lender shall require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property.

Bank Address for Insurance Documents:

Comerica Bank – Collateral Operations, Mail Code 6514
1508 W. Mockingbird Lane
Dallas, Texas 75235

I acknowledge having read the provisions of this agreement, and agree to its terms. I authorize the Bank to provide to any person (including any insurance agent or company) any information necessary to obtain the insurance coverage required.

OWNER(S) OF COLLATERAL: DATED: March 24, 2011



Paul Nahi – President & CEO

INSURANCE VERIFICATION

Date _____ Phone _____

Agents Name _____ Person Talked To _____

Agents Address _____

Insurance Company _____

Policy Number(s) _____

Effective Dates: From _____ To: _____

Deductible $ _____ Comments: _____

CORPORATE RESOLUTIONS TO BORROW

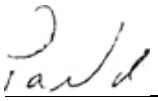
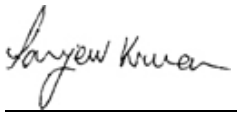
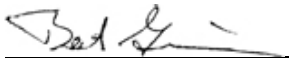
Borrower: ENPHASE ENERGY, INC.

I, the undersigned Secretary or Assistant Secretary of ENPHASE ENERGY, INC. (the "Corporation"), HEREBY CERTIFY that the Corporation is organized and existing under and by virtue of the laws of the State of Delaware.

I FURTHER CERTIFY that attached hereto as Attachments 1 and 2 are true and complete copies of the Certificate of Incorporation, as amended, and the Restated Bylaws of the Corporation, each of which is in full force and effect on the date hereof.

I FURTHER CERTIFY that pursuant to the Unanimous Written Consent of the Directors of the Corporation, the following resolutions (the "Resolutions") were adopted.

BE IT RESOLVED, THAT ANY ONE (1) of the following named officers, employees, or agents of this Corporation, whose actual signatures are shown below:

NAMES	POSITION	ACTUAL SIGNATURES
Paul Nahi	Chief Executive Officer	
Sanjeev Kumar	Chief Financial Officer	
Bert Garcia	Controller	

acting for and on behalf of this Corporation and as its act and deed be, and they hereby are, authorized and empowered:

Borrow Money. To borrow from time to time from Bridge Bank, National Association and Comerica Bank (collectively, the "Lenders"), on such terms as may be agreed upon between the officers, employees, or agents of the Corporation and the Lenders, such sum or sums of money as in their reasonable judgment should be borrowed, without limitation.

Executive Loan Documents. To execute and deliver to the Lenders that certain Amended and Restated Loan and Security Agreement dated as of March __, 2011 (the "Loan Agreement") and any other agreement entered into between Corporation and the Lenders in connection with the Loan Agreement, including any amendments, all as amended or extended from time to time (collectively, with the Loan Agreement, the "Loan Documents"), and also to execute and deliver to the Lenders one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for the Loan Documents, or any portion thereof.

Grant Security. To grant a security interest to Lenders in the Collateral described in the Loan Documents, which security interest shall secure all of the Corporation's Obligations, as described in the Loan Documents.

Negotiate Items. To draw, endorse, and discount with Lenders all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the account of the Corporation with Lenders, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

Letters of Credit. To execute letter of credit applications and other related documents pertaining to Lenders' issuance of letters of credit.

Corporate Credit Cards. To execute corporate credit card applications and agreements and other related documents pertaining to Lender's provision of corporate credit cards.

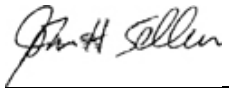
Further Acts. In the case of lines of credit, to designate additional or alternated individuals as being authorized to request advances thereunder, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as they may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of these Resolutions.

BE IT FURTHER RESOLVED, that any and all acts authorized pursuant to these resolutions and performed prior to the passage of these resolutions are hereby ratified and approved, that these Resolutions shall remain in full force and effect and Lenders may rely on these Resolutions until written notice of their revocation shall have been delivered to and received by Lenders. Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice is given.

I FURTHER CERTIFY that the officers, employees, and agents named above are duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupy the positions set forth opposite their respective names; that the foregoing Resolutions now stand of record on the books of the Corporation; and that the Resolutions are in full force and effect and have not been modified or revoked in any manner whatsoever.

IN WITNESS WHEREOF, I have hereunto set my hand on March 24, 2011 and attest that the signatures set opposite the names listed above are their genuine signatures.

CERTIFIED AND ATTESTED BY:

X 

FIRST LOAN AND SECURITY MODIFICATION AGREEMENT

This **FIRST LOAN AND SECURITY MODIFICATION AGREEMENT** (the "Loan and Security Modification Agreement") is entered into as of November 14, 2011 by and between **BRIDGE BANK, NATIONAL ASSOCIATION** ("Bridge" and, solely in its capacity as collateral agent for the Lenders (as defined below), "Collateral Agent"), **COMERICA BANK** ("Comerica" and, collectively, with Bridge, the "Lenders" and each, individually, a "Lender") and **ENPHASE ENERGY, INC.** ("Borrower").

1. DESCRIPTION OF EXISTING INDEBTEDNESS: Among other indebtedness which may be owing by Borrower to Lenders, Borrower is indebted to Lenders pursuant to, among other documents, an Amended and Restated Loan and Security Agreement dated as of March 24, 2011 by and between Borrower and Lenders (as amended from time to time, the "Loan and Security Agreement"). Capitalized terms used without definition herein shall have the meanings assigned to them in the Loan and Security Agreement.

Hereinafter, all indebtedness owing by Borrower to Lenders shall be referred to as the "Indebtedness" and the Loan and Security Agreement and any and all other documents executed by Borrower in favor of Lenders shall be referred to as the "Existing Documents."

2. DESCRIPTION OF CHANGE IN TERMS.

a. Modification(s) to Loan and Security Agreement:

1. The following defined term in Section 1.1 of the Agreement hereby is amended and restated as follows:

"Investors' Indebtedness" means subordinated convertible Indebtedness of Borrower in favor of Investors in the aggregate principal amount not to exceed Eighty Million Dollars ($80,000,000); provided the same is subject to the Investors Subordination Agreement.

"Investors Subordination Agreement" means that certain Subordination Agreement between Investors and Collateral Agent dated as of June 14, 2011, as amended.

2. Lenders hereby consent to Borrower's incurrence of subordinated convertible Indebtedness pursuant to the Subordinated Loan Agreement (as defined in the Investors Subordination Agreement) in an aggregate principal amount not to exceed Eighty Million Dollars ($80,000,000).

3. CONSISTENT CHANGES. The Existing Documents are each hereby amended wherever necessary to reflect the changes described above.

4. NO DEFENSES OF BORROWER/GENERAL RELEASE. Borrower agrees that, as of this date, it has no defenses against the obligations to pay any amounts under the Indebtedness. Borrower acknowledges that Lenders would not enter into this Loan and Security Modification Agreement without Borrower's assurance that it has no claims against Lenders or any of Lenders' officers, directors, employees or agents. Except for the obligations arising hereafter under this Loan and Security Modification Agreement, Borrower releases Lenders, and each of Lenders' officers, directors and employees from any known or unknown claims that Borrower now has against Lenders of any nature, including any claims that Borrower, its successors, counsel, and advisors may in the future discover they would have now had if they had known facts not now known to them, whether founded in contract, in tort or pursuant to any other theory of liability, including but not limited to any claims arising out of or related to the Agreement or the transactions contemplated thereby. Borrower waives the provisions of California Civil Code section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The provisions, waivers and releases set forth in this section are binding upon Borrower and its shareholders, agents, employees, assigns and successors in interest. The provisions, waivers and releases of this section shall inure to the benefit of each Lender and its agents, employees, officers, directors, assigns and successors in interest. The provisions of this section shall survive payment in full of the Obligations, full performance of all the terms of this Loan and Security Modification Agreement and the Agreement, and/or Lenders' actions to exercise any remedy available under the Agreement or otherwise.

5. CONTINUING VALIDITY. Borrower understands and agrees that in modifying the existing Indebtedness, Lenders are relying upon Borrower's representations, warranties, and agreements, as set forth in the Existing Documents. Except as expressly modified pursuant to this Loan and Security Modification Agreement, the terms of the Existing Documents remain unchanged and in full force and effect. Lenders' agreement to modifications to the existing Indebtedness pursuant to this Loan and Security Modification Agreement in no way shall obligate Lenders to make any future modifications to the Indebtedness. Nothing in this Loan and Security Modification Agreement shall constitute a satisfaction of the Indebtedness. It is the intention of Lenders and Borrower to retain as liable parties all makers and endorsers of Existing Documents, unless the party is expressly released by Lenders in writing. No maker, endorser, or guarantor will be released by virtue of this Loan and Security Modification Agreement. The terms of this paragraph apply not only to this Loan and Security Modification Agreement, but also to any subsequent Loan and Security modification agreements.

6. JUDICIAL REFERENCE PROVISION.

a. In the event the Jury Trial waiver is not enforceable, the parties elect to proceed under this Judicial Reference Provision.

b. With the exception of the items specified in Section 7(c) below, any controversy, dispute or claim (each, a "Claim") between the parties arising out of or relating to this Agreement or any other document, instrument or agreement between the undersigned parties (collectively in this Section, the "Loan Documents"), will be resolved by a reference proceeding in California in accordance with the provisions of Sections 638 et seq. of the California Code of Civil Procedure ("CCP"), or their successor sections, which shall constitute the exclusive remedy for the resolution of any Claim, including whether the Claim is subject to the reference proceeding. Except as otherwise provided in the Loan Documents, venue for the reference proceeding will be in the state or federal court in the county or district where the real property involved in the action, if any, is located or in the state or federal court in the county or district where venue is otherwise appropriate under applicable law (the "Court").

c. The matters that shall not be subject to a reference are the following: (i) nonjudicial foreclosure of any security interests in real or personal property, (ii) exercise of self-help remedies (including, without limitation, set-off), (iii) appointment of a receiver and (iv) temporary, provisional or ancillary remedies (including, without limitation, writs of attachment, writs of possession, temporary restraining orders or preliminary injunctions). This reference provision does not limit the right of any party to exercise or oppose any of the rights and remedies described in clauses (i) and (ii) or to seek or oppose from a court of competent jurisdiction any of the items described in clauses (iii) and (iv). The exercise of, or opposition to, any of those items does not waive the right of any party to a reference pursuant to this reference provision as provided herein.

d. The referee shall be a retired judge or justice selected by mutual written agreement of the parties. If the parties do not agree within ten (10) days of a written request to do so by any party, then, upon request of any party, the referee shall be selected by the Presiding Judge of the Court (or his or her representative). A request for appointment of a referee may be heard on an ex parte or expedited basis, and

the parties agree that irreparable harm would result if ex parte relief is not granted. Pursuant to CCP § 170.6, each party shall have one peremptory challenge to the referee selected by the Presiding Judge of the Court (or his or her representative).

e. The parties agree that time is of the essence in conducting the reference proceedings. Accordingly, the referee shall be requested, subject to change in the time periods specified herein for good cause shown, to (i) set the matter for a status and trial-setting conference within fifteen (15) days after the date of selection of the referee, (ii) if practicable, try all issues of law or fact within one hundred twenty (120) days after the date of the conference and (iii) report a statement of decision within twenty (20) days after the matter has been submitted for decision.

f. The referee will have power to expand or limit the amount and duration of discovery. The referee may set or extend discovery deadlines or cutoffs for good cause, including a party's failure to provide requested discovery for any reason whatsoever. Unless otherwise ordered based upon good cause shown, no party shall be entitled to "priority" in conducting discovery, depositions may be taken by either party upon seven (7) days written notice, and all other discovery shall be responded to within fifteen (15) days after service. All disputes relating to discovery which cannot be resolved by the parties shall be submitted to the referee whose decision shall be final and binding.

g. Except as expressly set forth herein, the referee shall determine the manner in which the reference proceeding is conducted including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the reference proceeding. All proceedings and hearings conducted before the referee, except for trial, shall be conducted without a court reporter, except that when any party so requests, a court reporter will be used at any hearing conducted before the referee, and the referee will be provided a courtesy copy of the transcript. The party making such a request shall have the obligation to arrange for and pay the court reporter. Subject to the referee's power to award costs to the prevailing party, the parties will equally share the cost of the referee and the court reporter at trial.

h. The referee shall be required to determine all issues in accordance with existing case law and the statutory laws of the State of California. The rules of evidence applicable to proceedings at law in the State of California will be applicable to the reference proceeding. The referee shall be empowered to enter equitable as well as legal relief, enter equitable orders that will be binding on the parties and rule on any motion which would be authorized in a court proceeding, including without limitation motions for summary judgment or summary adjudication. The referee shall issue a decision at the close of the reference proceeding which disposes of all claims of the parties that are the subject of the reference. Pursuant to CCP § 644, such decision shall be entered by the Court as a judgment or an order in the same manner as if the action had been tried by the Court and any such decision will be final, binding and conclusive. The parties reserve the right to appeal from the final judgment or order or from any appealable decision or order entered by the referee. The parties reserve the right to findings of fact, conclusions of laws, a written statement of decision, and the right to move for a new trial or a different judgment, which new trial, if granted, is also to be a reference proceeding under this provision.

i. If the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge or justice, in accordance with the California Arbitration Act §1280 through §1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

j. THE PARTIES RECOGNIZE AND AGREE THAT ALL CONTROVERSIES, DISPUTES AND CLAIMS RESOLVED UNDER THIS REFERENCE PROVISION WILL BE DECIDED BY A REFEREE AND NOT BY A JURY. AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF ITS, HIS OR HER OWN CHOICE, EACH PARTY KNOWINGLY AND VOLUNTARILY, AND FOR THE MUTUAL BENEFIT OF ALL PARTIES, AGREES THAT THIS REFERENCE PROVISION WILL APPLY TO ANY

CONTROVERSY, DISPUTE OR CLAIM BETWEEN OR AMONG THEM ARISING OUT OF OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

7. CONDITIONS. The effectiveness of this Loan and Security Modification Agreement is conditioned upon (i) the due execution and delivery to Collateral Agent of this Loan and Security Modification Agreement, (ii) the due execution and delivery to Collateral Agent of updated Borrowing Resolutions, (iii) the delivery to Collateral Agent of an Amendment to and Affirmation of Subordination Agreement, duly executed by KPCB HOLDINGS, INC. in favor of Lenders and (iv) Borrower's payment of all Lenders' expenses incurred through the date of this Loan and Security Modification Agreement.

8. COUNTERSIGNATURE. This Loan and Security Modification Agreement shall become effective only when executed by each Lender and Borrower.

BORROWER:

ENPHASE ENERGY, INC.

By: /s/ Sanjeev Kumar
Name:
Title:

COLLATERAL AGENT AND LENDER:

BRIDGE BANK, NATIONAL ASSOCIATION

By: /s/ Michael Lederman
Name: Michael Lederman
Title: SVP

LENDER:

COMERICA BANK

By: /s/ Robert Schutt
Name: Robert Schutt
Title: SVP

[*Signature Page to First Loan and Security Modification Agreement*]

CORPORATE RESOLUTIONS TO BORROW

Borrower: ENPHASE ENERGY, INC.

I, the undersigned Secretary or Assistant Secretary of ENPHASE ENERGY, INC. (the "Corporation"), HEREBY CERTIFY that the Corporation is organized and existing under and by virtue of the laws of the State of Delaware.

I FURTHER CERTIFY that attached hereto as Attachments 1 and 2 are true and complete copies of the Certificate of Incorporation, as amended, and the Restated Bylaws of the Corporation, each of which is in full force and effect on the date hereof.

I FURTHER CERTIFY that pursuant to the Unanimous Written Consent of the Directors of the Corporation, the following resolutions (the "Resolutions") were adopted.

BE IT RESOLVED, that any one (1) of the following named officers, employees, or agents of this Corporation, whose actual signatures are shown below:

NAMES	POSITION	ACTUAL SIGNATURES
Paul Nahi	Chief Executive Officer	/s/ Paul Nahi
Sanjeev Kumar	Chief Financial Officer	/s/ Sanjeev Kumar
Bert Garcia	Controller	/s/ Bert Garcia

acting for and on behalf of this Corporation and as its act and deed be, and they hereby are, authorized and empowered:

Borrow Money. To borrow from time to time from Bridge Bank, National Association and Comerica Bank (collectively, the "Lenders"), on such terms as may be agreed upon between the officers, employees, or agents of the Corporation and the Lenders, such sum or sums of money as in their reasonable judgment should be borrowed, without limitation.

Execute Loan Documents. To execute and deliver to the Lenders that certain Amended and Restated Loan and Security Agreement dated as of March 24, 2011 (as amended from time to time, including by that certain First Loan and Security Modification Agreement dated as of November 14, 2011, collectively, the "Loan Agreement") and any other agreement entered into between Corporation and the Lenders in connection with the Loan Agreement, including any amendments, all as amended or extended from time to time (collectively, with the Loan Agreement, the "Loan Documents"), and also to execute and deliver to the Lenders one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for the Loan Documents, or any portion thereof.

Grant Security. To grant a security interest to Lenders in the Collateral described in the Loan Documents, which security interest shall secure all of the Corporation's Obligations, as described in the Loan Documents.

Negotiate Items. To draw, endorse, and discount with Lenders all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such

proceeds to be credited to the account of the Corporation with Lenders, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

Letters of Credit. To execute letter of credit applications and other related documents pertaining to Lenders' issuance of letters of credit.

Corporate Credit Cards. To execute corporate credit card applications and agreements and other related documents pertaining to Lenders' provision of corporate credit cards.

Further Acts. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances thereunder, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as they may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of these Resolutions.

BE IT FURTHER RESOLVED, that any and all acts authorized pursuant to these resolutions and performed prior to the passage of these resolutions are hereby ratified and approved, that these Resolutions shall remain in full force and effect and Lenders may rely on these Resolutions until written notice of their revocation shall have been delivered to and received by Lenders. Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice is given.

I FURTHER CERTIFY that the officers, employees, and agents named above are duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupy the positions set forth opposite their respective names; that the foregoing Resolutions now stand of record on the books of the Corporation; and that the Resolutions are in full force and effect and have not been modified or revoked in any manner whatsoever.

IN WITNESS WHEREOF, I have hereunto set my hand on November 16, 2011 and attest that the signatures set opposite the names listed above are their genuine signatures.

CERTIFIED AND ATTESTED BY:

X /s/ John H. Sellers

SECOND LOAN AND SECURITY MODIFICATION AGREEMENT

This **SECOND LOAN AND SECURITY MODIFICATION AGREEMENT** is entered into as of December 30, 2011 (the "Second Modification Date") by and between **BRIDGE BANK, NATIONAL ASSOCIATION** ("Bridge" and, solely in its capacity as collateral agent for the Lenders (as defined below), "Collateral Agent"), **COMERICA BANK** ("Comerica" and, collectively, with Bridge, the "Lenders" and each, individually, a "Lender") and **ENPHASE ENERGY, INC.** ("Borrower").

1. DESCRIPTION OF EXISTING INDEBTEDNESS: Among other indebtedness which may be owing by Borrower to Lenders, Borrower is indebted to Lenders pursuant to, among other documents, an Amended and Restated Loan and Security Agreement dated as of March 24, 2011 by and between Borrower and Lenders (as amended from time to time, the "Loan and Security Agreement"). Capitalized terms used without definition herein shall have the meanings assigned to them in the Loan and Security Agreement.

Hereinafter, all indebtedness owing by Borrower to Lenders shall be referred to as the "Indebtedness" and the Loan and Security Agreement and any and all other documents executed by Borrower in favor of Lenders shall be referred to as the "Existing Documents."

2. DESCRIPTION OF CHANGE IN TERMS.

a. Modification(s) to Loan and Security Agreement:

1. The following defined terms in Section 1.1 of the Loan and Security Agreement hereby are amended and restated as follows:

"Borrowing Base" means an amount equal to (1) eighty percent (80%) of Eligible Accounts, plus (2) fifty percent (50%) of Eligible Inventory (provided that Advances against Eligible Inventory shall not exceed the lesser of fifty percent (50%) of Eligible Accounts or Thirteen Million Two Hundred Thousand Dollars ($13,200,000)); all as determined by Lenders with reference to the most recent Borrowing Base Certificate delivered by Borrower.

"IPO" means the initial public offering of Borrower's common stock.

"Revolving Line" means a credit extension of up to Thirty Three Million Dollars ($33,000,000) (inclusive of the aggregate face amount of Letters of Credit, the aggregate limits of the Credit Card Services and any amounts outstanding under the Foreign Exchange Sublimit).

"Revolving Maturity Date" means December 30, 2013.

"Second Modification Date" is December 30, 2011.

2. Clause (h) of the defined term "Permitted Investment" in Section 1.1 of the Loan and Security Agreement hereby is amended and restated in its entirety to read as follows:

"(h) Investments in Subsidiaries made in the ordinary course of business, not to exceed Six Million Dollars ($6,000,000) in the aggregate in any fiscal year;"

3. Section 2.1(b)(i) of the Loan and Security Agreement hereby is amended and restated in its entirety to read as follows:

"(i) Commitment. Subject to the terms of this Agreement, at the request of Borrower, Issuing Lender will issue from time to time standby or documentary letters of credit, in each case for the account of Borrower and containing terms and conditions which are consistent with this Agreement and reasonably satisfactory to Issuing Lender (each such letter of credit, a "Letter of Credit") in an aggregate

outstanding face amount not to exceed the lesser of the Revolving Line or the Borrowing base *minus* the aggregate amount of the outstanding Advances at any time, the Credit Card Exposure, and the FX Amount, provided that the Stated Amount of all Letters of Credit shall not exceed Ten Million Dollars ($10,000,000). No Letter of Credit shall be issued (including any renewal or extension of any Letter of Credit previously issued) unless: (a) after giving effect to each such issuance, (i) the aggregate Stated Amount of all Letters of Credit shall not at any time exceed Ten Million Dollars ($10,000,000) and (ii) Revolving Outstandings will not at any time exceed the Revolving Line, (b) the conditions set forth in Section 3 have been satisfied, (c) the issuance of the Letter of Credit would not violate one or more policies of the Issuing Lender, and (d) no order, judgment or decree of any Governmental Authority or arbitrator shall purport by its terms to enjoin or restrain Issuing Lender from issuing the Letter of Credit requested or any Lender from taking an assignment of its Pro Rata Share thereof, and no law, rule, regulation, request or directive (whether or not having the force of law) shall prohibit the Issuing Lender from issuing, or any Lender from taking an assignment of its Pro Rata Share of, the Letter of Credit requested or letters of credit generally, or will impose upon the Issuing Lender any restriction, reserve or capital requirement not in effect on the Closing Date and for which the Issuing Lender is not already compensated for hereunder, or will impose on the Issuing Lender unreimbursed loss, cost or expense that was not applicable on the Closing Date deemed to be material to it by the Issuing Lender."

4. Section 2.1(d) of the Loan and Security Agreement hereby is amended and restated in its entirety to read as follows:

"**(b) Foreign Exchange Sublimit**. Subject to and upon the terms and conditions of this Agreement and any other agreement that Borrower may enter into with any Lender in connection with foreign exchange transactions ("FX Contracts"), Borrower may request that a Lender agree, severally and not jointly, to enter into FX Contracts with Borrower expiring not later than the Revolving Maturity Date, and a Lender may agree (if it so elects) to do so (provided that no Lender shall have any obligation to enter into FX Contracts). Borrower shall pay any standard issuance and other fees that each Lender notifies Borrower will be charged for issuing and processing FX Contracts for Borrower. The aggregate FX Amount shall at all times be equal to or less than Five Million Dollars ($5,000,000) for all FX Contracts entered into with Lenders hereunder. In addition, no single Lender shall have an aggregate FX Amount in excess of Two Million Five Hundred Thousand Dollars ($2,500,000). The "FX Amount" shall equal the amount determined by multiplying (i) the aggregate amount, in United States Dollars, of FX Contracts between Borrower and any participating Lender remaining outstanding as of any date of determination by (ii) the applicable Foreign Exchange Reserve Percentage as of such date. The "Foreign Exchange Reserve Percentage" shall be a percentage as determined by each Lender, in its sole discretion from time to time. The initial Foreign Exchange Reserve Percentage shall be ten percent (10%). A reserve (the "FX Reserve") shall be established against availability under the Borrowing Base in the aggregate FX Amount in effect from time to time. Each Lender shall advise the other Lenders and the Collateral Agent in writing promptly upon entering into an FX Contract with Borrower (with a copy to Borrower), specifying in such notice the FX Amount related to such Contract. Lenders shall be entitled to receive collection proceeds under Section 9.4 in respect of FX Contracts entered into by it with Borrower up to the amount of the FX Reserve applicable to such FX Contracts (until the amount of such reserve has been exhausted) in the chronological order in which such contracts have been entered into. Once the amount of the FX Reserve has been exhausted, no additional collection proceeds shall be available for application against the Borrower's Obligations under FX Contracts until all other Obligations have been paid and discharged in full."

5. Section 2.5(a) of the Loan and Security Agreement hereby is amended and restated in its entirety to read as follows:

"(a) Facility Fee. On the Second Modification Date and the first anniversary thereof (or prior repayment of the Obligations whether by acceleration or otherwise if prior to the first anniversary thereof), a facility fee equal to One Hundred Sixty Five Thousand Dollars ($165,000), to be shared between the Lenders pursuant to their respective Commitment Percentages, which shall be fully earned and nonrefundable as of the Second Modification Date; and"

6. New Section 2.5(d) hereby is added to the Loan and Security Agreement as follows:

"(d) Unused Facility Fee. At all times after consummation of the IPO, if Borrower fails to maintain the Minimum Advance (as defined in Section 6.8(c)), a quarterly unused facility fee equal to fifteen hundredths of one percent (0.15%) per annum of the lesser of (i) the Revolving Line or (ii) the Borrowing Base, *minus* the Stated Amount of all Letters of Credit, the Credit Card Reserve and the FX Reserve in effect from time to time, on average, during the applicable quarter, which fee shall be payable within five (5) days of the last day of each such quarter and shall be nonrefundable."

7. Section 6.7 of the Loan and Security Agreement hereby is amended and restated in its entirety to read as follows:

"6.7 Accounts. Borrower shall maintain (x) its primary operating accounts with Bridge, which accounts shall represent at least 40% of the dollar value of Borrower's accounts at all financial institutions; and (y) at least 40% of the dollar value of Borrower's accounts at all financial institutions with Comerica; including at least Two Million Dollars ($2,000,000) in a non interest-bearing demand deposit account with each of Bridge and Comerica; provided that (i) in the event Borrower's quarterly revenue is less than eighty percent (80%) of Borrower's Board-approved forecast submitted to Lenders in accordance with Section 6.3 (the "Approved Forecast"), Borrower shall, until such time as Borrower achieves and maintains two (2) consecutive quarters of quarterly revenue equal to or greater than eighty percent (80%) of the Approved Forecast (the "Initial Revenue Cure"), maintain consolidated, unrestricted cash in a non interest-bearing demand deposit account with Bridge in the amount of at least Four Million Dollars ($4,000,000), and with Comerica in the amount of at least Four Million Dollars ($4,000,000); provided that, in the event that, after the Initial Revenue Cure, Borrower's quarterly revenue is less than eighty percent (80%) of the Approved Forecast, Borrower shall at all times thereafter maintain consolidated, unrestricted cash in a non interest-bearing demand deposit account with Bridge in the amount of at least Four Million Dollars ($4,000,000), and with Comerica in the amount of at least Four Million Dollars ($4,000,000); (ii) Borrower may continue to maintain its existing account with Bank of the West with a balance not to exceed Five Thousand Dollars ($5,000) (with respect to which a control agreement shall not be required); (iii) Borrower may maintain up to five percent (5.00%) of consolidated cash in its existing accounts held outside the United States to support Borrower's Foreign Subsidiaries ("Permitted Foreign Cash"), provided that if amounts in such accounts exceed five percent (5.00%) of consolidated cash, Borrower shall, within five (5) calendar days, cause such excess amount to be transferred to an account with Bridge or Comerica; and (iv) Borrower shall not, and shall not permit any Subsidiary, to open any accounts other than those described herein, without Required Lenders' prior written consent (which consent shall not be unreasonably withheld). Notwithstanding the foregoing, if (i) Borrower consummates the IPO and (ii) maintains unrestricted cash with Bridge and Comerica in an aggregate amount of at least Thirty Three Million Dollars ($33,000,000), Borrower shall be permitted to maintain cash in accounts other than those described herein, subject to control agreements in form and content reasonably acceptable to Collateral Agent."

8. Section 6.8(b) of the Loan and Security Agreement hereby is amended and restated in its entirety to read as follows:

"(b) **Tangible Net Worth**. Tangible Net Worth of at least Nine Million Eight Hundred Seventy Five Thousand Dollars ($9,875,000), increasing by (i) twenty five percent (25%) of New Equity, (ii) twenty five percent (25%) of the principal amount of the Investors' Indebtedness actually advanced to Borrower after the Second Modification Date; and (iii) seventy percent (70%) of quarterly net profit after tax, if a positive number (determined in accordance with GAAP), measured quarterly."

9. New Section 6.8(c) hereby is added to the Loan and Security Agreement as follows:

"**(c) Minimum Advance**. At all times prior to the consummation of the IPO, beginning on March 1, 2012, Borrower shall maintain Revolving Outstandings equal to at least twenty five percent (25%) of the amount available under the lesser of (i) the Revolving Line or (ii) the Borrowing

Base, *minus* the Stated Amount of all Letters of Credit, the Credit Card Reserve and the FX Reserve in effect from time to time (the "Minimum Advance"). Notwithstanding the foregoing, Borrower shall not be required to comply with this Section 6.8(c) to the extent compliance herewith will cause Borrower to violate the Asset Coverage Ratio requirement in Section 6.8(a), above."

10. Schedule 1.1 to the Loan and Security Agreement hereby is replaced with Schedule 1.1 attached hereto.

11. Exhibit C to the Loan and Security Agreement hereby is replaced with Exhibit C attached hereto.

12. Exhibit D to the Loan and Security Agreement hereby is replaced with Exhibit D attached hereto.

3. CONSISTENT CHANGES. The Existing Documents are each hereby amended wherever necessary to reflect the changes described above.

4. NO DEFENSES OF BORROWER/GENERAL RELEASE. Borrower agrees that, as of this date, it has no defenses against the obligations to pay any amounts under the Indebtedness. Borrower acknowledges that Lenders would not enter into this Loan and Security Modification Agreement without Borrower's assurance that it has no claims against Lenders or any of Lenders' officers, directors, employees or agents. Except for the obligations arising hereafter under this Loan and Security Modification Agreement, Borrower releases Lenders, and each of Lenders' officers, directors and employees from any known or unknown claims that Borrower now has against Lenders of any nature, including any claims that Borrower, its successors, counsel, and advisors may in the future discover they would have now had if they had known facts not now known to them, whether founded in contract, in tort or pursuant to any other theory of liability, including but not limited to any claims arising out of or related to the Agreement or the transactions contemplated thereby. Borrower waives the provisions of California Civil Code section 1542, which states:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The provisions, waivers and releases set forth in this section are binding upon Borrower and its shareholders, agents, employees, assigns and successors in interest. The provisions, waivers and releases of this section shall inure to the benefit of each Lender and its agents, employees, officers, directors, assigns and successors in interest. The provisions of this section shall survive payment in full of the Obligations, full performance of all the terms of this Loan and Security Modification Agreement and the Agreement, and/or Lenders' actions to exercise any remedy available under the Agreement or otherwise.

5. CONTINUING VALIDITY. Borrower understands and agrees that in modifying the existing Indebtedness, Lenders are relying upon Borrower's representations, warranties, and agreements, as set forth in the Existing Documents. Except as expressly modified pursuant to this Loan and Security Modification Agreement, the terms of the Existing Documents remain unchanged and in full force and effect. Lenders' agreement to modifications to the existing Indebtedness pursuant to this Loan and Security Modification Agreement in no way shall obligate Lenders to make any future modifications to the Indebtedness. Nothing in this Loan and Security Modification Agreement shall constitute a satisfaction of the Indebtedness. It is the intention of Lenders and Borrower to retain as liable parties all makers and endorsers of Existing Documents, unless the party is expressly released by Lenders in writing. No maker, endorser, or guarantor will be released by virtue of this Loan and Security Modification Agreement. The terms of this paragraph apply not only to this Loan and Security Modification Agreement, but also to any subsequent Loan and Security modification agreements.

6. JUDICIAL REFERENCE PROVISION.

a. In the event the Jury Trial waiver is not enforceable, the parties elect to proceed under this Judicial Reference Provision.

b. With the exception of the items specified in Section 7(c) below, any controversy, dispute or claim (each, a "Claim") between the parties arising out of or relating to this Agreement or any other document, instrument or agreement between the undersigned parties (collectively in this Section, the "Loan Documents"), will be resolved by a reference proceeding in California in accordance with the provisions of Sections 638 et seq. of the California Code of Civil Procedure ("**CCP**"), or their successor sections, which shall constitute the exclusive remedy for the resolution of any Claim, including whether the Claim is subject to the reference proceeding. Except as otherwise provided in the Loan Documents, venue for the reference proceeding will be in the state or federal court in the county or district where the real property involved in the action, if any, is located or in the state or federal court in the county or district where venue is otherwise appropriate under applicable law (the "Court").

c. The matters that shall not be subject to a reference are the following: (i) nonjudicial foreclosure of any security interests in real or personal property, (ii) exercise of self-help remedies (including, without limitation, set-off), (iii) appointment of a receiver and (iv) temporary, provisional or ancillary remedies (including, without limitation, writs of attachment, writs of possession, temporary restraining orders or preliminary injunctions). This reference provision does not limit the right of any party to exercise or oppose any of the rights and remedies described in clauses (i) and (ii) or to seek or oppose from a court of competent jurisdiction any of the items described in clauses (iii) and (iv). The exercise of, or opposition to, any of those items does not waive the right of any party to a reference pursuant to this reference provision as provided herein.

d. The referee shall be a retired judge or justice selected by mutual written agreement of the parties. If the parties do not agree within ten (10) days of a written request to do so by any party, then, upon request of any party, the referee shall be selected by the Presiding Judge of the Court (or his or her representative). A request for appointment of a referee may be heard on an ex parte or expedited basis, and the parties agree that irreparable harm would result if ex parte relief is not granted. Pursuant to CCP § 170.6, each party shall have one peremptory challenge to the referee selected by the Presiding Judge of the Court (or his or her representative).

e. The parties agree that time is of the essence in conducting the reference proceedings. Accordingly, the referee shall be requested, subject to change in the time periods specified herein for good cause shown, to (i) set the matter for a status and trial-setting conference within fifteen (15) days after the date of selection of the referee, (ii) if practicable, try all issues of law or fact within one hundred twenty (120) days after the date of the conference and (iii) report a statement of decision within twenty (20) days after the matter has been submitted for decision.

f. The referee will have power to expand or limit the amount and duration of discovery. The referee may set or extend discovery deadlines or cutoffs for good cause, including a party's failure to provide requested discovery for any reason whatsoever. Unless otherwise ordered based upon good cause shown, no party shall be entitled to "priority" in conducting discovery, depositions may be taken by either party upon seven (7) days written notice, and all other discovery shall be responded to within fifteen (15) days after service. All disputes relating to discovery which cannot be resolved by the parties shall be submitted to the referee whose decision shall be final and binding.

g. Except as expressly set forth herein, the referee shall determine the manner in which the reference proceeding is conducted including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the reference proceeding. All proceedings and hearings conducted before the referee, except for trial, shall be conducted without a court reporter, except that when any party so requests, a court reporter will be used at any hearing conducted before the referee, and the referee will be provided a courtesy copy of the transcript. The party making such a request shall have the obligation to arrange for and pay the court reporter. Subject to the referee's

power to award costs to the prevailing party, the parties will equally share the cost of the referee and the court reporter at trial.

h. The referee shall be required to determine all issues in accordance with existing case law and the statutory laws of the State of California. The rules of evidence applicable to proceedings at law in the State of California will be applicable to the reference proceeding. The referee shall be empowered to enter equitable as well as legal relief, enter equitable orders that will be binding on the parties and rule on any motion which would be authorized in a court proceeding, including without limitation motions for summary judgment or summary adjudication. The referee shall issue a decision at the close of the reference proceeding which disposes of all claims of the parties that are the subject of the reference. Pursuant to CCP § 644, such decision shall be entered by the Court as a judgment or an order in the same manner as if the action had been tried by the Court and any such decision will be final, binding and conclusive. The parties reserve the right to appeal from the final judgment or order or from any appealable decision or order entered by the referee. The parties reserve the right to findings of fact, conclusions of laws, a written statement of decision, and the right to move for a new trial or a different judgment, which new trial, if granted, is also to be a reference proceeding under this provision.

i. If the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge or justice, in accordance with the California Arbitration Act §1280 through §1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

j. THE PARTIES RECOGNIZE AND AGREE THAT ALL CONTROVERSIES, DISPUTES AND CLAIMS RESOLVED UNDER THIS REFERENCE PROVISION WILL BE DECIDED BY A REFEREE AND NOT BY A JURY. AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF ITS, HIS OR HER OWN CHOICE, EACH PARTY KNOWINGLY AND VOLUNTARILY, AND FOR THE MUTUAL BENEFIT OF ALL PARTIES, AGREES THAT THIS REFERENCE PROVISION WILL APPLY TO ANY CONTROVERSY, DISPUTE OR CLAIM BETWEEN OR AMONG THEM ARISING OUT OF OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

7. CONDITIONS. The effectiveness of this Loan and Security Modification Agreement is conditioned upon (i) the due execution and delivery to Collateral Agent of this Loan and Security Modification Agreement, (ii) the due execution and delivery to Collateral Agent of updated Borrowing Resolutions, (iii) the due execution and delivery to Collateral Agent of an Affirmation of Subordination Agreement in favor of Lenders by KPCB HOLDINGS, INC., as nominee, as agent for the lenders under the Subordinated Loan Agreement (as defined in the Investors Subordination Agreement), (iv) the due execution and delivery to Collateral Agent of an Affirmation of Intercreditor Agreement and (v) Borrower’s payment of all Lenders’ expenses incurred through the date of this Loan and Security Modification Agreement.

[*Signature Page Follows*]

8. COUNTER SIGNATURE. This Loan and Security Modification Agreement shall become effective only when executed by each Lender and Borrower.

BORROWER:

ENPHASE ENERGY, INC.

By: /s/ Paul Nahi

Name:

Title:

COLLATERAL AGENT AND LENDER:

BRIDGE BANK, NATIONAL ASSOCIATION

By:

Name:

Title:

LENDER:

COMERICA BANK

By:

Name:

Title:

[*Signature Page to Second Loan and Security Modification Agreement*]

8. COUNTER SIGNATURE. This Loan and Security Modification Agreement shall become effective only when executed by each Lender and Borrower.

BORROWER:

ENPHASE ENERGY, INC.

By: _____

Name: _____

Title: _____

COLLATERAL AGENT AND LENDER:

BRIDGE BANK, NATIONAL ASSOCIATION

By: /s/ Michael Lederman

Name: Michael Lederman

Title: SVP

LENDER:

COMERICA BANK

By: _____

Name: _____

Title: _____

[***Signature Page to Second Loan and Security Modification Agreement***]

8. COUNTER SIGNATURE. This Loan and Security Modification Agreement shall become effective only when executed by each Lender and Borrower.

BORROWER:

ENPHASE ENERGY, INC.

By: _____

Name: _____

Title: _____

COLLATERAL AGENT AND LENDER:

BRIDGE BANK, NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

LENDER:

COMERICA BANK

By: /s/ Alan Jepsen

Name: Alan Jepsen

Title: SVP

[***Signature Page to Second Loan and Security Modification Agreement***]

SCHEDULE 1.1

COMMITMENT AMOUNTS AND PERCENTAGES

Lender	Loan Commitment Amount	Commitment Percentage
Bridge Bank, N.A.	$ 16,500,000	50.00%
Comerica Bank	$ 16,500,000	50.00%
TOTAL	**$ 33,000,000**	**100.00%**

EXHIBIT D

COMPLIANCE CERTIFICATE

TO: BRIDGE BANK, NATIONAL ASSOCIATION and COMERICA BANK

FROM: ENPHASE ENERGY, INC.

The undersigned authorized officer of ENPHASE ENERGY, INC. hereby certifies that in accordance with the terms and conditions of the Amended and Restated Loan and Security Agreement between Borrower, Bridge Bank, N.A. and Comerica Bank (the "Agreement"), (i) Borrower is in complete compliance for the period ending ____ _____ with all required covenants except as noted below and (ii) all representations and warranties of Borrower stated in the Agreement are true and correct in all material respects as of the date hereof; provided, however that those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects of such date. Attached herewith are the required documents supporting the above certification. The Officer further certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letter or footnotes.

Please indicate compliance status by circling Yes/No under "Complies" column.

Reporting Covenant	Required	Complies	
Annual financial statements (CPA Audited)	FYE within 180 days	Yes	No
Monthly financial statements (consolidated), Compliance Certificate and deferred revenue report	Monthly within 30 days	Yes	No
Quarterly financial statements (consolidating)	Quarterly within 30 days	Yes	No
10K and 10Q	(as applicable)	Yes	No
Annual operating budget, sales projections and operating plans approved by board of directors	Annually no later than 30 days after the end of each fiscal year	Yes	No
A/R & A/P Agings, Inventory Report, Borrowing Base Certificate	Prior to each Credit Extension, and monthly within 20 days	Yes	No
A/R Audit	Initial (within 30 days of close) and Semi-Annual thereafter	Yes	No
Inventory Exam	Prior to any Advance on "Eligible Inventory" and Annually thereafter	Yes	No
IP Report	Annually within 30 days, and promptly after filings with the USPTO and/or Copyright Office	Yes	No
Deposit balances with Bridge Bank	$ _____		
Deposit balances with Comerica Bank	$ _____		
Deposit balances outside Bridge Bank or Comerica Bank (explain on attachment)	$ _____		
Amount/% of Total Cash maintained with foreign subsidiaries	$ _____ ____/%_____ (may not exceed 5%)	Yes	No

Financial Covenants	Required	Actual	Complies	
Minimum Asset Coverage Ratio (monthly)	1.50: 1.00	_____ :1.00	Yes	No
Minimum Tangible Net Worth (quarterly)	$9,875,000*	$ _____	Yes	No
Minimum Unrestricted Cash in DDA at each of Bridge and Comerica	$2,000,000**	$ _____	Yes	No

Comments Regarding Exceptions: See Attached.

Sincerely,

_____
SIGNATURE

_____
TITLE

_____
DATE

BANK USE ONLY

Received by: _____
AUTHORIZED SIGNER

Date: _____

Verified: _____
AUTHORIZED SIGNER

Date: _____

Compliance Status Yes No

* increasing by (i) 25% of New Equity, (ii) 25% of the principal amount of the Investors' Indebtedness actually advanced to Borrower after the Second Modification Date, and (iii) 70% of quarterly net profit after tax (determined in accordance with GAAP).

** to increase to $4,000,000 at Bridge and $4,000,000 at Comerica in the event Borrower's quarterly revenue is < 80% of the Board-approved forecast delivered to Lenders in accordance with Section 6.3.

EXHIBIT C

BORROWING BASE CERTIFICATE
BRIDGE BANK and COMERICA BANK

ENPHASE ENERGY, INC.:

ACCOUNTS RECEIVABLE BORROWING BASE CALCULATION:					**As of Date:**	_____		
1.	Add: Accounts Receivable Aged Current to 30 Days				$	0		
2.	Add: Accounts Receivable Aged 31 to 60 Days				$	0		
3.	Add: Accounts Receivable Aged 61 to 90 Days				$	0		
4.	Add: Accounts Receivable Aged 91 Days and Over				$	0		
5.	**GROSS ACCOUNTS RECEIVABLE**						$	0
6.	Less: Accounts Receivable Aged over	90 days			$	0		
7.	Less: U.S. Government Receivables (Net of > 90s)				$	0		
8.	Less: Foreign Receivables (Net of > 90s)				$	0		
9.	Less: Affiliate or Related Accounts Receivables (Net of > 90s)				$	0		
10.	Less: Account concentration in excess of	30%	$ 0		$	0		
11.	Less: Cross Aging	35%			$	0		
12.	Less: Contra Accounts, Prebills, Progress Billings, Retentions, bill and holds, returns				$	0		
13.	Less: Over 90 day A/R credits				$	0		
14.	Add: Lines 6 through 13 - Total Ineligible Accounts				$	0		
15.	**NET ELIGIBLE ACCOUNTS RECEIVABLE**						$	0
16.	Account Receivable Advance Rate							80%
17.	**ACCOUNTS RECEIVABLE BORROWING BASE**						**$**	**0**
18.	**INVENTORY**							
19.	Eligible Inventory Value as of _____ **ELIGIBLE AMOUNT OF INVENTORY (lesser of (1) 50% of #19 or (2) 50% of #17; not to exceed $13,200,000)**							
20.	**MAXIMUM AVAILABLE LINE OF CREDIT**		$33,000,000					
21.	Less: Outstanding Loan Balance						$	0
22.	**AVAILABLE FOR DRAW/NEED TO PAY**						**$**	**0**

If line #22 is a negative number, this amount must be remitted to the Bank immediately to bring loan balance into compliance. By signing this form you authorize the bank to deduct any advance amounts directly from the company's checking account at Bridge Bank in the event there is an Overadvance.

The undersigned represents and warrants that the foregoing is true, complete and correct, and that the information reflected in this Borrowing Base Certificate complies with the representations and warranties set forth in the Amended and Restated Loan and Security Agreement between the undersigned and Bridge Bank, National Association and Comerica Bank.

_____ Date: _____
Prepared By:

_____ Date: _____
Bank Reviewed:

CORPORATE RESOLUTIONS TO BORROW

Borrower: ENPHASE ENERGY, INC

I, the undersigned Secretary or Assistant Secretary of ENPHASE ENERGY, INC. (the "Corporation"), HEREBY CERTIFY that the Corporation is organized and existing under and by virtue of the laws of the State of Delaware.

I FURTHER CERTIFY that attached hereto as Attachments 1 and 2 are true and complete copies of the Certificate of Incorporation, as amended, and the Restated Bylaws of the Corporation, each of which is in full force and effect on the date hereof.

I FURTHER CERTIFY that pursuant to the Unanimous Written Consent of the Directors of the Corporation, the following resolutions (the "Resolutions") were adopted.

BE IT RESOLVED, that any one (1) of the following named officers, employees, or agents of this Corporation, whose actual signatures are shown below

NAMES	POSITION	ACTUAL SIGNATURES
Paul Nahi	Chief Executive Officer	/s/ Paul Nahi
Sanjeev Kumar	Chief Financial Officer	
Bert Garcia	Controller	

acting for and on behalf of this Corporation and as its act and deed be, and they hereby are, authorized and empowered:

Borrow Money. To borrow from time to time from Bridge Bank, National Association and Comerica Bank (collectively, the "Lenders"), on such terms as may be agreed upon between the officers, employees, or agents of the Corporation and the Lenders, such sum or sums of money as in their reasonable judgment should be borrowed, without limitation.

Execute Loan Documents. To execute and deliver to the Lenders that certain Amended and Restated Loan and Security Agreement dated as of March 24, 2011 (as amended from time to time, including by that certain First Loan and Security Modification Agreement dated as of November 14, 2011 and that certain Second Loan and Security Modification Agreement dated as of December 30, 2011, collectively, the "Loan Agreement") and any other agreement entered into between Corporation and the Lenders in connection with the Loan Agreement, including any amendments, all as amended or extended from time to time (collectively, with the Loan Agreement, the "Loan Documents"), and also to execute and deliver to the Lenders one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for the Loan Documents, or any portion thereof.

Grant Security. To grant a security interest to Lenders in the Collateral described in the Loan Documents, which security interest shall secure all of the Corporation's Obligations, as described in the Loan Documents.

Negotiate Items. To draw, endorse, and discount with Lenders all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such

proceeds to be credited to the account of the Corporation with Lenders, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

Letters of Credit. To execute letter of credit applications and other related documents pertaining to Lenders' issuance of letters of credit.

Corporate Credit Cards. To execute corporate credit card applications and agreements and other related documents pertaining to Lenders' provision of corporate credit cards.

Further Acts. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances thereunder, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as they may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of these Resolutions.

BE IT FURTHER RESOLVED, that any and all acts authorized pursuant to these resolutions and performed prior to the passage of these resolutions are hereby ratified and approved, that these Resolutions shall remain in full force and effect and Lenders may rely on these Resolutions until written notice of their revocation shall have been delivered to and received by Lenders. Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice is given.

I FURTHER CERTIFY that the officers, employees, and agents named above are duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupy the positions set forth opposite their respective names; that the foregoing Resolutions now stand of record on the books of the Corporation; and that the Resolutions are in full force and effect and have not been modified or revoked in any manner whatsoever.

IN WITNESS WHEREOF, I have hereunto set my hand on December 29, 2011 and attest that the signatures set opposite the names listed above are their genuine signatures.

CERTIFIED AND ATTESTED BY:

/s/ John H. Sellers

Exhibit 10.12

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is made and dated as of June 13, 2011 and is entered into by and between ENPHASE ENERGY, INC., a Delaware corporation ("Parent"), and each of Parent's other subsidiaries joined hereto ("Joined Subsidiaries", together with Parent hereinafter collectively referred to as the "Borrower"), and HERCULES TECHNOLOGY GROWTH CAPITAL, INC., a Maryland corporation ("Lender").

RECITALS

A. Borrower has requested Lender to make available to Borrower an equipment loan in an aggregate principal amount of up to Five Million ($5,000,000) (the "Loan");

B. Lender is willing to make the Loan on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, Borrower and Lender agree as follows:

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"ACH Authorization" means the ACH Debit Authorization Agreement in substantially the form of Exhibit F.

"Advance(s)" means any Equipment Advance and/or Secondary Equipment Advance.

"Advance Date" means the funding date of any Advance.

"Advance Request" means a request for an Advance submitted by Borrower to Lender in substantially the form of Exhibit A.

"Agreement" means this Loan and Security Agreement, as amended from time to time.

"Assignee" has the meaning given to it in Section 11.13.

"Bailee Agreement" means a bailee agreement or warehouse agreement in form and substance reasonably acceptable to Lender.

"Borrower Products" means all products, software, service offerings, technical data or technology currently being designed, manufactured or sold by Borrower or which Borrower intends to sell, license, or distribute in the future including any products or service offerings under development, collectively, together with all products, software, service offerings,

technical data or technology that have been sold, licensed or distributed by Borrower since its incorporation.

"Cash" means all cash and liquid funds.

"Change in Control" means any (i) reorganization, recapitalization, consolidation or merger (or similar transaction or series of related transactions) of Borrower or any Subsidiary, sale or exchange of outstanding shares (or similar transaction or series of related transactions) of Borrower or any Subsidiary in which the holders of Borrower or Subsidiary's outstanding shares immediately before consummation of such transaction or series of related transactions do not, immediately after consummation of such transaction or series of related transactions, retain shares representing more than fifty percent (50%) of the voting power of the surviving entity of such transaction or series of related transactions (or the parent of such surviving entity if such surviving entity is wholly owned by such parent), in each case without regard to whether Borrower or Subsidiary is the surviving entity, or (ii) sale or issuance by Borrower of new shares of Preferred Stock of Borrower to investors, none of whom are current investors in Borrower, and such new shares of Preferred Stock are senior to all existing Preferred Stock and Common Stock with respect to liquidation preferences, and the aggregate liquidation preference of the new shares of Preferred Stock is more than fifty percent (50%) of the aggregate liquidation preference of all shares of Preferred Stock of the Company; provided, however, an Initial Public Offering shall not constitute a Change in Control.

"Claims" has the meaning given to it in Section 11.10.

"Closing Date" means the date of this Agreement.

"Collateral" means the property described in Section 3.

"Confidential Information" has the meaning given to it in Section 11.12.

"Consent Letters" means letters from each of the Incumbent Lenders pursuant to which such Incumbent Lender agrees to deliver to Lender a Release Letter with respect to any Eligible Equipment prior to Lender making an Advance for such Eligible Equipment, in each case, in form and substance acceptable to Lender.

"Contingent Obligation" means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to (i) any indebtedness, lease, dividend, letter of credit or other obligation of another, including any such obligation directly or indirectly guaranteed, endorsed, co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable; (ii) any obligations with respect to undrawn letters of credit, corporate credit cards or merchant services issued for the account of that Person; and (iii) all obligations arising under any interest rate, currency or commodity swap agreement, interest rate cap agreement, interest rate collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; provided, however, that the term "Contingent Obligation" shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the

stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

"Copyrights" means all copyrights, whether registered or unregistered, held pursuant to the laws of the United States, any State thereof, or of any other country.

"Copyright License" means any written agreement granting any right to use any Copyright or Copyright registration, now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest.

"Effective Date" has the meaning given to it in Section 4.1.

"Eligible Equipment" is (a) Equipment used by Borrower in the ordinary course of business and (b) Secondary Equipment.

"Equipment Advance" means any Loan funds advanced under this Agreement that are not Secondary Equipment Advances.

"ERISA" is the Employee Retirement Income Security Act of 1974, and its regulations.

"Event of Default" has the meaning given to it in Section 9.

"Facility Charge" means $50,000.

"Financed Equipment" means Eligible Equipment purchased by Borrower with Advances pursuant to Section 2.1.

"Financial Statements" has the meaning given to it in Section 7.1.

"GAAP" means generally accepted accounting principles in the United States of America, as in effect from time to time.

"Incumbent Lenders" means Atel Ventures, Inc., Compass Horizon Funding Company Inc. and Bridge Bank, National Association.

"Indebtedness" means indebtedness of any kind, including (a) all indebtedness for borrowed money or the deferred purchase price of property or services, including reimbursement and other obligations with respect to surety bonds and letters of credit, (b) all obligations evidenced by notes, bonds, debentures or similar instruments, (c) all capital lease obligations, and (d) all Contingent Obligations.

"Initial Public Offering" means the initial underwritten offering of Borrower's common stock pursuant to a registration statement under the Securities Act of 1933 filed with and declared effective by the Securities and Exchange Commission.

"Insolvency Proceeding" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"Intellectual Property" means all of Borrower's Copyrights; Trademarks; Patents; Licenses; trade secrets and inventions; mask works; Borrower's applications therefor and reissues, extensions, or renewals thereof; and Borrower's goodwill associated with any of the foregoing, together with Borrower's rights to sue for past, present and future infringement of Intellectual Property and the goodwill associated therewith.

"Interest Rate" means the higher of (i) the Prime Rate plus 5.75% and (ii) 9.0%.

"International Based Financed Equipment" means Financed Equipment to be located, upon completion of transit, at (i) Flextronics International Ltd.'s (or its affiliates') locations in (a) Canada and (b) China, or (ii) such other location outside of the United States approved in writing by Lender, in each case of subsection (i) and (ii), so long as such Financed Equipment is subject to a Bailee Agreement or a Landlord Consent, as applicable.

"Investment" means any beneficial ownership (including stock, partnership or limited liability company interests) of or in any Person, or any loan, advance or capital contribution to any Person.

"Investors" means existing investors in Borrower and certain affiliates of such investors.

"Investors' Indebtedness" means subordinated convertible Indebtedness of Borrower in favor of Investors in an aggregate principal amount not to exceed $50,000,000; provided, that the same is subject to the Investors Subordination Agreement.

"Investors Subordination Agreement" means that certain subordination agreement between the Investors and Lender, with respect to the Investors' Indebtedness, in form and content acceptable to Lender in its sole discretion; provided, that without limiting the foregoing, the Investors Subordination Agreement shall provide, among other things, that (i) the Investors' Indebtedness cannot be repaid before the Secured Obligations are indefeasibly repaid in full, in cash, and the Lender's commitments to lend hereunder have been terminated, (ii) interest payable on account of the Investors' Indebtedness may not be paid currently, or in cash, but must be accrued, if at all, as PIK (payment in kind; non-cash) interest, and (iii) no Investor or any agent or any representative of Investors may declare a default of the Investors' Indebtedness or otherwise attempt to accelerate payment of the Investors' Indebtedness (or otherwise pursue any rights or remedies with respect thereto, including with respect to any liens on any collateral) unless and until the Secured Obligations are indefeasibly repaid in full, in cash, and the Lender's commitments to lend hereunder have been terminated.

"Joined Subsidiaries" has the meaning given to it in the preamble to this Agreement.

"Joinder Agreements" means for each Subsidiary, a completed and executed Joinder Agreement in substantially the form attached hereto as Exhibit E.

"Landlord Consent" means a landlord or mortgagee letter acceptable in form and substance acceptable to Lender.

"Lender" has the meaning given to it in the preamble to this Agreement.

"License" means any Copyright License, Patent License, Trademark License or other license of rights or interests.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, levy, lien or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, against any property, any conditional sale or other title retention agreement, and any lease in the nature of a security interest.

"Loan" means the Advances made under this Agreement.

"Loan Documents" means this Agreement, the Notes, the ACH Authorization, the Joinder Agreements, all UCC Financing Statements, Landlord Consents, Bailee Agreements, Consent Letters, Release Letters, the Warrant and any other documents executed in connection with the Secured Obligations or the transactions contemplated hereby, as the same may from time to time be amended, modified, supplemented or restated.

"Material Adverse Effect" means a material adverse effect upon: (i) the business, operations, properties, assets, or condition (financial or otherwise) of Borrower and its Subsidiaries taken as a whole; or (ii) the ability of Borrower to perform the Secured Obligations in accordance with the terms of the Loan Documents, or the ability of Lender to enforce any of its rights or remedies with respect to the Secured Obligations; or (iii) the Collateral, or Lender's Liens on the Collateral or the priority of such Liens.

"Maturity Date" means July 1, 2014.

"Maximum Loan Amount" means Five Million and No/100 Dollars ($5,000,000).

"Maximum Rate" shall have the meaning assigned to such term in Section 2.3.

"Note(s)" means a Promissory Note in substantially the form of Exhibit B.

"Patent License" means any written agreement granting any right with respect to any invention on which a Patent is in existence or a Patent application is pending, in which agreement Borrower now holds or hereafter acquires any interest.

"Patents" means all letters patent of, or rights corresponding thereto, in the United States or in any other country, all registrations and recordings thereof, and all applications for letters patent of, or rights corresponding thereto, in the United States or any other country.

"Permitted Indebtedness" means: (i) Indebtedness of Borrower in favor of Lender arising under this Agreement or any other Loan Document; (ii) Indebtedness existing on the Closing Date which is disclosed in Schedule 1A; (iii) Indebtedness to trade creditors incurred in the ordinary course of business, including Indebtedness incurred in the ordinary course of business with corporate credit cards; (iv) Indebtedness that also constitutes a Permitted Investment; (v) Subordinated Indebtedness; (vi) reimbursement obligations in connection with letters of credit that are secured by cash or cash equivalents and issued on behalf of the Borrower or a Subsidiary thereof in an amount not to exceed $200,000 at any time outstanding, (vii) other Indebtedness in an amount not to exceed $150,000 in the aggregate at any time outstanding, (viii) the Investors' Indebtedness, and (ix) extensions, refinancings and renewals of any items of Permitted Indebtedness, provided that the principal amount is not increased or the terms modified to impose materially more burdensome terms upon Borrower or its Subsidiary, as the case may be.

"Permitted Investment" means: (i) Investments existing on the Closing Date which are disclosed in Schedule 1B; (ii) (a) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one year from the date of acquisition thereof, (b) commercial paper maturing no more than one year from the date of creation thereof and currently having a rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Service, (c) certificates of deposit issued by any bank with assets of at least $500,000,000 maturing no more than one year from the date of investment therein, (d) money market accounts, and (e) Investments made in accordance with Borrower's short-term investment policy as approved by Borrower's Board of Directors, as submitted to Lender prior to the Closing Date; (iii) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; (iv) repurchases of stock from former employees, directors, or consultants of Borrower under the terms of applicable repurchase agreements at the original issuance price of such securities in an aggregate amount not to exceed $250,000 in any fiscal year, provided that no Event of Default has occurred, is continuing or would exist after giving effect to the repurchases; (v) Investments accepted in connection with Permitted Transfers; (vi) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of Borrower's business; (vii) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions to, customers and suppliers who are not affiliates, in the ordinary course of business, provided that this clause (vii) shall not apply to Investments of Borrower in any Subsidiary; (viii) Investments consisting of loans not involving the net transfer on a substantially contemporaneous basis of cash proceeds to employees, officers or directors relating to the purchase of capital stock of Borrower pursuant to employee stock purchase plans or other similar agreements approved by Borrower's Board of Directors; (ix) Investments consisting of travel advances and employee relocation loans and other employee loans which are made in the ordinary course of business and which do not exceed $250,000 in the aggregate in any fiscal year; (x) Investments in newly-formed Subsidiaries organized in the United States, provided that such Subsidiaries enter into a Joinder Agreement promptly after their formation by Borrower and execute such other documents as shall be reasonably requested by Lender; (xi) Investments in Subsidiaries organized outside of the United States in an amount not to exceed $4,500,000 in the aggregate in any fiscal year; (xii)

(A) joint ventures or strategic alliances in the ordinary course of Borrower's business consisting of the nonexclusive licensing of technology, the development of technology or the providing of technical support, provided, that any cash Investments by Borrower pursuant to this clause (xii)(A) do not exceed $250,000 in the aggregate in any fiscal year, and (B) strategic alliances with particular customers in which such customers will share in the research and development expenses of Borrower associated with the incorporation by such customers of microconverters purchased from Borrower into solar panels produced by such customers; (xiii) Investments in connection with mergers or acquisitions permitted by Section 7.10; (xiv) Investments made pursuant to the conversion or settlement of any convertible securities or Indebtedness of Borrower permitted by Section 7.5; (xv) deposits and deposit accounts maintained with commercial banks organized under the laws of the United States or a state thereof to the extent (A) such deposits and deposit accounts are insured by the Federal Deposit Insurance Corporation up to the legal limit and (B) each such commercial bank has an aggregate capital and surplus of not less than $100,000,000; and (xvi) additional Investments that do not exceed $150,000 in the aggregate at any time outstanding.

"Permitted Liens" means any and all of the following: (i) Liens in favor of Lender; (ii) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings; provided, that Borrower maintains adequate reserves therefor in accordance with, and to the extent required by, GAAP; and (iii) Liens securing claims or demands of carriers, warehousemen, landlords and other like Persons arising in the ordinary course of Borrower's business and imposed without action of such parties; provided, that (a) the payment of the obligation secured by such Lien is not overdue and (b) such Collateral is subject to a Landlord Consent or a Bailee Agreement, as applicable;

"Permitted Transfers" means (i) sales of Inventory in the normal course of business, (ii) non-exclusive licenses and similar arrangements for the use of Intellectual Property in the ordinary course of business and other licenses that could not result in a legal transfer of title of the licensed property but that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discrete geographical areas outside of the United States, (iii) dispositions of worn-out, obsolete or surplus Equipment (other than Financed Equipment) at fair market value (as determined by Borrower in its reasonable discretion) in the ordinary course of business, (iv) dispositions expressly permitted under Section 7.7, 7.8 or 7.10, and (v) other Transfers of assets having a fair market value of not more than $250,000 in the aggregate in any fiscal year.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, other entity or government.

"Preferred Stock" means at any given time any equity security issued by Borrower that has any rights, preferences or privileges senior to Borrower's common stock.

"Prime Rate" means for any day the prime rate as reported in The Wall Street Journal.

"Receivables" means (i) all of Borrower's Accounts, Instruments, Documents, Chattel Paper, Supporting Obligations, letters of credit, proceeds of any letter of credit, and Letter of Credit Rights, and (ii) all customer lists, software, and business records related thereto.

"Release Letters" means letters from each of the Incumbent Lenders pursuant to which such Incumbent Lender agrees to release any interest in the Financed Equipment, in each case, in form and substance acceptable to Lender.

"Secondary Equipment" is leasehold improvements, intangible property including computer software and software licenses, equipment specifically designed or manufactured for Borrower, limited use property and other similar property (it being understood that, for purposes of this definition, equipment that is not specifically designed or manufactured for Borrower, but which is utilized by Borrower to assemble equipment that is specific to its business, shall not be deemed to be Secondary Equipment).

"Secondary Equipment Advance" means any Loan funds advanced under this Agreement to finance Secondary Equipment.

"Secured Obligations" means Borrower's obligations under this Agreement and any Loan Document, including any obligation to pay any amount now owing or later arising; provided, however, that Borrower's obligations under the Warrant shall not constitute Secured Obligations.

"Subordinated Indebtedness" means Indebtedness subordinated to the Secured Obligations in amounts and on terms and conditions satisfactory to Lender in its sole discretion.

"Subsidiary" means an entity, whether corporate, partnership, limited liability company, joint venture or otherwise, in which Borrower owns or controls 50% or more of the outstanding voting securities, including each entity listed on Schedule 1 hereto.

"Trademark License" means any written agreement granting any right to use any Trademark or Trademark registration, now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest.

"Trademarks" means all trademarks (registered, common law or otherwise) and any applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof.

"UCC" means the Uniform Commercial Code as the same is, from time to time, in effect in the State of California; provided, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Lender's Lien on any Collateral is governed by the Uniform Commercial Code as the same is, from time to time, in effect in a jurisdiction other than the State of California, then the term "UCC" shall mean the Uniform Commercial Code as in effect, from time to time, in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

"Warrant" means the warrant entered into in connection with the Loan.

Unless otherwise specified, all references in this Agreement or any Annex or Schedule hereto to a "Section," "subsection," "Exhibit," "Annex," or "Schedule" shall refer to the corresponding Section, subsection, Exhibit, Annex, or Schedule in or to this Agreement. Unless otherwise specifically provided herein, any accounting term used in this Agreement or the other Loan Documents shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP, consistently applied. Unless otherwise defined herein or in the other Loan Documents, terms that are used herein or in the other Loan Documents and defined in the UCC shall have the meanings given to them in the UCC.

SECTION 2. THE LOAN

2.1 Loan.

(a) Advances. Subject to the terms and conditions of this Agreement, commencing on the Effective Date and continuing until December 13, 2011, Borrower may request Advances in the aggregate principal amount of the Maximum Loan Amount; provided, however, that the minimum amount of each Advance shall be $100,000. If the aggregate amount of the Advances outstanding exceeds the Maximum Loan Amount at any time, Borrower must immediately pay Lender the excess. When repaid, the Advances may not be re-borrowed. The proceeds of each Advance may only be used to finance new Eligible Equipment or Eligible Equipment purchased within the immediately preceding 90 days (determined based upon the applicable invoice date of such Eligible Equipment); provided, however, that on the Effective Date, Borrower may draw an Advance of up to $5,000,000 for Eligible Equipment purchased within the immediately preceding one eighty (180) days. No Advance may exceed one hundred percent (100%) of the invoice(s) for the applicable Eligible Equipment; provided, that the Advance made on the Effective Date will not exceed fifty percent (50%) of the invoice(s) for any Eligible Equipment with invoices in excess of one hundred twenty (120) days. Notwithstanding the foregoing, unless otherwise agreed to by Lender, (i) not more than 10% of each Advance shall be Secondary Equipment Advances, (ii) Secondary Equipment Advances shall not exceed $500,000, in the aggregate, and (iii) Advances for International Based Financed Equipment shall not exceed $3,750,000, in the aggregate.

(b) Advance Request. To obtain an Advance, Borrower shall complete, sign and deliver an Advance Request, Note, copies of invoices for the Financed Equipment, and such additional information as Lender may reasonably request at least five (5) business days prior to the requested Advance Date. Lender shall fund an Advance in the manner requested by the Advance Request provided that each of the conditions precedent to such Advance is satisfied as of the requested Advance Date.

(c) Interest. The principal balance of each Advance shall bear interest thereon from such Advance Date at the Interest Rate based on a year consisting of 360 days, with interest computed daily based on the actual number of days elapsed. The Interest Rate will float and change on the day the Prime Rate changes from time to time.

(d) Payment. Borrower will pay interest on each Advance on the first day of each month, beginning the month after the Advance Date of such Advance. Borrower shall repay the aggregate principal balance of all Advances that are outstanding on June 13, 2012 in 25 equal monthly installments of principal and interest beginning on July 1, 2012 and continuing on the first business day of each month thereafter through the Maturity Date. The entire Loan principal balance and all accrued but unpaid interest hereunder, shall be due and payable on the Maturity Date. Borrower shall make all payments under this Agreement without setoff, recoupment or deduction and regardless of any counterclaim or defense. Lender will initiate debit entries to the Borrower's account as authorized on the ACH Authorization on each payment date of all periodic obligations payable to Lender under each Note or Advance.

2.2 Maximum Interest. Notwithstanding any provision in this Agreement, the Notes, or any other Loan Document, it is the parties' intent not to contract for, charge or receive interest at a rate that is greater than the maximum rate permissible by law that a court of competent jurisdiction shall deem applicable hereto (which under the laws of the State of California shall be deemed to be the laws relating to permissible rates of interest on commercial loans) (the "Maximum Rate"). If a court of competent jurisdiction shall finally determine that Borrower has actually paid to Lender an amount of interest in excess of the amount that would have been payable if all of the Secured Obligations had at all times borne interest at the Maximum Rate, then such excess interest actually paid by Borrower shall be deemed retroactively applied as of the date of receipt of such payment as follows: first, to the payment of principal outstanding on the Notes; second, after all principal is repaid, to the payment of Lender's accrued interest, costs, expenses, professional fees and any other Secured Obligations; and third, after all Secured Obligations are repaid, the excess (if any) shall be refunded to Borrower.

2.3 Default Interest. In the event any payment is not paid on the scheduled payment date, an amount equal to five percent (5%) of the past due amount shall be payable on demand. In addition, upon the occurrence and during the continuation of an Event of Default hereunder, all Secured Obligations, including principal, interest, compounded interest, and Lender's fees and expenses set forth in Section 11.11, shall bear interest at a rate per annum equal to the rate set forth in Section 2.1(c) plus five percent (5%) per annum. In the event any interest is not paid when due hereunder, delinquent interest shall be added to principal and shall bear interest on interest, compounded at the rate set forth in Section 2.1(c) or Section 2.4, as applicable.

2.4 Prepayment. At its option upon at least 7 business days prior notice to Lender, Borrower may prepay all, but not less than all, of the outstanding Advances by paying the entire principal balance and all accrued and unpaid interest. Borrower shall prepay the outstanding amount of all principal and accrued and unpaid interest upon the earlier to occur of a Change in Control or within 90 days of the completion of an Initial Public Offering which results in aggregate gross proceeds to Parent of less than $30,000,000.

2.5 End of Term Charge. On the earliest to occur of (i) the Loan Maturity Date, (ii) the date that Borrower prepays the outstanding Secured Obligations, or (iii) the date

that the Secured Obligations become due and payable, Borrower shall pay Lender a charge of $50,000. Notwithstanding the required payment date of such charge, it shall be deemed earned by Lender as of the Closing Date.

SECTION 3. SECURITY INTEREST

3.1 As security for the prompt, complete and indefeasible payment when due (whether on the payment dates or otherwise) of all the Secured Obligations, Borrower grants to Lender a security interest in all Financed Equipment and all of Borrower's books and records relating to the Financed Equipment, and any and all claims, rights and interests in any of the Financed Equipment and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, Proceeds and insurance proceeds of any or all of the foregoing (collectively, the "Collateral").

SECTION 4. CONDITIONS PRECEDENT TO LOAN

The obligations of Lender to make the Loan hereunder are subject to the satisfaction by Borrower of the following conditions:

4.1 Initial Advance. Borrower shall have delivered to Lender each of the following, in form and substance satisfactory to Lender (the date on which each of the following shall have been so delivered is referred to herein as the "Effective Date"):

(a) executed originals of the Loan Documents and all other documents and instruments reasonably required by Lender to effectuate the transactions contemplated hereby or to create and perfect the Liens of Lender with respect to all Collateral, in all cases in form and substance reasonably acceptable to Lender;

(b) certified copy of resolutions of Borrower's board of directors evidencing approval of (i) the Loan and other transactions evidenced by the Loan Documents; and (ii) the Warrant and transactions evidenced thereby;

(c) certified copies of the Certificate of Incorporation and the Bylaws, as amended through the Closing Date, of Borrower;

(d) a certificate of good standing for Borrower from its state of incorporation and similar certificates from all other jurisdictions in which it does business and where the failure to be qualified would have a Material Adverse Effect;

(e) a certificate of incumbency as to each officer of Borrower who is authorized to execute the Loan Documents, the Warrant, and all other documents and instruments to be delivered pursuant to the Loan Documents and the Warrant on behalf of Borrower, including, without limitation, the chief financial officer of Borrower;

(f) payment of the Facility Charge and reimbursement of Lender's current expenses reimbursable pursuant to this Agreement, which amounts may be deducted from the initial Advance;

(g) Landlord Consents or Bailee Agreements, as applicable, for the premises where the Financed Equipment will, upon completion of transit, be located; provided, that up to $3,750,000 of the initial Advance may be used for the purchase of International Based Financed Equipment without delivering to Lender, prior to the disbursement of such Advance, any Landlord Consents in respect of the premises in the continental United States where such International Based Financed Equipment may be located temporarily, so long as (i) prior to the disbursement of such Advance, one or more Bailee Agreements, as applicable, are delivered in respect of the foreign premises where such International Based Financed Equipment will be located upon completion of transit, and (ii) within 90 days of the Effective Date (or any subsequent Advance Date with respect to any International Based Financed Equipment not financed on the Effective Date), such International Based Financed Equipment is relocated to such foreign premises;

(h) a Consent Letter from each Incumbent Lender;

(i) a Release Letter from each Incumbent Lender with respect to the Financed Equipment purchased with the proceeds of the initial Advance; and

(j) such other documents as Lender may reasonably request.

4.2 All Advances. On each Advance Date:

(a) Lender shall have received (i) an Advance Request and a Note for the relevant Advance as required by Section 2.1(b) each duly executed by Borrower's Chief Executive Officer or Chief Financial Officer, (ii) invoices for the Eligible Equipment and related other documentation as required by Section 2.1(b), (iii) to the extent not previously delivered but subject to Section 4.1(g) above, Landlord Consents or Bailee Agreements, as applicable, for the premises where the Financed Equipment will, upon completion of transit, be located, and (iv) a Release Letter from each Incumbent Lender with respect to the Financed Equipment purchased with the proceeds of such Advance.

(b) The representations and warranties set forth in this Agreement and in Section 5 and in the Warrant shall be true and correct in all material respects on and as of the Advance Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) Each Advance Request shall be deemed to constitute a representation and warranty by Borrower on the relevant Advance Date as to the matters specified in paragraph (b) of this Section 4.2 and Section 4.3 and as to the matters set forth in the Advance Request.

4.3 No Default. As of the Closing Date and each Advance Date, (i) no fact or condition exists that would (or would, with the passage of time, the giving of notice, or both) constitute an Event of Default and (ii) no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF BORROWER

Borrower represents and warrants that:

5.1 Corporate Status. Borrower is a corporation duly organized, legally existing and in good standing under the laws of the State of Delaware, and is duly qualified as a foreign corporation in all jurisdictions in which the nature of its business or location of its properties require such qualifications and where the failure to be qualified could reasonably be expected to have a Material Adverse Effect. Borrower's present name, former names (if any), locations, place of formation, tax identification number, organizational identification number and other information are correctly set forth in Exhibit C, as may be updated by Borrower in a written notice (including any Compliance Certificate) provided to Lender after the Closing Date.

5.2 Collateral. Borrower owns the Collateral, free of all Liens, except for Permitted Liens. Borrower has the power and authority to grant to Lender a Lien in the Collateral as security for the Secured Obligations.

5.3 Consents. Borrower's execution, delivery and performance of the Notes, this Agreement and all other Loan Documents, and Borrower's execution of the Warrant, (i) have been duly authorized by all necessary corporate action of Borrower, (ii) will not result in the creation or imposition of any Lien upon the Collateral, other than Permitted Liens and the Liens created by this Agreement and the other Loan Documents, (iii) do not violate any provisions of Borrower's Certificate or Articles of Incorporation (as applicable), bylaws, or any, law, regulation, order, injunction, judgment, decree or writ to which Borrower is subject and (iv) except as described on Schedule 5.3, do not violate any contract or agreement or require the consent or approval of any other Person. The individual or individuals executing the Loan Documents and the Warrant are duly authorized to do so.

5.4 Material Adverse Effect. Since December 31, 2010, no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing.

5.5 Actions Before Governmental Authorities. Except as described on Schedule 5.5, there are no actions, suits or proceedings at law or in equity or by or before any governmental authority (a) as of the Closing Date, pending or, to the knowledge of Borrower, threatened against or affecting Borrower or its property, and (b) following the Closing Date, which could reasonably be expected to have a Material Adverse Effect.

5.6 Laws. Borrower is not in violation of any law, rule or regulation, or in default with respect to any judgment, writ, injunction or decree of any governmental authority, where such violation or default is reasonably expected to result in a Material Adverse Effect. Borrower is not in default in any manner under any provision of any agreement or instrument evidencing indebtedness, or any other material agreement to which it is a party or by which it is bound.

5.7 Information Correct and Current. No information, report, Advance Request, financial statement, exhibit or schedule furnished, by or on behalf of Borrower to Lender in

connection with any Loan Document or included therein or delivered pursuant thereto contained, contains or will contain any material misstatement of fact or omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading at the time such statement was made or deemed made. Additionally, any and all financial or business projections provided by Borrower to Lender shall be (i) provided in good faith and based on the most current data and information available to Borrower, and (ii) the most current of such projections approved by Borrower's Board of Directors.

5.8 Tax Matters. Except as described on Schedule 5.8, (a) Borrower has filed all federal and material state and local tax returns that it is required to file and all such tax returns are true and correct in all material respects, (b) Borrower has duly paid or fully reserved for all taxes or installments thereof (including any interest or penalties) as and when due, which have or may become due pursuant to such returns, and (c) Borrower has paid or fully reserved for any tax assessment received by Borrower for the three (3) years preceding the Closing Date, if any (including any taxes being contested in good faith and by appropriate proceedings).

5.9 Intellectual Property Claims. Borrower is the sole owner of, or otherwise has the right to use, the Intellectual Property. Except as described on Schedule 5.9, (i) each of the material Copyrights, Trademarks and Patents is valid and enforceable, (ii) no material part of the Intellectual Property has been judged invalid or unenforceable, in whole or in part, and (iii) no claim has been made to Borrower that any material part of the Intellectual Property violates the rights of any third party.

5.10 Intellectual Property. Except as described on Schedule 5.10, Borrower has all material rights with respect to Intellectual Property necessary in the operation or other utilization of the Collateral. Without limiting the generality of the foregoing, and in the case of Licenses, except for restrictions that are unenforceable under Division 9 of the UCC, Borrower has the right, to the extent required to grant a security interest in and operate or otherwise utilize the Collateral, to freely transfer, license or assign the related Intellectual Property without condition, restriction or payment of any kind (other than license payments in the ordinary course of business) to any third party.

5.11 [Reserved.]

5.12 [Reserved.]

5.13 Employee Loans. (i) Except as expressly permitted by Sections 7.7 and 7.8, Borrower has no outstanding loans to any employee, officer or director of the Borrower, and (ii) Borrower has not guaranteed the payment of any loan made to an employee, officer or director of the Borrower by a third party.

5.14 Capitalization and Subsidiaries. Borrower's capitalization as of the Closing Date is set forth on Schedule 5.14 annexed hereto. Borrower does not own any stock, partnership interest or other securities of any Person, except for Permitted Investments.

Attached as Schedule 5.14, as may be updated by Borrower in a written notice provided after the Closing Date, is a true, correct and complete list of each Subsidiary.

SECTION 6. INSURANCE; INDEMNIFICATION

6.1 Coverage. Borrower shall cause to be carried and maintained commercial general liability insurance, on an occurrence form, against risks customarily insured against in Borrower's line of business. Such risks shall include the risks of bodily injury, including death, property damage, personal injury, advertising injury, and contractual liability per the terms of the indemnification agreement found in Section 6.3. Borrower must maintain a minimum of $1,000,000 of commercial general liability insurance for each occurrence. So long as there are any Secured Obligations outstanding, Borrower shall also cause to be carried and maintained insurance upon the Collateral, insuring against all risks of physical loss or damage howsoever caused, in an amount not less than the full replacement cost of the Collateral, provided that such insurance may be subject to standard exceptions and deductibles. Borrower shall also carry and maintain a fidelity insurance policy in an amount not less than $100,000.

6.2 Certificates. Borrower shall deliver to Lender certificates of insurance that evidence Borrower's compliance with its insurance obligations in Section 6.1 and the obligations contained in this Section 6.2. Borrower's insurance certificate shall state Lender is an additional insured for commercial general liability, an additional insured and a loss payee for all risk property damage insurance, subject to the insurer's approval, a loss payee for property insurance. Attached to the certificates of insurance will be additional insured endorsements, or copies of policy forms evidencing Lender is an additional insured, for liability and lender's loss payable endorsements for all risk property damage insurance. All certificates of insurance will provide for advance written notice to Lender of cancellation. Promptly upon Lender's request, Borrower shall provide evidence of current payment of insurance premiums in form and substance reasonably satisfactory to Lender. Any failure of Lender to scrutinize such insurance certificates or such evidence of payment of premiums for compliance is not a waiver of any of Lender's rights, all of which are reserved.

6.3 Indemnity. Borrower agrees to indemnify and hold Lender and its officers, directors, employees, agents, in-house attorneys, representatives and shareholders harmless from and against any and all claims, costs, expenses, damages and liabilities (including such claims, costs, expenses, damages and liabilities based on liability in tort, including strict liability in tort), including reasonable attorneys' fees and disbursements and other costs of investigation or defense (including those incurred upon any appeal), that may be instituted or asserted against or incurred by Lender or any such Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents or the administration of such credit, or in connection with or arising out of the transactions contemplated hereunder and thereunder, or any actions or failures to act in connection therewith, or arising out of the disposition or utilization of the Collateral, excluding in all cases claims resulting solely from Lender's gross negligence or willful misconduct. Borrower agrees to pay, and to save Lender harmless from, any and all

liabilities with respect to, or resulting from any delay in paying, any and all excise, sales or other similar taxes (excluding taxes imposed on or measured by the net income of Lender) that may be payable or determined to be payable with respect to any of the Collateral or this Agreement.

SECTION 7. COVENANTS OF BORROWER

Borrower agrees as follows:

7.1 Financial Reports. Borrower shall furnish to Lender the Compliance Certificate in the form of Exhibit D monthly within 30 days after the end of each month and the financial statements listed hereinafter (the "Financial Statements"):

(a) as soon as practicable (and in any event, within 30 days after the end of each of the first two months of each fiscal quarter, and within 45 days after the end of the last month of each fiscal quarter), unaudited interim and year-to-date financial statements as of the end of such month (prepared on a consolidated basis), including balance sheet and related statements of income and cash flows accompanied by a report detailing any material contingencies (including the commencement of any material litigation by or against Borrower) or any other occurrence that would reasonably be expected to have a Material Adverse Effect, all certified by Borrower's Chief Executive Officer or Chief Financial Officer to the effect that they have been prepared in accordance with GAAP, except (i) for the absence of footnotes, (ii) that they are subject to normal year end adjustments, and (iii) they do not contain certain non-cash items that are customarily included in quarterly and annual financial statements;

(b) as soon as practicable (and in any event within 45 days) after the end of each calendar quarter, unaudited interim and year-to-date financial statements as of the end of such calendar quarter (prepared on a consolidated and consolidating basis, if applicable), including balance sheet and related statements of income and cash flows accompanied by a report detailing any material contingencies (including the commencement of any material litigation by or against Borrower) or any other occurrence that would reasonably be expected to have a Material Adverse Effect, certified by Borrower's Chief Executive Officer or Chief Financial Officer to the effect that they have been prepared in accordance with GAAP, except (i) for the absence of footnotes, and (ii) that they are subject to normal year end adjustments; as well as the most recent capitalization table for Borrower, including the weighted average exercise price of employee stock options;

(c) as soon as practicable (and in any event within 180 days) after the end of each fiscal year (beginning with the 2011 fiscal year of Parent), unqualified audited financial statements as of the end of such year (prepared on a consolidated and consolidating basis, if applicable), including balance sheet and related statements of income and cash flows, and setting forth in comparative form the corresponding figures for the preceding fiscal year, certified by a firm of independent certified public accountants selected by Borrower and reasonably acceptable to Lender (it being

understood that Deloitte & Touch LLP is acceptable to Lender), accompanied by any management report from such accountants;

(d) promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports that Borrower has made available to holders of its stock and copies of any regular, periodic and special reports or registration statements that Borrower files with the Securities and Exchange Commission or any governmental authority that may be substituted therefor, or any national securities exchange;

(e) [Reserved]; and

(f) financial and business projections promptly following their approval by Borrower's Board of Directors, as well as operating plans and other financial information reasonably requested by Lender; provided, that annual budget projections approved by the Borrower's Board of Directors with respect to any fiscal year shall be delivered to Lender no later than 30 days after the end of the immediately preceding fiscal year of Borrower.

The executed Compliance Certificate may be sent via facsimile to Lender at (650) 473-9194 or via e-mail to tfissori@herculestech.com. All Financial Statements required to be delivered pursuant to clauses (a), (b) and (c) shall be sent via e-mail to financialstatements@herculestech.com with a copy to tfissori@herculestech.com provided, that if e-mail is not available or sending such Financial Statements via e-mail is not possible, they shall be sent via facsimile to Lender at: (866) 468-8916, attention Chief Credit Officer.

7.2 Collateral Audits; Management Rights. Borrower shall permit any representative that Lender authorizes, including its attorneys and accountants, to inspect the Collateral and examine and make copies and abstracts of the books of account and records of Borrower relating to the Collateral at reasonable times and upon reasonable notice during normal business hours; provided, that such inspections will be conducted no more than once every 6 months unless an Event of Default has occurred and is continuing. In addition, any such representative shall have the right to meet with management and officers of Borrower to discuss Borrower's books of account and records. In addition, Lender shall be entitled at reasonable times and intervals to consult with and advise the management and officers of Borrower concerning significant business issues affecting Borrower. Such consultations shall not unreasonably interfere with Borrower's business operations. The parties intend that the rights granted Lender shall constitute "management rights" within the meaning of 29 C.F.R Section 2510.3-101(d)(3)(ii), but that any advice, recommendations or participation by Lender with respect to any business issues shall not be deemed to give Lender, nor be deemed an exercise by Lender of, control over Borrower's management or policies.

7.3 Further Assurances. Borrower shall from time to time execute, deliver and file, alone or with Lender, any financing statements, security agreements, collateral assignments, notices, control agreements, or other documents to perfect or give the highest priority to Lender's Lien on the Collateral. Borrower shall from time to time procure any

instruments or documents as may be requested by Lender, and take all further action that may be necessary or desirable, or that Lender may reasonably request, to perfect and protect the Liens granted hereby and thereby. In addition, and for such purposes only, Borrower hereby authorizes Lender to execute and deliver on behalf of Borrower and to file such financing statements, collateral assignments, notices, security agreements and other documents without the signature of Borrower either in Lender's name or in the name of Lender as agent and attorney-in-fact for Borrower. Borrower shall protect and defend Borrower's title to the Collateral and Lender's Lien thereon against all Persons claiming any interest adverse to Borrower or Lender other than Permitted Liens. Borrower shall specify in writing the location where each item of Collateral is located promptly upon the request of Lender.

7.4 [Reserved.]

7.5 Indebtedness. Borrower shall not create, incur, assume, guarantee or be or remain liable with respect to any Indebtedness, or permit any Subsidiary so to do, other than Permitted Indebtedness, or prepay any Indebtedness or take any actions which impose on Borrower an obligation to prepay any Indebtedness (other than Indebtedness described in clause (ii) or, subject to the Investors Subordination Agreement, (viii) of the definition of Permitted Indebtedness, in each case as modified by clause (ix) of such definition), except for the conversion of Indebtedness into equity securities and the payment of cash in lieu of fractional shares in connection with such conversion.

7.6 Collateral. Borrower shall at all times keep the Collateral free and clear from any legal process or Liens whatsoever (except for Permitted Liens), and shall give Lender prompt written notice of any legal process affecting the Collateral or any Liens thereon. Borrower shall not affix, or allow the affixing of, any of the Financed Equipment to any real property in such a manner, or with such intent, as to become a fixture.

7.7 Investments. Borrower shall not directly or indirectly acquire or own, or make any Investment in or to any Person, or permit any of its Subsidiaries so to do, other than Permitted Investments.

7.8 Distributions. Borrower shall not, and shall not allow any Subsidiary to, (a) repurchase or redeem any class of stock or other equity interest other than (i) pursuant to employee, director or consultant stock purchase or repurchase plans or other similar agreements, and (ii) in connection with conversions of its convertible securities (including warrants) into other securities pursuant to the terms of such convertible securities, or (b) declare or pay any cash dividend or make a cash distribution on any class of stock or other equity interest, except that a Subsidiary may pay dividends or make distributions to Parent, or (c) lend money to any employees, officers or directors except as expressly permitted by clause (viii), (ix) or (xvi) of the definition of Permitted Investments, or (d) waive, release or forgive any indebtedness owed by any employees, officers or directors in excess of $500,000 in the aggregate.

7.9 Transfers. Except for Permitted Transfers, Borrower shall not voluntarily or involuntarily transfer, sell, lease, license, lend or in any other manner convey any equitable, beneficial or legal interest in any material portion of their assets.

7.10 Mergers or Acquisitions. Borrower shall not merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with or into any other business organization (other than mergers or consolidations of a Subsidiary into another Subsidiary or into Borrower), or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock, assets or property of another Person without the prior written consent of Lender.

7.11 Taxes. Borrower and its Subsidiaries shall pay when due all material taxes, fees or other charges of any nature whatsoever (together with any related interest or penalties) now or hereafter imposed or assessed by applicable law against Borrower, Lender (assessed in connection with the making of the Loan hereunder but excluding any taxes on Lender's net income), or the Collateral or upon Borrower's ownership, possession, use, operation or disposition thereof or upon Borrower's rents, receipts or earnings arising therefrom. Borrower shall file on or before the due date therefor all personal property tax returns in respect of the Collateral, if necessary or appropriate. Notwithstanding the foregoing, Borrower may contest, in good faith and by appropriate proceedings, taxes for which Borrower maintains adequate reserves therefor in accordance with GAAP.

7.12 Corporate Changes; Changes in Location of Collateral. Neither Borrower nor any Subsidiary shall change its corporate name, legal form or jurisdiction of formation without twenty (20) days' prior written notice to Lender. Neither Borrower nor any Subsidiary shall relocate its chief executive office or its principal place of business unless: (i) it has provided prior written notice to Lender; and (ii) such relocation shall be within the continental United States. Neither Borrower nor any Subsidiary shall relocate any item of Collateral unless (y) in the case of Equipment other than International Based Financed Equipment, such relocation is within the continental United States, and (z) such Collateral at all times remains subject to a Landlord Consent or a Bailee Agreement, as applicable, which is valid and enforceable against the Person in possession of such Collateral or the premises where such Collateral is located.

7.13 [Reserved.]

7.14 Subsidiaries. Borrower shall notify Lender of each Subsidiary formed subsequent to the Closing Date and, within 30 days of formation, shall cause any such domestic Subsidiary so formed to execute and deliver to Lender a Joinder Agreement.

7.15 Post-Closing Matters. If any International Based Financed Equipment is not located at a permitted foreign location, or is not in transit thereto, within 90 days following the Advance Date applicable to such International Based Financed Equipment, then Borrower shall deliver, or cause to be delivered, promptly to Lender fully-executed Landlord Consents for any premises where such International Based Financed Equipment is located.

SECTION 8. [RESERVED.]

SECTION 9. EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall be an Event of Default:

9.1 Payments. Borrower fails to pay any amount due under this Agreement, the Notes or any of the other Loan Documents on the due date; or

9.2 Covenants. Borrower breaches or defaults in the performance of any covenant or Secured Obligation under this Agreement, the Notes, or any of the other Loan Documents, and (a) with respect to a default under any covenant under this Agreement (other than under Sections 6, 7.5, 7.6, 7.7, 7.8 or 7.9) which is capable of being cured by Borrower, such default continues for more than twenty (20) days after the earlier of the date on which (i) Lender has given notice of such default to Borrower and (ii) Borrower has actual knowledge of such default, or (b) with respect to a default under any of Sections 6, 7.5, 7.6, 7.7, 7.8 or 7.8 or 7.9, the occurrence of such default; or

9.3 Material Adverse Effect. A circumstance has occurred that would reasonably be expected to have a Material Adverse Effect; or

9.4 Other Loan Documents. The occurrence of any default under any Loan Document not otherwise specifically referenced in this Section 9 or any other agreement between Borrower and Lender, and if such default is capable of being cured by Borrower, such default continues for more than twenty (20) days after the earlier of the date on which (a) Lender has given notice of such default to Borrower, or (b) Borrower has actual knowledge of such default; or

9.5 Representations. Any representation or warranty made by Borrower in any Loan Document or in the Warrant shall have been false or misleading in any material respect; or

9.6 Insolvency. Borrower (A) (i) shall make an assignment for the benefit of creditors; or (ii) shall be unable to pay its debts as they become due, or be unable to pay or perform under the Loan Documents, or shall otherwise become insolvent; or (iii) shall file a voluntary petition in bankruptcy; or (iv) shall file any petition, answer, or document seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation pertinent to such circumstances; or (v) shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of Borrower or of all or any substantial part (i.e., 33-1/3% or more) of the assets or property of Borrower; or (vi) shall cease operations of its business as its business has normally been conducted, or terminate substantially all of its employees; or (vii) Borrower or its directors or majority shareholders shall take any action initiating any of the foregoing actions described in clauses (i) through (vi); or (B) either (i) forty-five (45) days shall have expired after the commencement of an involuntary action against Borrower seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or

regulation, without such action being dismissed or all orders or proceedings thereunder affecting the operations or the business of Borrower being stayed; or (ii) a stay of any such order or proceedings shall thereafter be set aside and the action setting it aside shall not be timely appealed; or (iii) Borrower shall file any answer admitting or not contesting the material allegations of a petition filed against Borrower in any such proceedings; or (iv) the court in which such proceedings are pending shall enter a decree or order granting the relief sought in any such proceedings; or (v) forty-five (45) days shall have expired after the appointment, without the consent or acquiescence of Borrower, of any trustee, receiver or liquidator of Borrower or of all or any substantial part of the properties of Borrower without such appointment being vacated; or

9.7 Attachments; Judgments. Any portion of Borrower's assets is attached or seized, or a levy is filed against any such assets, or a judgment or judgments is/are entered for the payment of money, individually or in the aggregate, of at least $250,000 and such judgment remains unstayed for a period of ten (10) days, or Borrower is enjoined or in any way prevented by court order from conducting any part of its business; or

9.8 Other Obligations. The occurrence of any default under any agreement or obligation of Borrower involving any Indebtedness which results in a right by a third party or parties, whether or not exercised, to accelerate the maturity of such Indebtedness in excess of $250,000, or the occurrence of any default under any agreement or obligation of Borrower that could reasonably be expected to have a Material Adverse Effect.

SECTION 10. REMEDIES

10.1 General. Upon and during the continuance of any one or more Events of Default, (i) Lender may, at its option, accelerate and demand payment of all or any part of the Secured Obligations and declare them to be immediately due and payable (provided, that upon the occurrence of an Event of Default of the type described in Section 9.6, the Notes and all of the Secured Obligations shall automatically be accelerated and made due and payable, in each case without any further notice or act), and (ii) Lender may notify any of Borrower's account debtors to make payment directly to Lender, compromise the amount of any such account on Borrower's behalf and endorse Lender's name without recourse on any such payment for deposit directly to Lender's account. Lender may exercise all rights and remedies with respect to the Collateral under the Loan Documents or otherwise available to it under the UCC and other applicable law, including the right to release, hold, sell, lease, liquidate, collect, realize upon, or otherwise dispose of all or any part of the Collateral and the right to occupy, utilize, process and commingle the Collateral. All Lender's rights and remedies shall be cumulative and not exclusive.

10.2 Collection; Foreclosure. Upon the occurrence and during the continuance of any Event of Default, Lender may, at any time or from time to time, apply, collect, liquidate, sell in one or more sales, lease or otherwise dispose of, any or all of the Collateral, in its then condition or following any commercially reasonable preparation or processing, in such order as Lender may elect. Any such sale may be made either at public or private sale at its place of business or elsewhere. Borrower agrees that any such public or private sale may occur upon ten (10) calendar days' prior written notice to Borrower.

Lender may require Borrower to assemble the Collateral and make it available to Lender at a place designated by Lender that is reasonably convenient to Lender and Borrower. The proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be applied by Lender in the following order of priorities:

First, to Lender in an amount sufficient to pay in full Lender's costs and professionals' and advisors' fees and expenses as described in Section 11.11;

Second, to Lender in an amount equal to the then unpaid amount of the Secured Obligations (including principal, interest, and the Default Rate interest), in such order and priority as Lender may choose in its sole discretion; and

Finally, after the full, final, and indefeasible payment in Cash of all of the Secured Obligations, to any creditor holding a junior Lien on the Collateral, or to Borrower or its representatives or as a court of competent jurisdiction may direct.

Lender shall be deemed to have acted reasonably in the custody, preservation and disposition of any of the Collateral if it complies with the obligations of a secured party under the UCC.

10.3 No Waiver. Lender shall be under no obligation to marshal any of the Collateral for the benefit of Borrower or any other Person, and Borrower expressly waives all rights, if any, to require Lender to marshal any Collateral.

10.4 Cumulative Remedies. The rights, powers and remedies of Lender hereunder shall be in addition to all rights, powers and remedies given by statute or rule of law and are cumulative. The exercise of any one or more of the rights, powers and remedies provided herein shall not be construed as a waiver of or election of remedies with respect to any other rights, powers and remedies of Lender.

SECTION 11. MISCELLANEOUS

11.1 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent and duration of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.2 Notice. Except as otherwise provided herein, any notice, demand, request, consent, approval, declaration, service of process or other communication (including the delivery of Financial Statements) that is required, contemplated, or permitted under the Loan Documents or with respect to the subject matter hereof shall be in writing, and shall be deemed to have been validly served, given, delivered, and received upon the earlier of: (i) the day of transmission by facsimile or hand delivery or delivery by an overnight express service or overnight mail delivery service; or (ii) the third calendar day after deposit in the United States mails, with proper first class postage prepaid, in each case addressed to the party to be notified as follows:

(a) If to Lender:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
Legal Department
Attention: Chief Legal Officer and Todd Jaquez-Fissori
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301

(b) If to Borrower:

ENPHASE ENERGY, INC.
Attention: Chief Financial Officer
201 First Street, Suite 300
Petaluma, CA 94952

or to such other address as each party may designate for itself by like notice.

11.3 Entire Agreement; Amendments. This Agreement, the Notes, and the other Loan Documents constitute the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and thereof, and supersede and replace in their entirety any prior proposals, term sheets, letters, negotiations or other documents or agreements, whether written or oral, with respect to the subject matter hereof or thereof (including Lender's revised proposal letter dated March 30, 2011). None of the terms of this Agreement, the Notes or any of the other Loan Documents may be amended except by an instrument executed by each of the parties hereto.

11.4 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

11.5 No Waiver. The powers conferred upon Lender by this Agreement are solely to protect its rights hereunder and under the other Loan Documents and its interest in the Collateral and shall not impose any duty upon Lender to exercise any such powers. No omission or delay by Lender at any time to enforce any right or remedy reserved to it, or to require performance of any of the terms, covenants or provisions hereof by Borrower at any time designated, shall be a waiver of any such right or remedy to which Lender is entitled, nor shall it in any way affect the right of Lender to enforce such provisions thereafter.

11.6 Survival. All agreements, representations and warranties contained in this Agreement, the Notes and the other Loan Documents or in any document delivered pursuant hereto or thereto shall be for the benefit of Lender and shall survive the execution and delivery of this Agreement and the expiration or other termination of this Agreement.

11.7 Successors and Assigns. The provisions of this Agreement and the other Loan Documents shall inure to the benefit of and be binding on Borrower and its permitted assigns (if any). Borrower shall not assign its obligations under this Agreement, the Notes or any of the other Loan Documents without Lender's express prior written consent, and any such attempted assignment shall be void and of no effect. Lender may assign, transfer, or endorse its rights hereunder and under the other Loan Documents without prior notice to Borrower, and all of such rights shall inure to the benefit of Lender's successors and assigns.

11.8 Governing Law. This Agreement, the Notes and the other Loan Documents have been negotiated and delivered to Lender in the State of California, and shall have been accepted by Lender in the State of California. Payment to Lender by Borrower of the Secured Obligations is due in the State of California. This Agreement, the Notes and the other Loan Documents shall be governed by, and construed and enforced in accordance with, the laws of the State of California, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

11.9 Consent to Jurisdiction and Venue. All judicial proceedings (to the extent that the reference requirement of Section 11.10 is not applicable) arising in or under or related to this Agreement, the Notes or any of the other Loan Documents may be brought in any state or federal court located in the State of California. By execution and delivery of this Agreement, each party hereto generally and unconditionally: (a) consents to nonexclusive personal jurisdiction in Santa Clara County, State of California; (b) waives any objection as to jurisdiction or venue in Santa Clara County, State of California; (c) agrees not to assert any defense based on lack of jurisdiction or venue in the aforesaid courts; and (d) irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement, the Notes or the other Loan Documents. Service of process on any party hereto in any action arising out of or relating to this Agreement shall be effective if given in accordance with the requirements for notice set forth in Section 11.2, and shall be deemed effective and received as set forth in Section 11.2. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of either party to bring proceedings in the courts of any other jurisdiction.

11.10 Mutual Waiver of Jury Trial / Judicial Reference.

(a) Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that their disputes be resolved by a judge applying such applicable laws. EACH OF BORROWER AND LENDER SPECIFICALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, CROSS-CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR ANY OTHER CLAIM (COLLECTIVELY, "CLAIMS") ASSERTED BY BORROWER AGAINST LENDER OR ITS ASSIGNEE OR BY LENDER OR ITS ASSIGNEE AGAINST BORROWER. This waiver extends to all such Claims, including Claims that involve Persons other than

Borrower and Lender; Claims that arise out of or are in any way connected to the relationship between Borrower and Lender; and any Claims for damages, breach of contract, tort, specific performance, or any equitable or legal relief of any kind, arising out of this Agreement, any other Loan Document.

(b) If the waiver of jury trial set forth in Section 11.10(a) is ineffective or unenforceable, the parties agree that all Claims shall be resolved by reference to a private judge sitting without a jury, pursuant to Code of Civil Procedure Section 638, before a mutually acceptable referee or, if the parties cannot agree, a referee selected by the Presiding Judge of the Santa Clara County, California. Such proceeding shall be conducted in Santa Clara County, California, with California rules of evidence and discovery applicable to such proceeding.

(c) In the event Claims are to be resolved by judicial reference, either party may seek from a court identified in Section 11.9, any prejudgment order, writ or other relief and have such prejudgment order, writ or other relief enforced to the fullest extent permitted by law notwithstanding that all Claims are otherwise subject to resolution by judicial reference.

11.11 Professional Fees. Borrower promises to pay Lender's fees and expenses necessary to finalize the loan documentation, including but not limited to reasonable attorneys fees, UCC searches, filing costs, and other miscellaneous expenses. In addition, Borrower promises to pay any and all reasonable attorneys' and other professionals' fees and expenses (including fees and expenses of in-house counsel) incurred by Lender after the Closing Date in connection with or related to: (a) the Loan; (b) the administration, collection, or enforcement of the Loan; (c) the amendment or modification of the Loan Documents; (d) any waiver, consent, release, or termination under the Loan Documents; (e) the protection, preservation, sale, lease, liquidation, or disposition of Collateral or the exercise of remedies with respect to the Collateral; (f) any legal, litigation, administrative, arbitration, or out of court proceeding in connection with or related to Borrower or the Collateral, and any appeal or review thereof; and (g) any bankruptcy, restructuring, reorganization, assignment for the benefit of creditors, workout, foreclosure, or other action related to Borrower, the Collateral, the Loan Documents, including representing Lender in any adversary proceeding or contested matter commenced or continued by or on behalf of Borrower's estate, and any appeal or review thereof.

11.12 Confidentiality. Lender acknowledges that certain items of Collateral and information provided to Lender by Borrower are confidential and proprietary information of Borrower, if and to the extent such information either (x) is marked as confidential by Borrower at the time of disclosure, or (y) should reasonably be understood to be confidential (the "Confidential Information"). Accordingly, Lender agrees that any Confidential Information it may obtain in the course of acquiring, administering, or perfecting Lender's security interest in the Collateral shall not be disclosed to any other person or entity in any manner whatsoever, in whole or in part, without the prior written consent of Borrower, except that Lender may disclose any such information: (a) to its own directors, officers, employees, accountants, counsel and other professional advisors and to

its affiliates if Lender in its sole discretion determines that any such party should have access to such information in connection with such party's responsibilities in connection with the Loan or this Agreement and, provided that such recipient of such Confidential Information either (i) agrees to be bound by the confidentiality provisions of this paragraph or (ii) is otherwise subject to confidentiality restrictions that reasonably protect against the disclosure of Confidential Information; (b) if such information is otherwise generally available to the public through no fault of Lender; (c) if required or appropriate in any report, statement or testimony submitted to any governmental authority having or claiming to have jurisdiction over Lender; (d) if required or appropriate in response to any summons or subpoena or in connection with any litigation, to the extent permitted or deemed advisable by Lender's counsel; (e) to comply with any legal requirement or law applicable to Lender; (f) to the extent reasonably necessary in connection with the exercise of any right or remedy under any Loan Document, including Lender's sale, lease, or other disposition of Collateral after default; (g) to any participant or assignee of Lender or any prospective participant or assignee; provided, that such participant or assignee or prospective participant or assignee agrees in writing to be bound by this Section prior to disclosure; or (h) otherwise with the prior consent of Borrower; provided, that any disclosure made in violation of this Agreement shall not affect the obligations of Borrower or any of its affiliates or any guarantor under this Agreement or the other Loan Documents.

11.13 Assignment of Rights. Borrower acknowledges and understands that Lender may sell and assign all or part of its interest hereunder and under the Note(s) and Loan Documents to any person or entity (an "Assignee"). After such assignment the term "Lender" as used in the Loan Documents shall mean and include such Assignee, and such Assignee shall be vested with all rights, powers and remedies of Lender hereunder with respect to the interest so assigned; but with respect to any such interest not so transferred, Lender shall retain all rights, powers and remedies hereby given. No such assignment by Lender shall relieve Borrower of any of its obligations hereunder. Lender agrees that in the event of any transfer by it of the Note(s), it will endorse thereon a notation as to the portion of the principal of the Note(s), which shall have been paid at the time of such transfer and as to the date to which interest shall have been last paid thereon.

11.14 Revival of Secured Obligations. This Agreement and the Loan Documents shall remain in full force and effect and continue to be effective if any petition is filed by or against Borrower for liquidation or reorganization, if Borrower becomes insolvent or makes an assignment for the benefit of creditors, if a receiver or trustee is appointed for all or any significant part of Borrower's assets, or if any payment or transfer of Collateral is recovered from Lender. The Loan Documents and the Secured Obligations and Collateral security shall continue to be effective, or shall be revived or reinstated, as the case may be, if at any time payment and performance of the Secured Obligations or any transfer of Collateral to Lender, or any part thereof is rescinded, avoided or avoidable, reduced in amount, or must otherwise be restored or returned by, or is recovered from, Lender or by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment, performance, or transfer of Collateral had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, avoided, avoidable, restored, returned, or recovered, the Loan

Documents and the Secured Obligations shall be deemed, without any further action or documentation, to have been revived and reinstated except to the extent of the full, final, and indefeasible payment to Lender in Cash.

11.15 Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument.

11.16 No Third Party Beneficiaries. No provisions of the Loan Documents are intended, nor will be interpreted, to provide or create any third-party beneficiary rights or any other rights of any kind in any person other than Lender and Borrower unless specifically provided otherwise herein, and, except as otherwise so provided, all provisions of the Loan Documents will be personal and solely between the Lender and the Borrower.

11.17 Publicity. Lender may use Borrower's name and logo, and include a brief description of the relationship between Borrower and Lender, in Lender's marketing materials.

11.18 Joint and Several Liability. Each of Parent and the Joined Subsidiaries is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by Lender under this Agreement, for the mutual benefit, directly and indirectly, of each of Parent and the Joined Subsidiaries and in consideration of their undertakings to accept joint and several liability for the Secured Obligations. Each of Parent and the Joined Subsidiaries, jointly and severally, hereby irrevocably, absolutely and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with respect to the payment and performance of all of the Secured Obligations (including, without limitation, any Secured Obligations arising under this Section 11.18), it being the intention of Parent and the Joined Subsidiaries that all the Secured Obligations shall be the joint and several obligations of Parent and the Joined Subsidiaries without preferences or distinction among them. If and to the extent that any of Parent or the Joined Subsidiaries shall fail to make any payment with respect to any of the Secured Obligations as and when due or to perform any of the Secured Obligations in accordance with the terms thereof, then in each such event, the other Persons composing Borrower will make such payment with respect to, or perform, such Secured Obligation. Each of Parent and the Joined Subsidiaries hereby agrees that it will not enforce any of its rights of contribution or subrogation against any other Persons composing Borrower with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to Lender with respect to any of the Secured Obligations or any collateral security therefor until such time as all of the Secured Obligations have been paid in full in cash. Any claim which any of Parent or the Joined Subsidiaries may have against any other Persons composing Borrower with respect to any payments to Lender hereunder or under any other Loan Documents are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Secured Obligations arising hereunder or thereunder, to the prior payment in full in cash of the Secured Obligations and, in the event of any insolvency, bankruptcy,

receivership, liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any of Parent or the Joined Subsidiaries, their respective debt or assets, whether voluntary or involuntary, all such Secured Obligations shall be paid in full in cash before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Persons composing Borrower therefor.

11.19 Administrative Borrower. Each of the Joined Subsidiaries irrevocably appoints Parent as the borrowing agent and attorney-in-fact for all Persons composing Borrower which appointment shall remain in full force and effect unless and until Lender shall have received prior written notice signed by each of the Joined Subsidiaries that such appointment has been revoked and that another Person has been so appointed.

(SIGNATURES TO FOLLOW)

IN WITNESS WHEREOF, Borrower and Lender have duly executed and delivered this Loan and Security Agreement as of the day and year first above written.

BORROWER:

ENPHASE ENERGY, INC.,
a Delaware corporation

By: /s/ Sanjeev Kumar
Name: Sanjeev Kumar
Title: Chief Financial Officer

Accepted in Palo Alto, California:

LENDER:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.,
a Maryland corporation

By: /s/ K. Nicholas Martitsch
Name: K. Nicholas Martitsch
Its: Associate General Counsel

Table of Exhibits and Schedules

EXHIBIT A

ADVANCE REQUEST

To: Lender: Date: [ ] [ ], 2011

Hercules Technology Growth Capital, Inc.
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
Facsimile:
Attn:

Enphase Energy, Inc. ("Borrower") hereby requests from Hercules Technology Growth Capital, Inc. ("Lender") an Advance in the amount of [ ] Dollars ($[ ],000,000) on [ ] [ ], 2011 (the "Advance Date") pursuant to the Loan and Security Agreement between Borrower and Lender (the "Agreement"). Capitalized words and other terms used but not otherwise defined herein are used with the same meanings as defined in the Agreement.

Please:

(a) Issue a check payable to Borrower _____

or

(b) Wire Funds to Borrower's account _____

Bank: _____
Address: _____
_____
ABA Number: _____
Account Number: _____
Account Name: _____

Borrower represents that the conditions precedent to the Advance set forth in the Agreement are satisfied and shall be satisfied upon the making of such Advance, including but not limited to: (i) that no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing; (ii) that the representations and warranties set forth in the Agreement and in the Warrant are and shall be true and correct in all material respects on and as of the Advance Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date; (iii) that Borrower is in compliance with all the terms and provisions set forth in each Loan Document on its part to be observed or performed; and (iv) that as of the Advance Date, no fact or condition exists that would (or would, with the passage of time, the giving of notice, or both) constitute an Event of Default under the Loan Documents. Borrower understands and acknowledges that Lender has the right to review the financial information supporting this representation and, based upon such review in its sole discretion, Lender may decline to fund the requested Advance.

Borrower hereby represents that Borrower's corporate status and locations have not changed since the date of the Agreement or, if the Attachment to this Advance Request is completed, are as set forth in the Attachment to this Advance Request.

To secure the prompt payment by Borrower of all amounts from time to time outstanding under the Agreement, and the performance by Borrower of all the terms contained in the Agreement, Borrower grants Lender, a first priority security interest in each item of equipment and other property described in Annex A hereto, which equipment and other property shall be deemed to be additional Financed Equipment and Collateral. The Agreement is hereby incorporated by reference herein and is hereby ratified, approved and confirmed.

Borrower agrees to notify Lender promptly before the funding of the Loan if any of the matters which have been represented above shall not be true and correct on the Borrowing Date and if Lender has received no such notice before the Advance Date then the statements set forth above shall be deemed to have been made and shall be deemed to be true and correct as of the Advance Date.

[Remainder of page intentionally left blank; signature page follows]

Executed as of _____, 201[ ].

BORROWER:

ENPHASE ENERGY, INC.

SIGNATURE: _____

TITLE: _____

PRINT NAME: _____

ATTACHMENT TO ADVANCE REQUEST

Dated: _____

Borrower hereby represents and warrants to Lender that Borrower's current name and organizational status is as follows:

Name:	Enphase Energy, Inc.
Type of organization:	Corporation
State of organization:	Delaware
Organization file number:	4118583

Borrower hereby represents and warrants to Lender that the street addresses, cities, states and postal codes of its current locations are as follows:

Annex A to Advance Request

The Financed Equipment being financed with the Advance which this Advance Request is being executed is listed below (such list may be re-formatted as a spreadsheet). Upon the funding of such Advance, this schedule and the property described below automatically shall be deemed to be a part of the Collateral.

FINANCED EQUIPMENT

Description of Equipment

Make

Serial # (if applicable)

Quantity

PO #

Invoice Date

Invoice #

Cost

Location

Title holder

TOTAL COST:

EXHIBIT B

SECURED TERM PROMISSORY NOTE

$[ ],000,000 Advance Date: [ ] [ ], 20[ ]

Maturity Date: July 1, 2014

FOR VALUE RECEIVED, ENPHASE ENERGY, INC., a Delaware corporation ("Parent") and each of Parent's other subsidiaries joined to the Loan Agreement ("Joined Subsidiaries", together with Parent hereinafter collectively referred to as the "Borrower") hereby promise to pay to the order of Hercules Technology Growth Capital, Inc., a Maryland corporation or the holder of this Note (the "Lender") at 400 Hamilton Avenue, Suite 310, Palo Alto, CA 94301 or such other place of payment as the holder of this Secured Term Promissory Note (this "Promissory Note") may specify from time to time in writing, in lawful money of the United States of America, the principal amount of [ ] Million Dollars ($[ ],000,000) or such other principal amount as Lender has advanced to Borrower, together with interest at a floating rate equal to the Interest Rate (as defined in the Credit Agreement (as defined below)) per annum based upon a year consisting of 360 days, with interest computed daily based on the actual number of days in each month.

This Promissory Note is the Note referred to in, and is executed and delivered in connection with, that certain Loan and Security Agreement dated June 13, 2011, by and between Borrower and Lender (as the same may from time to time be amended, modified or supplemented in accordance with its terms, the "Loan Agreement"), and is entitled to the benefit and security of the Loan Agreement and the other Loan Documents (as defined in the Loan Agreement), to which reference is made for a statement of all of the terms and conditions thereof. All payments shall be made in accordance with the Loan Agreement. All terms defined in the Loan Agreement shall have the same definitions when used herein, unless otherwise defined herein. An Event of Default under the Loan Agreement shall constitute a default under this Promissory Note.

Borrower waives presentment and demand for payment, notice of dishonor, protest and notice of protest under the UCC or any applicable law. Borrower agrees to make all payments under this Promissory Note without setoff, recoupment or deduction and regardless of any counterclaim or defense. This Promissory Note has been negotiated and delivered to Lender and is payable in the State of California. This Promissory Note shall be governed by and construed and enforced in accordance with, the laws of the State of California, excluding any conflicts of law rules or principles that would cause the application of the laws of any other jurisdiction.

[Remainder of page intentionally left blank; signature page follows]

BORROWER FOR ITSELF AND
ON BEHALF OF ITS SUBSIDIARIES:

ENPHASE ENERGY, INC.

Signature: _____

Print Name: _____

Title: _____

EXHIBIT C

NAME, LOCATIONS, AND OTHER INFORMATION FOR BORROWER

1. Borrower represents and warrants to Lender that Borrower's current name and organizational status as of the Closing Date is as follows:

Name:	Enphase Energy, Inc.
Type of organization:	Corporation
State of organization:	Delaware
Organization file number:	4118583

Borrower's fiscal year ends on December 31

Borrower's federal employer tax identification number is: 20-4645388

2. Borrower represents and warrants to Lender that for five (5) years prior to the Closing Date, Borrower did not do business under any other name or organization or form except the following:

Name: PVI Solutions, Inc.
Used during dates of: March 2006 - July 2007
Type of organization: Corporation
State of organization: Delaware
Organization file number: 4118583

3. Borrower represents and warrants to Lender that its chief executive office is located at 201 First Street, Suite 100, Petaluma, CA 94952.

EXHIBIT D

COMPLIANCE CERTIFICATE

Hercules Technology Growth Capital, Inc.
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301

Reference is made to that certain Loan and Security Agreement dated June 13, 2011 and all ancillary documents entered into in connection with such Loan and Security Agreement all as may be amended from time to time, (hereinafter referred to collectively as the "Loan Agreement") between Hercules Technology Growth Capital, Inc. ("Hercules") as Lender and Enphase Energy, Inc. (with each of the Joined Subsidiaries, the "Company") as Borrower. All capitalized terms not defined herein shall have the same meaning as defined in the Loan Agreement.

The undersigned is an Officer of the Company, knowledgeable of all Company financial matters, and is authorized to provide certification of information regarding the Company; hereby certifies that in accordance with the terms and conditions of the Loan Agreement, the Company is in compliance for the period ending _____ of all covenants, conditions and terms and hereby reaffirms that all representations and warranties contained therein are true and correct on and as of the date of this Compliance Certificate with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, after giving effect in all cases to any standard(s) of materiality contained in the Loan Agreement as to such representations and warranties. Attached are the required documents supporting the above certification. The undersigned further certifies that these are prepared in accordance with GAAP (except for the absence of footnotes with respect to unaudited financial statement and subject to normal year end adjustments) and are consistent from one period to the next except as explained below.

REPORTING REQUIREMENT	REQUIRED	CHECK IF ATTACHED
Interim Financial Statements	Monthly within 30 days (45 days for the last month in any fiscal quarter)	
Interim Financial Statements	Quarterly within 45 days	
Audited Financial Statements	FYE within 180 days	

Very Truly Yours,

ENPHASE ENERGY, INC.,
as Borrower

Signature: _____
Print Name: _____
Title: _____

EXHIBIT E

FORM OF JOINDER AGREEMENT

This Joinder Agreement (the "Joinder Agreement") is made and dated as of [ ], 20[ ], and is entered into by and between_____., a _____ corporation ("Subsidiary"), and HERCULES TECHNOLOGY GROWTH CAPITAL, INC., a Maryland corporation, as a Lender.

RECITALS

A. Subsidiary's affiliate, Enphase Energy, Inc. ("Company") has entered into that certain Loan and Security Agreement dated June 13, 2011, with Lender, as such agreement may be amended (the "Loan Agreement"), together with the other agreements executed and delivered in connection therewith;

B. Subsidiary acknowledges and agrees that it will benefit both directly and indirectly from Company's execution of the Loan Agreement and the other agreements executed and delivered in connection therewith;

AGREEMENT

NOW THEREFORE, Subsidiary and Lender agree as follows:

1. The recitals set forth above are incorporated into and made part of this Joinder Agreement. Capitalized terms not defined herein shall have the meaning provided in the Loan Agreement.

2. By signing this Joinder Agreement, Subsidiary shall be bound by the terms and conditions of the Loan Agreement the same as if it were the Borrower (as defined in the Loan Agreement) under the Loan Agreement, mutatis mutandis, provided however, that Lender shall have no duties, responsibilities or obligations to Subsidiary arising under or related to the Loan Agreement or the other agreements executed and delivered in connection therewith. Rather, to the extent that Lender has any duties, responsibilities or obligations arising under or related to the Loan Agreement or the other agreements executed and delivered in connection therewith, those duties, responsibilities or obligations shall flow only to Company and not to Subsidiary or any other person or entity. By way of example (and not an exclusive list): (a) Lender's providing notice to Company in accordance with the Loan Agreement or as otherwise agreed between Company and Lender shall be deemed provided to Subsidiary; (b) a Lender's providing an Advance to Company shall be deemed an Advance to Subsidiary; and (c) Subsidiary shall have no right to request an Advance or make any other demand on Lender.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SUBSIDIARY:

_____.

By:
Name:
Title:

Address:

Telephone: _____
Facsimile: _____

HERCULES TECHNOLOGY GROWTH
CAPITAL, INC.,
a Maryland corporation

By: _____
Name: K. Nicholas Martitsch
Its: Associate General Counsel

Address:
400 Hamilton Ave., Suite 310
Palo Alto, CA 94301
Facsimile:
Telephone:

EXHIBIT F

ACH DEBIT AUTHORIZATION AGREEMENT

Hercules Technology Growth Capital, Inc.
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301

Re: Loan and Security Agreement dated June 13, 2011 between Enphase Energy, Inc.
(the "Borrower") and Hercules Technology Growth Capital, Inc. ("Company") (the "Agreement")

In connection with the above referenced Agreement, the Borrower hereby authorizes the Company to initiate debit entries for the periodic payments due under the Agreement to the Borrower's account indicated below. The Borrower authorizes the depository institution named below to debit to such account.

DEPOSITORY NAME	BRANCH
CITY	STATE AND ZIP CODE
TRANSIT/ABA NUMBER	ACCOUNT NUMBER

This authority will remain in full force and effect so long as any amounts are due under the Agreement.

_____
(Borrower)(Please Print)

By: _____

Date: _____

[Signature Page to ACH Debit Authorization Agreement]

Schedule 1
Subsidiaries

Enphase Energy SAS (organized under the laws of France)

Enphase Energy SRL (organized under the laws of Italy)

Enphase Energy New Zealand Limited (organized under the laws of New Zealand)

Schedule 1A
Permitted Indebtedness

Indebtedness to Atel Ventures, Inc. in an aggregate principal amount outstanding on the Closing Date of approximately $120,000 pursuant to that certain Master Loan and Security Agreement No. ENPHX, dated as of December 15, 2008, and any and all Loan Schedules, exhibits, riders and supplements thereto, and which is secured by the equipment financed with the proceeds thereof.

Indebtedness under the AEL Financial Lease Agreement, dated as of September 2008, in an aggregate principal amount outstanding on the Closing Date of approximately $21,000, and which is secured by the equipment financed with the proceeds thereof.

Indebtedness under two leases with GE Capital, dated as of August 2008, totaling approximately $3,000 on the Closing Date.

Indebtedness under three leases with Wells Fargo, dated between April 2008 and February 2010, totaling approximately $5,000 on the Closing Date.

Indebtedness not to exceed $25.0 million (none of which is outstanding on the Closing Date) under that certain Amended and Restated Loan and Security Agreement, dated as of March 24, 2011, by and among Enphase Energy, Inc., Bridge Bank, National Association, and Comerica Bank, and which is secured by a blanket lien on Borrower’s assets.

Indebtedness not to exceed $12.0 million (approximately $8.4 million of which is outstanding as of the Closing Date) under that certain Amended and Restated Venture Loan and Security Agreement, dated as of March 25, 2011, by and between Horizon Technology Finance Corporation, Horizon Credit LLC and Enphase Energy, Inc., and which is secured by a blanket lien on Borrower’s assets.

Indebtedness to Oracle Credit Corporation and its affiliates in an aggregate principal amount of approximately $275,000 outstanding as of the Closing Date under that certain Term License Lease Schedule No. 42667, dated February 28, 2011, Payment Plan Agreement, dated February 28, 2011, and any other related documents entered into in connection with the foregoing.

Schedule 1B
Permitted Investments

Investments consisting of capital stock of the subsidiaries disclosed on Schedule 1 and Schedule 5.14.

Schedule 5.3
Consents

The Consent Letters (as defined in Section 1.1) .

Schedule 5.5
Actions, Suits or Proceedings

None

Schedule 5.8
Tax Matters

None.

Schedule 5.9
Intellectual Property Claims

None.

Schedule 5.10
Intellectual Property

None.

Schedule 5.14
Capitalization

Enphase Energy, Inc.	See Attached.
Enphase Energy SAS	Authorized: 3,500 shares of Common Issued and Outstanding: 3,500 shares of Common
Enphase Energy SRL	Authorized: 35,000 Euro Nominal Shares Issued and Outstanding: 35,000 Euro Nominal Shares
Enphase Energy New Zealand Limited	Authorized: 100 shares of Common Issued and Outstanding: 100 shares of Common

Enphase Energy, Inc.
Fully Diluted Capitalization Table - Summary
As of 05/18/2011

	CSE Shares*	Total Fully Diluted Shares
COMMON STOCK (Authorized: 308,000,000)		
Issued and Outstanding	8,344,784	8,344,784
PREFERRED STOCK (Authorized: 213,912,542)		
SERIES A Preferred Stock (Authorized: 1,875,000)	2,298,753	
SERIES B Preferred Stock (Authorized: 9,672,442)	18,358,296	
SERIES C Preferred Stock (Authorized: 12,065,100)	29,353,159	
SERIES D Preferred Stock (Authorized: 115,300,000)	111,071,231	
SERIES E Preferred Stock (Authorized: 75,000,000)	67,471,300	228,552,739
WARRANTS		
COMMON Stock	100,000	
SERIES C Stock	251,400	
SERIES E Stock	1,470,588	1,821,988
2006 Plan (Reserved: 68,400,797)		
Shares Issuable Under Plan:		
Options and SPRs Issued and Outstanding	56,551,700	
Options and SPRs Committed for Issuance	0	
Shares Remaining for Issuance Under Plan	8,794,313	65,346,013
Reserved in Plan	68,400,797	
less: Options Exercised	(2,102,784)	
less: SPRs Exercised	(952,000)	
	65,346,013	
NON PLAN SPRS		
Common Stock	0	0
Total shares issued & outstanding, including shares committed for issuance and employee reserves, assuming conversion of all convertible securities and exercise of all outstanding options		304,065,524

Footnote(s):

CSE Shares* Common Stock Equivalent (CSE) shares reflects the Common Stock issuable for the security type (option, stock, warrant, CPN) after the appropriate conversion ratio is applied to each individual outstanding security for the applicable security type, using standard rounding.

Enphase Energy, Inc.
Fully Diluted Capitalization Table - Summary
As of 05/18/2011

Fully-Diluted Ownership

	Number of Shares	Percent (%)
Common Stock	8,344,784	2.74
SERIES A Preferred Stock	2,298,753	0.76
SERIES B Preferred Stock	18,358,296	6.04
SERIES C Preferred Stock	29,353,159	9.65
SERIES D Preferred Stock	111,071,231	36.53
SERIES E Preferred Stock	67,471,300	22.19
COMMON Warrants	100,000	0.03
SERIES C Warrants	251,400	0.08
SERIES E Warrants	1,470,588	0.48
Options and SPRs issued and outstanding under plan - 2006 Plan	56,551,700	18.60
Committed for Issuance - 2006 Plan	0	0.00
Unissued Reserve - 2006 Plan	8,794,313	2.89
Non Plan Common SPR	0	0.00
TOTAL	304,065,524	100.00

AMENDMENT NO. 1
TO
LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 1 TO LOAN AND SECURITY AGREEMENT (this "**Amendment**") is entered into this 20th day of June, 2011 by and between **ENPHASE ENERGY, INC.**, a Delaware corporation ("**Parent**"), and each of Parent's subsidiaries joined thereto (the "**Joined Subsidiaries**"; the Joined Subsidiaries and Parent are hereinafter referred to collectively as the "**Borrower**"), and **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**, a Maryland corporation (the "**Lender**"). Capitalized terms used herein without definition shall have the same meanings given them in the Loan Agreement (as defined below).

RECITALS

A. The Borrower and the Lender have entered into that certain Loan and Security Agreement dated as of June 13, 2011 (as amended, restated, supplemented or otherwise modified from time to time, the "**Loan Agreement**"), pursuant to which the Lender has agreed to extend and make available to the Borrower certain extensions of credit.

B. The Borrower and the Lender have agreed to amend the Loan Agreement upon the terms and conditions more fully set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and intending to be legally bound, the parties hereto agree as follows:

1. AMENDMENTS.

1.1 Section 1.1 (Definitions). Section 1.1 of the Loan Agreement is hereby amended in the following respects:

(a) Section 1.1 of the Loan Agreement is hereby amended by deleting the definition of "Investors' Subordination Agreement" in its entirety therefrom.

(b) Section 1.1 of the Loan Agreement is hereby amended by inserting the following new definition therein in alphabetical order:

"Convertible Lenders" has the meaning given to it in the definition of "Investors' Indebtedness".

"First Amendment Effective Date" means the "Effective Date" as defined in Amendment No. 1 to Loan and Security Agreement, dated as of June 20, 2011, by and between Borrower and Lender.

"KPCB" has the meaning given to it in the definition of "Investors' Indebtedness".

"Subordinated Loan Agreement" has the meaning given to it in the definition of "Investors' Indebtedness".

(c) Section 1.1 of the Loan Agreement is hereby amended by amending and restating the following definitions in their entirety as follows:

"Investors' Indebtedness" means the Indebtedness of Borrower in favor of the Investors in an original aggregate principal amount not to exceed $50,000,000 pursuant to that certain Subordinated Convertible Loan Facility and Security Agreement, dated as of June 14, 2011 (together, with the other ancillary and collateral security documents entered into by Borrower in connection therewith, the "Subordinated Loan Agreement"), by and among Borrower, the lenders from time to time parties thereto or other Persons who from time to time may become parties thereto (collectively, the "Convertible Lenders"), and KPCB Holdings, Inc., as nominee, in its capacity as agent for itself as a Convertible Lender and the other Convertible Lenders (in such capacity, "KPCB"), as the same may be amended, restated, supplemented or otherwise modified from time to time; provided, that, prior to the indefeasible payment in full of all Secured Obligations (in an aggregate principal amount not to exceed $5,000,000), any amendment, restatement, refinancing, supplement or other modification of the Subordinated Loan Agreement that (i) shortens the fixed date component of the Maturity Date definition in the Subordinated Loan Agreement from three (3) years after the effective date of the Subordinated Loan Agreement, or (ii) creates or provides for the scheduling of regular cash payments of principal or interest or requires any prepayment of the obligations of Borrower under the Subordinated Loan Agreement, other than payment in full upon the Maturity Date (as such term is defined in the Subordinated Loan Agreement) (for the avoidance of doubt, the foregoing shall not affect KPCB's ability to effect remedies, in each case, as provided for in the Subordinated Loan Agreement as in effect on the First Amendment Effective Date), in each case, shall be approved in advance in writing by Lender in its sole discretion.

"Maturity Date" means June 1, 2014.

"Release Letters" means letters from each of the Incumbent Lenders and KPCB, in its capacity as agent for the Convertible Lenders, pursuant to which each of the Incumbent Lenders and KPCB, on behalf of the Convertible Lenders, agrees to release any interest in the Financed Equipment, in each case, in form and substance acceptable to Lender.

1.2 Section 2.1 (Loan). Section 2.1(d) of the Loan Agreement is hereby amended by replacing the number "25" with the number "24" in the fourth line of such section.

1.3 Section 7.5 (Indebtedness). Section 7.5 of the Loan Agreement is hereby amended by replacing the phrase "subject to the Investors Subordination Agreement" with the following phrase: "so long as any such prepayment of the Investors' Indebtedness is expressly required by the terms and provisions of the Subordinated Loan Agreement as in effect on the First Amendment Effective Date or as such agreement is amended in accordance with this Agreement".

1.4 Exhibit B (Form of Secured Term Promissory Note). Exhibit B attached to the Loan Agreement is hereby amended by replacing the date of "July 1, 2014", which appears immediately following the phrase "Maturity Date:" in the upper right-hand corner of such Exhibit, with the date of "June 1, 2014".

2. BORROWER'S REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants that:

(a) immediately upon giving effect to this Amendment (i) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (ii) no Event of Default has occurred and is continuing;

(b) The Borrower has the corporate power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

(c) the certificate or articles of incorporation, bylaws and other organizational documents of the Borrower delivered to the Lender on the Closing Date remain true, accurate and complete and have not been amended, restated, supplemented or otherwise modified and continue to be in full force and effect;

(d) the execution and delivery by the Borrower of this Amendment and the performance by the Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized by all necessary corporate action on the part of the Borrower;

(e) this Amendment has been duly executed and delivered by the Borrower and is the binding obligation of the Borrower, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights generally; and

(f) as of the date hereof, the Borrower has no defenses against the obligations to pay any amounts under the Obligations. The Borrower acknowledges that the Lender has acted in good faith and has conducted in a commercially reasonable manner its relationships with the Borrower in connection with this Amendment and in connection with the Loan Documents.

The Borrower understands and acknowledges that the Lender is entering into this Amendment in reliance upon, and in partial consideration for, the above representations and warranties, and agrees that such reliance is reasonable and appropriate.

3. LIMITATION. The amendments set forth in this Amendment shall be limited precisely as written and shall not be deemed (a) to be a waiver or modification of any other term or condition of the Loan Agreement or of any other instrument or agreement referred to therein or to prejudice any right or remedy which the Lender may now have or may have in the future under or in connection with the Loan Agreement or any instrument or agreement referred to

therein; or (b) to be a consent to any future amendment or modification or waiver to any instrument or agreement the execution and delivery of which is consented to hereby, or to any waiver of any of the provisions thereof. Except as expressly amended hereby, the Loan Agreement shall continue in full force and effect.

4. EFFECTIVENESS. This Amendment shall become effective upon the satisfaction of all of the following conditions precedent in form and substance satisfactory to the Lender (the "**Effective Date**"):

4.1 Amendment. The Lender shall have received duly executed counterparts of this Amendment signed by the parties hereto.

4.2 Release Letter. The Lender shall have received a duly executed Release Letter from KPCB signed by the parties thereto.

5. EXPENSES. The Borrower agrees to pay the Lender's costs and expenses (including the fees and expenses of the Lender's counsel, advisors and consultants) accrued and incurred in connection with the transactions contemplated by this Amendment in an amount not to exceed $7,500 without Borrower's consent, and all other Lender expenses (including the fees and expenses of Lender's counsel, advisors and consultants) payable in accordance with Section 11.11 of the Loan Agreement.

6. COUNTERPARTS. This Amendment may be signed originally or by facsimile or other means of electronic transmission in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this Amendment.

7. INTEGRATION. This Amendment and any documents executed in connection herewith or pursuant hereto contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, understandings, offers and negotiations, oral or written, with respect thereto and no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any, involving this Amendment; except that any financing statements or other agreements or instruments filed by the Lender with respect to the Borrower shall remain in full force and effect.

8. GOVERNING LAW; VENUE. THIS AMENDMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA. The Borrower and the Lender each submit to the exclusive jurisdiction of the State and Federal courts in Santa Clara County, California.

[Remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties have duly authorized and caused this Amendment to be executed as of the date first written above.

BORROWER:

ENPHASE ENERGY, INC.

By: /s/ Sanjeev Kumar
Name: Sanjeev Kumar
Title: CFO

LENDER:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

By:
Name: K. Nicholas Martitsch
Title: Associate General Counsel

IN WITNESS WHEREOF, the parties have duly authorized and caused this Amendment to be executed as of the date first written above.

BORROWER:

ENPHASE ENERGY, INC.

By: _____
Name: _____
Title: _____

LENDER:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

By: /s/ K. Nicholas Martitsch
Name: K. Nicholas Martitsch
Title: Associate General Counsel

[Signature Page to Amendment No. 1 to Loan and Security Agreement]

AMENDMENT NO. 2
TO
LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 2 TO LOAN AND SECURITY AGREEMENT (this "**Amendment**") is entered into this 14th day of November, 2011 (the "**Second Amendment Effective Date**") by and between **ENPHASE ENERGY, INC.**, a Delaware corporation ("**Parent**"), and each of Parent's subsidiaries joined thereto (the "**Joined Subsidiaries**"; the Joined Subsidiaries and Parent are hereinafter referred to collectively as the "**Borrower**"), and **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.**, a Maryland corporation (the "**Lender**"). Capitalized terms used herein without definition shall have the same meanings given them in the Loan Agreement (as defined below).

RECITALS

A. The Borrower and the Lender have entered into that certain Loan and Security Agreement dated as of June 13, 2011 (as amended, restated, supplemented or otherwise modified from time to time, the "**Loan Agreement**"), pursuant to which the Lender has agreed to extend and make available to the Borrower certain extensions of credit.

B. The Borrower and the Investors (as defined in the Loan Agreement) intend to enter into an Amended and Restated Subordinated Convertible Loan Facility and Security Agreement (the "**Amended Subordinated Loan Agreement**") pursuant to which the size of the loan facility pursuant to such agreement will be increased and in connection therewith the Borrower and the Lender have agreed to amend the Loan Agreement upon the terms and conditions more fully set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and intending to be legally bound, the parties hereto agree as follows:

1. AMENDMENTS.

1.1 Section 1.1 (Definitions). Section 1.1 of the Loan Agreement is hereby amended by amending and restating the following definitions in their entirety as follows:

"Investors' Indebtedness" means the Indebtedness of Borrower in favor of the Investors in an original aggregate principal amount not to exceed $80,000,000 pursuant to that certain Amended and Restated Subordinated Convertible Loan Facility and Security Agreement, dated as of November 16, 2011 (together, with the other ancillary and collateral security documents entered into by Borrower in connection therewith, the "Subordinated Loan Agreement"), by and among Borrower, the lenders from time to time parties thereto or other Persons who from time to time may become parties thereto (collectively, the "Convertible Lenders"), and KPCB Holdings, Inc., as nominee, in its capacity as agent for itself as a Convertible Lender and the other Convertible Lenders (in such capacity, "KPCB"), as the same may be amended, restated, supplemented or otherwise modified from time to time; provided, that, prior to the indefeasible payment in full of all Secured Obligations (in an aggregate principal amount not to exceed $5,000,000), any amendment, restatement, refinancing, supplement or other modification of the Subordinated Loan Agreement that (i) shortens the fixed date component of the Maturity Date definition in the Subordinated Loan Agreement from June 14, 2014, or (ii) creates or provides for the scheduling of regular cash payments of principal or interest or requires

any prepayment of the obligations of Borrower under the Subordinated Loan Agreement, other than payment in full upon the Maturity Date (as such term is defined in the Subordinated Loan Agreement) (for the avoidance of doubt, the foregoing shall not affect KPCB's ability to effect remedies, in each case, as provided for in the Subordinated Loan Agreement as in effect on the Second Amendment Effective Date), in each case, shall be approved in advance in writing by Lender in its sole discretion."

2. BORROWER'S REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants that:

(a) immediately upon giving effect to this Amendment (i) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (ii) no Event of Default has occurred and is continuing;

(b) the Borrower has the corporate power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

(c) the certificate or articles of incorporation, bylaws and other organizational documents of the Borrower previously delivered to the Lender remain true, accurate and complete and have not been amended, restated, supplemented or otherwise modified and continue to be in full force and effect;

(d) the execution and delivery by the Borrower of this Amendment and the performance by the Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized by all necessary corporate action on the part of the Borrower;

(e) this Amendment has been duly executed and delivered by the Borrower and is the binding obligation of the Borrower, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights generally; and

(f) as of the date hereof, the Borrower has no defenses against the obligations to pay any amounts under the Obligations. The Borrower acknowledges that the Lender has acted in good faith and has conducted in a commercially reasonable manner its relationships with the Borrower in connection with this Amendment and in connection with the Loan Documents.

The Borrower understands and acknowledges that the Lender is entering into this Amendment in reliance upon, and in partial consideration for, the above representations and warranties, and agrees that such reliance is reasonable and appropriate.

3. LIMITATION. The amendments set forth in this Amendment shall be limited precisely as written and shall not be deemed (a) to be a waiver or modification of any other term or condition of the Loan Agreement or of any other instrument or agreement referred to therein or to prejudice any right or remedy which the Lender may now have or may have in the future under or in connection with the Loan Agreement or any instrument or agreement referred to therein; or (b) to be a consent to any future amendment or modification or waiver to any instrument or agreement the execution and delivery of which is consented to hereby, or to any waiver of any of the provisions thereof. Except as expressly amended hereby, the Loan Agreement shall continue in full force and effect.

4. EFFECTIVENESS. This Amendment shall become effective upon the satisfaction of all of the following conditions precedent in form and substance satisfactory to the Lender (the "**Effective Date**"):

4.1 Amendment. The Lender shall have received duly executed counterparts of this Amendment signed by the parties hereto.

4.2 Amended Subordinated Loan Agreement. The Borrower and the Investors shall have entered into the Amended Subordinated Loan Agreement.

5. EXPENSES. The Borrower agrees to pay the Lender's costs and expenses (including the fees and expenses of the Lender's counsel, advisors and consultants) accrued and incurred in connection with the transactions contemplated by this Amendment in an amount not to exceed [$2,000] without Borrower's consent, and all other Lender expenses (including the fees and expenses of Lender's counsel, advisors and consultants) payable in accordance with Section 11.11 of the Loan Agreement.

6. COUNTERPARTS. This Amendment may be signed originally or by facsimile or other means of electronic transmission in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this Amendment.

7. INTEGRATION. This Amendment and any documents executed in connection herewith or pursuant hereto contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, understandings, offers and negotiations, oral or written, with respect thereto and no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any, involving this Amendment; except that any financing statements or other agreements or instruments filed by the Lender with respect to the Borrower shall remain in full force and effect.

8. GOVERNING LAW; VENUE. THIS AMENDMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA. The Borrower and the Lender each submit to the exclusive jurisdiction of the State and Federal courts in Santa Clara County, California.

[Remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties have duly authorized and caused this Amendment to be executed as of the date first written above.

BORROWER:

ENPHASE ENERGY, INC.

By: /s/ Sanjeev Kumar
Name:
Title:

LENDER:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

By: /s/ K. Nicholas Martitsch
Name: K. Nicholas Martitsch
Title: Associate General Counsel

Execution Version

AMENDMENT NO. 3
TO
LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 3 TO LOAN AND SECURITY AGREEMENT (this "**Amendment**") is entered into this 30th day of December, 2011 by and between **ENPHASE ENERGY, INC.**, a Delaware corporation (**"Borrower"**), and **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.,** a Maryland corporation (the **"Lender"**). Capitalized terms used herein without definition shall have the same meanings given them in the Loan Agreement (as defined below).

RECITALS

A. The Borrower and the Lender have entered into that certain Loan and Security Agreement dated as of June 13, 2011, as amended by that certain Amendment No. 1, dated as of June 20, 2011, and that certain Amendment No. 2, dated as of November 14, 2011 (as amended, restated, supplemented or otherwise modified from time to time, the **"Loan Agreement"**), pursuant to which the Lender has agreed to extend and make available to the Borrower certain extensions of credit.

B. The Borrower and the Lender have agreed to amend the Loan Agreement upon the terms and conditions more fully set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and intending to be legally bound, the parties hereto agree as follows:

1. AMENDMENTS.

1.1 Section 1.1 (Definitions). Section 1.1 of the Loan Agreement is hereby amended by amending and restating clause (ii) of the definition of Permitted Indebtedness in its entirety as follows:

"(ii) Indebtedness existing on December 30, 2011 which is disclosed in Schedule 1A;"

1.2 Schedule 1A (Permitted Indebtedness). Schedule 1A attached to the Loan Agreement is hereby replaced with Schedule 1A attached hereto.

2. BORROWER'S REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants that:

(a) immediately upon giving effect to this Amendment (i) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (ii) no Event of Default has occurred and is continuing;

(b) The Borrower has the corporate power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

(c) the certificate or articles of incorporation, bylaws and other organizational documents of the Borrower delivered to the Lender on the Closing Date remain true, accurate and complete and have not been amended, restated, supplemented or otherwise modified and continue to be in full force and effect;

(d) the execution and delivery by the Borrower of this Amendment and the performance by the Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized by all necessary corporate action on the part of the Borrower;

(e) this Amendment has been duly executed and delivered by the Borrower and is the binding obligation of the Borrower, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights generally; and

(f) as of the date hereof, the Borrower has no defenses against the obligations to pay any amounts under the Obligations.

The Borrower understands and acknowledges that the Lender is entering into this Amendment in reliance upon, and in partial consideration for, the above representations and warranties, and agrees that such reliance is reasonable and appropriate.

3. LIMITATION. The amendments set forth in this Amendment shall be limited precisely as written and shall not be deemed (a) to be a waiver or modification of any other term or condition of the Loan Agreement or of any other instrument or agreement referred to therein or to prejudice any right or remedy which the Lender may now have or may have in the future under or in connection with the Loan Agreement or any instrument or agreement referred to therein; or (b) to be a consent to any future amendment or modification or waiver to any instrument or agreement the execution and delivery of which is consented to hereby, or to any waiver of any of the provisions thereof. Except as expressly amended hereby, the Loan Agreement shall continue in full force and effect.

4. EFFECTIVENESS. This Amendment shall become effective upon the satisfaction of all of the following conditions precedent in form and substance satisfactory to the Lender (the **"Effective Date"**):

4.1 Amendment. The Lender shall have received duly executed counterparts of this Amendment signed by the parties hereto.

5. EXPENSES. The Borrower agrees to pay the Lender's costs and expenses (including the fees and expenses of the Lender's counsel, advisors and consultants) accrued and incurred in connection with the transactions contemplated by this Amendment, and all other

Lender expenses (including the fees and expenses of Lender's counsel, advisors and consultants) payable in accordance with Section 11.11 of the Loan Agreement.

6. COUNTERPARTS. This Amendment may be signed originally or by facsimile or other means of electronic transmission in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this Amendment.

7. INTEGRATION. This Amendment and any documents executed in connection herewith or pursuant hereto contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, understandings, offers and negotiations, oral or written, with respect thereto and no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any, involving this Amendment; except that any financing statements or other agreements or instruments filed by the Lender with respect to the Borrower shall remain in full force and effect.

8. GOVERNING LAW; VENUE. THIS AMENDMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA. The Borrower and the Lender each submit to the exclusive jurisdiction of the State and Federal courts in Santa Clara County, California.

[Remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties have duly authorized and caused this Amendment to be executed as of the date first written above.

BORROWER:

ENPHASE ENERGY, INC.

By: /s/ Paul Nahi
Name:
Title:

LENDER:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

By:
Name: K. Nicholas Martitsch
Title: Associate General Counsel

IN WITNESS WHEREOF, the parties have duly authorized and caused this Amendment to be executed as of the date first written above.

BORROWER:

ENPHASE ENERGY, INC.

By: _____
Name: _____
Title: _____

LENDER:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

By: /s/ K. Nicholas Martitsch
Name: K. Nicholas Martitsch
Title: Associate General Counsel

[Signature Page to Amendment No. 3 to Loan and Security Agreement]

Schedule 1A
Permitted Indebtedness

Indebtedness to Atel Ventures, Inc. in an aggregate principal amount outstanding on the Effective Date of approximately $30,000 pursuant to that certain Master Loan and Security Agreement No. ENPHX, dated as of December 15, 2008, as amended from time to time, and any and all Loan Schedules, exhibits, riders and supplements thereto, and which is secured by the equipment financed with the proceeds thereof.

Indebtedness under the AEL Financial Lease Agreement, dated as of September 2008, in an aggregate principal amount outstanding on the Effective Date of approximately $8,000, and which is secured by the equipment financed with the proceeds thereof.

Indebtedness not to exceed $33.0 million (none of which is outstanding on the Effective Date) under that certain Amended and Restated Loan and Security Agreement, dated as of March 24, 2011, by and among Enphase Energy, Inc., Bridge Bank, National Association, and Comerica Bank, as amended from time to time, and which is secured by a blanket lien on Borrower's assets.

Indebtedness not to exceed $12.0 million (approximately $10.4 million of which is outstanding as of the Effective Date) under that certain Amended and Restated Venture Loan and Security Agreement, dated as of March 25, 2011, by and between Horizon Technology Finance Corporation, Horizon Credit LLC and Enphase Energy, Inc., as amended from time to time, and which is secured by a blanket lien on Borrower's assets.

Indebtedness to Oracle Credit Corporation and its affiliates in an aggregate principal amount of approximately $205,000 outstanding as of the Effective Date under that certain Term License Lease Schedule No. 42667, dated February 28, 2011, Payment Plan Agreement, dated February 28, 2011, in each case as amended from time to time, and any other related documents entered into in connection with the foregoing.

REDWOOD BUSINESS PARK
NNN LEASE
BASIC LEASE INFORMATION

DATE:	June 3, 2011
LANDLORD:	SEQUOIA CENTER LLC, a California limited liability company
LANDLORD'S ADDRESS:	c/o Basin Street Properties 1383 N. McDowell Blvd. Suite 200 Petaluma, CA 94954 Attn: Property Management
TENANT:	ENPHASE ENERGY, INC., a Delaware corporation
TENANT'S ADDRESS:	
a. Before Commencement Date:	201 First Street, Suite 213 Petaluma, CA 94952 Attn: Paul Nahi
b. After Commencement Date:	1420 N. McDowell Blvd. Petaluma, CA 94954 Attn: Sanjeev Kumar, CFO with a copy to: 1420 N. McDowell Blvd. Petaluma, CA 94954 Attn: Taylor Browning, General Counsel
PREMISES:	The first floor of the Building, containing approximately 24,000 rentable square feet of space and excluding the common area lobby/stairwell providing access to the 2nd and 3rd floors of the Building.
BUILDING:	The building commonly known as 1400 North McDowell Boulevard containing approximately 72,000 rentable square feet of space.
PROJECT:	That certain three-building office complex located in Petaluma, California, including the Building and the neighboring buildings located at 1420 N. McDowell Boulevard and 5341 Old Redwood Highway.
TERM:	10 Years
a. Commencement Date	See Section 3.1.

b. Estimated Commencement Date	November 1, 2011
BASE RENT:	
a. Initial Monthly Base Rent	$26,400.00
b. Advanced Base Rent (Paid Upon Lease Execution)	$26,400.00
c. Adjustment Date of Monthly Base Rent	See Addendum
INITIAL ESTIMATED MONTHLY ALLOCATION OF TAXES & OPERATING EXPENSES FOR 2011:	$6,720.00 ($.28 per r.s.f. of the Premises).
TENANT'S BUILDING PERCENTAGE SHARE:	Thirty three and one third percent (33 and 1/3%) (i.e., the rentable square footage of the Premises/the rentable square footage of the Building)
SECURITY DEPOSIT:	None.
PERMITTED USE:	For use as office and administrative space and research and development (including laboratory work and assembly of test equipment but excluding manufacturing), and for no other use or purpose.
PARKING SPACES:	Tenant shall have the right to use a minimum of 3.8 parking spaces per 1,000 rentable square feet of the Premises on a non-exclusive basis in the parking areas shown on Exhibit A-2.
REAL ESTATE BROKERS:	
a. Landlord's Broker:	None.
b. Tenant's Broker:	None.

EXHIBITS AND ADDENDUM

Exhibit A-1:	Diagram of Premises
Exhibit A-2:	Diagram of Project
Exhibit B:	Work Letter Agreement
Exhibit C:	Commencement Date Memorandum
Exhibit D:	Rules and Regulations
Exhibit E:	Form Lease Termination

REDWOOD BUSINESS PARK

NNN LEASE

THIS REDWOOD BUSINESS PARK NNN LEASE (this "Lease") dated as of June 3, 2011, is entered into by and between SEQUOIA CENTER LLC, a California limited liability company ("Landlord"), and ENPHASE ENERGY, INC., a Delaware corporation ("Tenant").

1. Definitions. The following terms shall have the meanings set forth below:

1.1. Building. The term "Building" shall have the meaning set forth in the Basic Lease Information.

1.2. Building Common Areas. The term "Building Common Areas" shall mean the areas and facilities within the Building provided and designated by Landlord for the general use, convenience or benefit of Tenant and other tenants and occupants of the Building (e.g., common stairwells, stairways, hallways, shafts, elevators, restrooms, janitorial telephone and electrical closets, pipes, ducts, conduits, wires and appurtenant fixtures servicing the Building). So long as Tenant is leasing the entire Building, the Building Common Areas shall be deemed part of the Premises.

1.3. Commencement Date. The term "Commencement Date" shall have the meaning set forth in Section 3.1, below.

1.4. Common Areas. The term "Common Areas" shall mean the Building Common Areas and the Project Common Areas.

1.5. Premises. The term "Premises" shall have the meaning set forth in the Basic Lease Information.

1.6. Project. The term "Project" shall have the meaning set forth in the Basic Lease Information.

1.7. Project Common Areas. The term "Project Common Areas" shall mean the areas and facilities within the Project provided and designated by Landlord for the general use, convenience or benefit of Tenant and other tenants and occupants of the Project (e.g., walkways, traffic aisles, accessways, utilities and communications conduits and facilities).

1.8. Rentable Area. The term "Rentable Area" shall mean the rentable area of the Premises, Building and Project as reasonably determined by Landlord. The parties agree that for all purposes under this Lease, the Rentable Area of the Premises, Building and Project shall be deemed to be the number of rentable square feet identified in the Basic Lease Information.

1.9. Tenant's Building Percentage Share. The term "Tenant's Building Percentage Share" shall mean the percentage specified in the Basic Lease Information. If the Rentable Area of the Premises or the Rentable Area of the Building is changed, then Tenant's Building Percentage Share shall be adjusted to a percentage equal to the Rentable Area of the Premises divided by the Rentable Area of the Building.

1.10. Term. The term "Term" shall have the meaning set forth in the Basic Lease Information.

2. Premises.

2.1. Demise. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, for the Term, at the rent and upon the conditions set forth below, the Premises, together with the right in common to use the Common Areas.

2.2. Condition Upon Delivery. Tenant acknowledges that it has had an opportunity to thoroughly inspect the Premises and, subject to Landlord's obligations under Section 9.2 and the Work Letter Agreement, Tenant accepts the Premises in its existing "as is" condition, with all faults and defects and without any representation or warranty of any kind, express or implied; provided that Landlord hereby agrees to deliver the Premises to Tenant with

all Building systems in good operating condition and repair, and in compliance with applicable laws, including, without limitation, the Americans With Disabilities Act.

2.3. Reserved Rights. Landlord reserves the right to do the following from time to time:

(a) Changes. Provided Landlord uses commercially reasonable efforts to minimize interference with Tenant's use, to install, use, maintain, repair, replace and relocate pipes, ducts, shafts, conduits, wires, appurtenant meters and mechanical, electrical and plumbing equipment and appurtenant facilities for service to other parts of the Building or Project above the ceiling surfaces, below the floor surfaces and within the walls of the Premises and in the central core areas of the Building and in the Building Common Areas, and to install, use, maintain, repair, replace and relocate any pipes, ducts, shafts, conduits, wires, appurtenant meters and mechanical, electrical and plumbing equipment and appurtenant facilities servicing the Premises, which are located either in the Premises or elsewhere outside of the Premises;

(b) Boundary Changes. To change the boundary lines of the Project;

(c) Facility Changes. Provided Landlord uses commercially reasonable efforts to minimize interference with Tenant's use, to alter or relocate the Common Areas or any facility within the Project;

(d) Parking. To designate and/or redesignate specific parking spaces in the Project for the exclusive or non-exclusive use of specific tenants in the Project, provided the number of Tenant's parking spaces is not diminished and Tenant receives parking space locations at least as favorable as other tenants of the Project;

(e) Services. To install, use maintain, repair, replace, restore or relocate public or private facilities for communications and utilities on or under the Building and/or Project, so long as such work does not require the relocation of and/or unreasonably interfere with Tenant's solar panels installed in accordance with this Lease.

(f) Other. Provided Landlord uses commercially reasonable efforts to minimize interference with Tenant's use, to perform such other acts and make such other changes in, to or with respect to the Common Areas, Building and/or Project as Landlord may reasonably deem appropriate.

2.4. Work Letter Agreement. Landlord and Tenant shall each perform the work required to be performed by it as described in the Work Letter Agreement attached hereto as Exhibit B. Landlord and Tenant shall each perform such work in accordance with the terms and conditions contained therein.

3. Term.

3.1. Commencement Date. The Term shall be for the period of time specified in the Basic Lease Information unless sooner terminated as hereinafter provided. The Term shall commence on the date that (i) a fully executed lease termination agreement, in the form attached hereto as Exhibit E, is delivered to Tenant for its lease of the space located at 201 First Street, Petaluma, CA, and (ii) the Premises are delivered to the Tenant in "Substantially Completed" condition (as defined in the Work Letter Agreement), subject to adjustment for "Tenant Delays" as provided in the Work Letter Agreement (as so adjusted, the "Commencement Date") and shall continue thereafter in full force and effect for the period specified as the Term or until this Lease is terminated as otherwise provided herein. For purposes of this Lease, the first "Lease Year" shall mean the period commencing on the Commencement Date and ending twelve (12) months thereafter, except that if the Commencement Date is other than the first day of a calendar month, the first "Lease Year" shall mean the period commencing on the Commencement Date and ending on the last day of the twelfth (12th) full calendar month after the Commencement Date. Thereafter, the term "Lease Year" shall mean a period equal to twelve (12) full calendar months. Delay in Delivery. If for any reason Landlord has not delivered to Tenant possession of the Premises by the Estimated Commencement Date, this Lease shall remain in effect and Landlord shall not be liable to Tenant for any loss or damage resulting therefrom. Notwithstanding anything to the contrary contained in this Lease, if Landlord has not delivered the Premises Substantially Completed to Tenant on or before the 120th day following the Estimated

Commencement Date for any reason other than a Tenant Delay, then Tenant shall have the right to terminate this Lease at any time prior to the delivery of the Premises to Tenant in substantially completed condition by written notice to Landlord, and upon such termination, Landlord shall return all sums theretofore deposited by Tenant with Landlord, and neither party shall have any further liability to the other.

3.2. Commencement Date Memorandum. Following the Commencement Date, Landlord may prepare and deliver to Tenant a commencement date memorandum (the "Commencement Date Memorandum") in the form of Exhibit C, attached hereto, subject to such changes in the form as may be required to insure the accuracy thereof. The Commencement Date Memorandum shall certify the date on which Landlord delivered possession of the Premises in the condition required by the Work Letter to Tenant and the dates upon which the Term commences and expires. Tenant's failure to execute and deliver to Landlord the Commencement Date Memorandum within five (5) business days after Tenant's receipt of Landlord's second request for the Commencement Date Memorandum shall be conclusive upon Tenant as to the matters set forth in the Commencement Date Memorandum.

4. Rent.

4.1. Base Rent. For purposes of this Lease, the term "Rent" shall mean the Base Rent, Advanced Base Rent, all additional rent, and all of the other monetary obligations of Tenant under this Lease. Upon execution of this Lease, Tenant shall pay to Landlord the Advanced Base Rent set forth in the Basic Lease Information. Tenant shall pay to Landlord the Base Rent specified in the Basic Lease Information, in advance, on or before the first day of each and every successive calendar month following the Commencement Date. If the Term commences on a day other than the first day of a calendar month, the first payment of Base Rent shall be appropriately prorated on the basis of the number of days in such calendar month. Tenant's payment of any Advanced Base Rent shall be credited against Tenant's obligation to pay Base Rent beginning as of the Commencement Date. If the Term expires on other than the last day of a calendar month, the last payment of Base Rent shall be appropriately prorated based on the number of days in such calendar month.

4.2. Adjustments to Base Rent. The Base Rent shall be adjusted as provided in the Addendum attached hereto.

4.3. Additional Rent. Tenant shall pay, as additional rent, all amounts of money that Tenant is required to pay to Landlord under this Lease in addition to monthly Base Rent whether or not the same is designated "additional rent." Tenant shall pay to Landlord all additional rent upon Landlord's written request or otherwise as provided in this Lease.

4.4. Late Payment. Tenant acknowledges that late payment of Rent to Landlord will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Landlord by the terms of any trust deed covering the Premises. Accordingly, if any installment of Rent or any other sums due from Tenant shall not be received by Landlord when due, Tenant shall pay to Landlord a late charge in an amount equal to five percent (5%) of such overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall not constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. Notwithstanding anything to the contrary contained in this Lease, once in any twelve month period , Landlord shall waive such late payment fee if the required payment is made within five (5) days of Landlord's notice.

4.5. Interest. In addition to the imposition of a late payment charge pursuant to Section 4.4 above, any Rent that is not paid when due shall bear interest from the date of Landlord's notice until paid at the rate that is the lesser of six percent (6%) per annum (the "Interest Rate") or the maximum rate permitted by law. Payment of interest shall not excuse or cure any default hereunder by Tenant.

4.6. Payment. All payments due from Tenant to Landlord hereunder shall be made to Landlord without deduction or offset, in lawful money of the United States of America

at Landlord's address for notices hereunder, or to such other person or at such other place as Landlord may from time to time designate in writing to Tenant.

5. Taxes.

5.1. Tenant's Obligations. Commencing on the Commencement Date and on the first day of each calendar month thereafter during the term, Tenant shall pay to Landlord, as additional rent, one twelfth (1/12) of Landlord's estimate (subject to adjustment from time to time) of Tenant's Building Percentage Share of Taxes during each year of the Term (prorated for any partial year during the Term). Landlord shall have the right to allocate certain Taxes on the Project to one or more buildings in the Project to the extent Landlord determines that it is reasonable to do so.

5.2. Definition of Taxes; Proposition 13 Protection. The term "Taxes" shall include all transit charges, housing fund assessments, real estate taxes and all other taxes relating to the Premises, Building and Project of every kind and nature whatsoever, including any supplemental real estate taxes attributable to any period during the Term; all taxes which may be levied in lieu of real estate taxes; and all assessments, assessment bonds, levies, fees, penalties (if a result of Tenant's delinquency) and other governmental charges (including, but not limited to, charges for parking, traffic and any storm drainage/flood control facilities, studies and improvements, water and sewer service studies and improvements, and fire services studies and improvements); and all amounts necessary to be expended because of governmental orders, whether general or special, ordinary or extraordinary, unforeseen as well as foreseen, of any kind and nature for public improvements, services, benefits or any other purpose, which are assessed, based upon the use or occupancy of the Premises, Building and/or Project, or levied, confirmed, imposed or become a lien upon the Premises, Building and/or Project, or become payable during the Term, and which are attributable to any period within the Term. Notwithstanding anything to the contrary contained in this Lease, for the first three (3) years of the Term, fifty percent (50%) of all increases in Taxes resulting from the sale of the Building shall be paid by Landlord and shall not be passed through to Tenant. Thereafter, Tenant shall be responsible for Tenant's Building Percentage Share of all Taxes in accordance with this Section 5.

5.3. Limitation. Nothing contained in this Lease shall require Tenant to pay any franchise, estate, inheritance, succession or transfer tax of Landlord, or any income, profits or revenue tax or charge upon the net income of Landlord from all sources; provided, however, that if at any time during the Term under the laws of the United States Government or the State of California, or any political subdivision thereof, a tax or excise on rent, or any other tax however described, is levied or assessed by any such political body against Landlord on account of Rent, or any portion thereof, one hundred percent (100%) of any said tax or excise shall be included in the definition of Taxes and Tenant shall pay its proportionate share as additional rent.

5.4. Installment Election. In the case of any Taxes which may be evidenced by improvement or other bonds or which may be paid in annual or other periodic installments, Landlord shall elect to cause such bonds to be issued or such assessment to be paid in installments over the maximum period permitted by law.

5.5. Estimate of Tenant's Share of Taxes. Prior to the commencement of each calendar year during the Term, or as soon thereafter as reasonably practicable, Landlord shall notify Tenant in writing of Landlord's estimate of the amount of Taxes which will be payable by Tenant for the ensuing calendar year. On or before the first day of each month during the ensuing calendar year, Tenant shall pay to Landlord in advance, together with Base Rent, one-twelfth (1/12th) of the estimated amount; provided, however, if Landlord fails to notify Tenant of the estimated amount of Tenant's share of Taxes for the ensuing calendar year prior to the end of the current calendar year, Tenant shall be required to continue to pay to Landlord each month in advance Tenant's estimated share of Taxes on the basis of the amount due for the immediately prior month until ten (10) days after Landlord notifies Tenant of the estimated amount of Tenant's share of Taxes for the ensuing calendar year. If at any time it appears to Landlord that Tenant's share of Taxes payable for the current calendar year will vary from Landlord's estimate, Landlord may give notice to Tenant of Landlord's revised estimate for the year, and subsequent payments by Tenant for the year shall be based on the revised estimate.

5.6. Annual Adjustment. Within one hundred twenty (120) days after the close of each calendar year during the Term, or as soon after the one hundred twenty (120) day period

as reasonably practicable, Landlord shall deliver to Tenant a statement of the adjustment to the Taxes for the prior calendar year. If, on the basis of the statement, Tenant owes an amount that is less than the estimated payments for the prior calendar year previously made by Tenant, Landlord shall apply the excess to the next payment of Taxes due, or, if the Lease has ended, shall pay the excess to Tenant within thirty (30) days after such determination, which shall not be unreasonably delayed. If, on the basis of the statement, Tenant owes an amount that is more than the amount of the estimated payments made by Tenant for the prior calendar year, Tenant shall pay the deficiency to Landlord within thirty (30) days after delivery of the statement. The year-end statement shall be binding upon Tenant unless Tenant notifies Landlord in writing of any objection thereto within thirty (30) days after Tenant's receipt of the year end statement. In addition, if, after the end of any calendar year or any annual adjustment of Taxes for a calendar year, any Taxes are assessed or levied against the Premises, Building or Project that are attributable to any period within the Term (e.g., supplemental taxes or escaped taxes), Landlord shall notify Tenant of its share of such additional Taxes and Tenant shall pay such amount to Landlord within thirty (30) days after Landlord's written request therefor.

5.7. Personal Property Taxes. Tenant shall pay or cause to be paid, not less than ten (10) days prior to delinquency, any and all taxes and assessments levied upon all of Tenant's trade fixtures, inventories and other personal property in, on or about the Premises. When possible, Tenant shall cause Tenant's personal property to be assessed and billed separately from the real or personal property of Landlord. On request by Landlord, Tenant shall furnish Landlord with satisfactory evidence of payment of Tenant's business personal property taxes and deliver copies of such business personal property tax bills to Landlord.

5.8. Taxes on Tenant Improvements. Notwithstanding any other provision hereof, Tenant shall pay to Landlord the full amount of any increase in Taxes during the Term resulting from any and all alterations and tenant improvements of any kind whatsoever placed in, on or about or made to the Premises, Building or Project for the benefit of, at the request of, or by Tenant.

6. Operating Expenses.

6.1. Obligation to Pay Operating Expenses. Commencing on the Commencement Date and on the first day of each calendar month thereafter during the Term, Tenant shall pay to Landlord, as additional rent, one twelfth (1/12) of Landlord's estimate (subject to adjustment from time to time) of Tenant's Building Percentage Share of Operating Expenses attributable to the ownership, operation, repair and/or maintenance of the Building. Although most Operating Expenses for the Project shall be allocated among all Buildings in the Project on a pro rata basis, Landlord has the right to allocate certain Operating Expenses incurred in connection with the ownership, operation, repair and/or maintenance of the Project to one or more particular buildings within the Project to the extent that it is reasonable to do so based upon the nature of the expense.

6.2. Definition of Operating Expenses. The term "Operating Expenses" shall include all expenses and costs of every kind and nature which Landlord shall pay or become obligated to pay because of or in connection with the ownership, operation, repair and/or maintenance of the Building, Common Areas and/or Project and the supporting facilities, including, without limitation: (A) all maintenance, janitorial and security costs, (B) costs for all materials, supplies and equipment; (C) all costs of water, heat, gas power, electricity, refuse collection, parking lot sweeping, landscaping, and other utilities and services provided or allocated to the Building and the Common Areas; (D) all reasonable property management expenses not in excess of 3.5% of gross rents, including, without limitation, all property management fees and all expense and cost reimbursements, (E) all costs of alterations or improvements to the Building or Common Areas made to achieve compliance with federal, state and local law including, without limitation, the Americans with Disabilities Act (42 U.S.C. Section 12101 et seq.), or to reduce Operating Expenses or improve the operating efficiency of the Building or the Project, all of which costs will be amortized over the useful life of such alteration or improvement as reasonably determined by Landlord, together with interest upon the unamortized balance at the Interest Rate or such other higher rate as may have been paid by Landlord on funds borrowed for the purpose of making the alterations or improvements; (F) commercially reasonable premiums for insurance maintained by Landlord pursuant to this Lease or with respect to the Building and the Project; (G) costs for repairs, replacements, uninsured damage or commercially reasonable insurance deductibles and general maintenance of the

Building, Common Areas and Project, but excluding any repairs or replacements paid for out of insurance proceeds or by other parties; (H) all costs incurred by Landlord for making any capital improvements or structural repairs to the Building or the Common Areas, which costs will be amortized over the useful life of such improvement, repair or modification as reasonably determined by Landlord, together with interest upon the unamortized balance at the Interest Rate or such other higher rate as may have been paid by Landlord on funds borrowed for the purpose of constructing the improvements or making the improvements or repairs; (I) all costs of maintaining machinery, equipment and directional signage or other markers; and (J) the share allocable to the Building of dues and assessments payable under any reciprocal easement or common area maintenance agreements or declarations or by any owners associations affecting the Building or the Project. Notwithstanding anything to the contrary contained in this Lease, Operating Expenses shall not include Taxes, or any of the following:

- Any “tenant allowances”, “tenant concessions” and other costs or expenses incurred in fixturing, furnishing, renovating or otherwise improving, decorating or redecorating space for tenants or other occupants of the Project, or vacant leasable space in the Project.
- Depreciation; principal payments of mortgage and other non-operating debts of Landlord.
- Loan principal payments or interest expenses on long-term borrowings.
- Real estate brokerage and leasing commissions.
- Attorney’s fees and other expenses incurred in connection with negotiations or disputes with prospective tenants or tenants or other occupants of the Building.
- The cost or expense of any services or benefits provided generally to other tenants in the Building and not provided or available to Tenant.
- Advertising and promotional expenditures.
- The cost of any new item (not replacement or upgrading of an existing item) which, by generally accepted accounting principles, should be capitalized (except as expressly permitted above).
- All costs associated with the operation of the business of the entity which constitutes “Landlord” (as distinguished from the costs of operating, maintaining, repairing and managing the Building) including, but not limited to, Landlord’s or Landlord’s managing agent’s general corporate overhead and general administrative expenses.
- Any cost or expense related to removal, cleaning, abatement or remediation of Hazardous Materials existing as of the date of this Lease in or about the Building, Common Areas or Project except to the extent such removal, cleaning, abatement or remediation is related to the general repair and maintenance.
- Any expenses for which Landlord has received actual reimbursement (other than through Operating Expenses or Taxes).
- Brokerage commissions, origination fees, points, mortgage recording taxes, title charges and other costs or fees incurred in connection with the origination or closing of any financing or refinancing or transfer of the Building or Project.
- Costs incurred by Landlord for the repair of damage to the Building or Project, to the extent that Landlord is reimbursed for such costs by insurance proceeds, condemnation proceeds, contractor warranties, guarantees, judgments or other third party sources.
- Sums (other than management fees, it being agreed that the management fees included in Operating Expenses are as described in Section 6.2 above) paid to subsidiaries or other affiliates of Landlord for services on or to the Building and/or Premises, but only to the extent that the costs of such services exceed the competitive

cost for such services rendered by persons or entities of similar skill, competence and experience.

- Fines, costs or penalties incurred as a result and to the extent of a violation by Landlord of any applicable Regulations.
- The cost of operating any commercial concession which is operated by Landlord at the Building or Project.

6.3. Less Than Full Occupancy. If the Building or the Project are less than ninety-five percent (95%) occupied during any year of the Term, Operating Expenses for each such calendar year shall be adjusted to equal Landlord's reasonable estimate of Operating Expenses as though ninety-five percent (95%) of the total rentable area of the Building and/or the Project as applicable had been occupied.

6.4. Estimates of Operating Expenses. Tenant shall pay its share of Operating Expenses based on Landlord's estimate for the then-current calendar year. If at any time (but not more than twice in any given calendar year) it appears to Landlord that Tenant's share of Operating Expenses payable for the current calendar year will vary from Landlord's estimate, Landlord may give notice to Tenant of Landlord's revised estimate for the calendar year, and subsequent payments by Tenant for the calendar year shall be based on the revised estimate. Within one hundred twenty (120) days after the close of each calendar year, or as soon after such 120-day period as practicable, Landlord shall deliver to Tenant a statement in reasonable detail of the actual amount of Operating Expenses payable by Tenant for such calendar year. Landlord's failure to provide such statement to Tenant within the 120-day period shall not act as a waiver and shall not excuse Tenant or Landlord from making the adjustments to reflect actual costs as provided herein. If on the basis of such statement Tenant owes an amount that is less than the estimated payments for such calendar year previously made by Tenant, Landlord shall credit such excess against the next payment of Operating Expenses due, or refund such excess in cash within thirty (30) days of such determination, if the Lease has terminated. If on the basis of such statement Tenant owes an amount that is more than the estimated payments for such calendar year previously made by Tenant, Tenant shall pay the deficiency to Landlord within thirty (30) days after delivery of the statement. In addition, if, after the end of any calendar year or any annual adjustment of Operating Expenses for a calendar year, Operating Expenses are incurred or billed to Landlord that are attributable to any period within the Term (e.g., sewer district flow fees), Landlord shall notify Tenant of its share of such additional Operating Expenses and Tenant shall pay such amount to Landlord within thirty (30) days after Landlord's written request therefor. The obligations of Landlord and Tenant under this Section 6.4 with respect to the reconciliation between the estimated and actual amounts of Operating Expenses payable by Tenant for the last year of the Term shall survive the termination of this Lease.

6.5. Payment at End of Term. Any amount payable by Tenant which would not otherwise be due until after the termination of this Lease, shall, if the exact amount is uncertain at the time that this Lease terminates, be paid by Tenant to Landlord upon such termination in an amount to be estimated by Landlord with an adjustment to be made once the exact amount is known.

6.6. Right to Audit. Within 90 days after receipt of Landlord's statement, Tenant shall have the right to audit at Landlord's local offices, at Tenant's expense, Landlord's accounts and records relating to Taxes and Operating Expenses. Such audit shall be conducted by a certified public accountant paid on a non-contingent basis and approved by Landlord, which approval shall not be unreasonably withheld. If such audit reveals that Landlord has overcharged Tenant, the amount overcharged shall be paid to Tenant within thirty (30) days after the audit is concluded, together with interest thereon at the Interest Rate, from the date the statement was delivered to Tenant until payment of the overcharge is made to Tenant. In addition, if Tenant was overcharged by more than 5%, the cost of the audit shall be paid by Landlord.

7. Permitted Use.

7.1. Use and Compliance with Laws. The Premises shall be used and occupied by Tenant solely for the Permitted Use set forth in the Basic Lease Information. Tenant shall, at Tenant's expense, comply promptly with all applicable federal, state and local laws, regulations, ordinances, rules, orders, and requirements ("Laws") in effect during the Term relating to the condition, use or occupancy of the Premises; provided that nothing contained herein shall require Tenant, with respect to the Common Areas or the Premises, to comply with Laws which require structural alterations, capital improvements or the installation of new or additional mechanical, electrical, plumbing or life safety systems on a Building-wide basis without reference to the specific use of the Premises or Tenant's Alterations. Tenant shall not use or permit the use of the Premises in any manner that will tend to create waste or a nuisance, or that unreasonably disturbs other tenants of the Building or Project, nor shall Tenant place or maintain any signs, antennas, awnings, lighting or plumbing fixtures, loudspeakers, exterior decoration or similar devises on the Building or the Project or visible from the exterior of the Premises without Landlord's prior written consent, which consent may be withheld in Landlord's sole discretion. Tenant shall not use any corridors, sidewalks, stairs, elevators or other areas outside of the Premises for storage or any purpose other than access to the Premises. Tenant shall not use, keep or permit to be used or kept on the Premises any foul or noxious gas or substance, nor shall Tenant do or permit to be done anything in and about the Premises, either in connection with activities hereunder expressly permitted or otherwise, which would cause an increase in premiums for or a cancellation of any policy of insurance (including fire insurance) maintained by Landlord in connection with the Premises, Building or Project or which would violate the terms of any covenants, conditions or restrictions, the design guidelines, the sign guidelines affecting the Building or the land on which it is located, or the Rules (as the term is defined under Section 7.4.2 below).

7.2. Signs. Tenant shall not attach or install any sign to or on any part of the outside of the Premises, the Building or the Project, or in the halls, lobbies, windows or elevator banks of the Building without Landlord's prior written consent, which consent shall not be unreasonably withheld. Any signage approved by Landlord shall be subject to prior approval of and conformance with the requirements of the design review committee of the Project and the design review agency of the applicable city and/or county. Tenant, at its sole cost and expense, shall (i) maintain all permitted signage in good condition and repair, and (ii) remove such signage upon expiration or earlier termination of this Lease and restore the Building and the Project to their condition existing immediately prior to the placement or erection of said sign or signs in such a condition that no discoloration or other evidence of the prior sign appears on the Building where the sign previously was affixed. If Tenant fails to do so, Landlord may maintain, repair and/or remove such signage and restore the Building and or Project to its original condition without notice to Tenant and at Tenant's expense, the cost of which shall be payable by Tenant as additional rent. Landlord, at its sole cost and expense, shall install directory and monument placards on the existing signage directory and monuments serving the Building, identifying Tenant as the occupant of the Building. Notwithstanding the foregoing, Tenant shall have the right to install, at its sole cost and expense, one (1) exterior sign with its trade name on the façade of the Building. The design and specific location of the sign shall be subject to Landlord's prior written consent, which shall not be unreasonably withheld. Tenant shall obtain all required building permits and other authorizations from the City in which the Premises are located and all other agencies having jurisdiction over the Building. The sign shall comply with Landlord's signage program for the Building and any applicable codes, laws, ordinances, rules and regulations. Tenant shall maintain the sign in first class condition and repair, including repainting and replacing as reasonably necessary. Tenant shall remove the sign upon the expiration or earlier termination of the Lease, shall repair any damage to the Building in connection therewith, and shall return the Building to its condition prior the installation of the sign. Without limiting the foregoing, Tenant shall repaint the Building as necessary to eliminate any "ghosting" or visible outline of the sign's former location following its removal. Landlord shall bear no cost or expense in connection with Tenant's Façade sign, and Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord) and hold harmless Landlord from any and all claims, demands, liability, damages, judgments, costs and expenses (including reasonable attorneys' fees) that Landlord may suffer or incur as a result or arising out of or related to the installation, use, operation, maintenance, replacement and/or removal of the sign.

7.3. Suitability. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or Building with respect to the suitability or fitness of either for the conduct of Tenant's business or for any other purpose.

7.4. Use of Common Areas.

7.4.1. Right to Use Common Areas. Landlord gives Tenant and its authorized employees, agents, customers, representatives and invitees the nonexclusive right to use the Common Areas with others who are entitled to use the Common Areas, subject to Landlord's rights as set forth in this Section 7.4.

7.4.2. Rules. All Common Areas shall be subject to the exclusive control and management of Landlord and Landlord shall have the right to establish, modify, amend and enforce reasonable rules and regulations with respect to the Common Areas. Tenant acknowledges receipt of a copy of the current rules and regulations (the "Rules") attached hereto as Exhibit D, and agrees that they may, from time to time, be modified or amended by Landlord in a commercially reasonable manner. Tenant agrees to abide by and conform with the Rules; to cause its concessionaires and its and their employees and agents to abide by the Rules; and to use its best efforts to cause its customers, invitees and licensees to abide by the Rules. Notwithstanding anything to the contrary contained in this Lease or the Rules, in the event of a conflict in the provisions of this Lease and the Rules, the provisions of this Lease shall prevail.

7.4.3. Use. Provided that Landlord uses commercially reasonable efforts to minimize interference with Tenant's use, Landlord shall have the right to close temporarily any portion of the Common Areas for the purpose of discouraging use by parties who are not tenants or customers of tenants; to use portions of the Common Areas while engaged in making additional improvements or repairs or alterations to the Building or the Project; to use or permit the use of the Common Areas by others to whom Landlord may grant or have granted such rights; and to do and perform such acts in, to, and with respect to, the Common Areas as in the use of good business judgment Landlord shall determine to be appropriate for the Project.

7.4.4. Change in Common Areas. Landlord shall have the right to increase or reduce the Common Areas, provided the Project meets the parking requirement under Section 7.6 below.

7.4.5. Recycling. Tenant shall cooperate with Landlord and other tenants in the Project in recycling waste paper, cardboard or such other materials identified under any trash recycling program that may be established in order to reduce trash collection costs.

7.5. Environmental Matters.

7.5.1. Hazardous Materials. The term "Hazardous Materials" as used herein means any petroleum products, asbestos, polychlorinated biphenyls, P.C.B.'s, or chemicals, compounds, materials, mixtures or substances that are now or hereafter defined or listed in, or otherwise classified as a "hazardous substance", "hazardous material", "hazardous waste", "extremely hazardous waste", "infectious waste", "toxic substance", "toxic pollutant" or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity or toxicity pursuant to any federal, state or local environmental law, regulation, ordinance, resolution, order or decree relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, release, disposal or transportation of the same ("Hazardous Materials Laws").

7.5.2. Tenant's Covenants. Except for ordinary office supplies and janitorial cleaning materials which in common business practice are customarily and lawfully used, stored and disposed of in small quantities, Tenant shall not use, manufacture, store, release, dispose or transport any Hazardous Materials in, on, under or about the Premises, the Building or the Project without giving prior written notice to Landlord and obtaining Landlord's prior written consent, which consent Landlord may withhold in its sole discretion. Tenant shall at its own expense procure, maintain in effect, and comply with all conditions of any and all permits, licenses, and other governmental and regulatory approvals required in connection with Tenant's generation, use, storage, disposal and transportation of Hazardous Materials. Except as discharged into the sanitary sewer in strict accordance and conformity with all applicable Hazardous Materials Laws, Tenant shall cause any and all Hazardous Materials removed from the Premises to be removed and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such materials and wastes. Tenant shall not maintain or install in,

on, under or about the Premises, the Building or the Project any above or below ground storage tanks, clarifiers or sumps, nor any wells for the monitoring of ground water, soils or subsoils.

7.5.3. Notice. Tenant shall immediately notify Landlord in writing of: (a) any enforcement, cleanup, removal or other governmental or regulatory action instituted, completed or threatened pursuant to any Hazardous Materials Law; (b) any claim made or threatened by any person or entity against Tenant or the Premises relating to damage, contribution, cost, recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials; and (c) any reports, information, inquiries or demands made, ordered, or received by or on behalf of Tenant which arise out of or in connection with the existence or potential existence of any Hazardous Materials in, on, under or about the Premises, the Building or the Project, including, without limitation, any complaints, notices, warnings, asserted violations, or mandatory or voluntary informational filings with any governmental agency in connection therewith, and immediately supply Landlord with copies thereof.

7.5.4. Indemnity. Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord), protect and hold harmless Landlord, and each of Landlord's officers, directors, partners, employees, affiliates, joint venturers, members, trustees, owners, shareholders, principals, agents, representatives, lenders, successors and assigns, from and against any and all claims, liabilities, damages, fines, penalties, forfeitures, losses, cleanup and remediation costs or expenses (including attorneys' fees) or death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by (i) the use, analysis, generation, manufacture, storage, release, disposal, or transportation of Hazardous Materials by Tenant and Tenant's agents, employees, contractors, licensees or invitees to, in, on, under, about or from the Premises, the Building or the Project, or (ii) Tenant's failure to comply with any Hazardous Materials Law. Tenant's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary repair, cleanup, detoxification or decontamination of the Premises, the Building, or the Project and the preparation and implementation of any closure, remedial action or other required plans in connection therewith, and shall survive the expiration or earlier termination of this Lease.

7.5.5. Landlord's Rights. Landlord shall have the right to enter the Premises at all times upon reasonable prior notice of not less than twenty four (24) hours for the purposes of ascertaining compliance by Tenant with all applicable Hazardous Materials Laws; provided, however, that in the instance of an emergency no notice shall be required. If Tenant fails to comply with any of the provisions under this Section 7.5, Landlord shall have the right (but not the obligation) to remove or otherwise cleanup any Hazardous Materials from the Premises, the Building or the Project. In such case, the costs of any Hazardous Materials investigation, removal or other cleanup (including, without limitation, transportation, storage, disposal and attorneys' fees and costs) will be additional rent due under this Lease, whether or not a court has ordered the cleanup, and will become due and payable on demand by Landlord.

7.6. Parking. Landlord grants to Tenant and Tenant's customers, suppliers, employees and invitees during the Term the right to use in the parking areas designated on Exhibit A-2 the number of parking spaces stated in the Basic Lease Information on a non-exclusive basis for the use of motor vehicles, subject to rights reserved to Landlord as specified in this Section 7.6. Landlord reserves the right to grant similar nonexclusive rights to other tenants so long as Tenant's minimum parking ratio is maintained; to promulgate rules and regulations relating to the use of the including parking area; to make changes in the parking layout from time to time; and to do and perform any other acts in and to these areas and improvements as Landlord determines to be advisable, provided Landlord uses commercially reasonable efforts to minimize interference with Tenant's use. Tenant agrees not to overburden the parking facilities and to abide by and conform with the rules and regulations and to cause its employees and agents to abide by and conform to the rules and regulations. Upon request, Tenant shall use reasonable efforts (i) to provide Landlord with license plate numbers of all vehicles driven by its employees and (ii) to cause Tenant's employees to park only in spaces specifically designated for tenant parking. Landlord shall have the unqualified right to rearrange or reduce the number of parking spaces; provided, however, the ratio of the number of parking spaces available to Tenant will be no less than 3.8 spaces per 1,000 rentable square feet of the Premises.

8. Services.

8.1. Utilities and Services. Landlord shall (i) furnish the Premises with electricity for lighting fixtures and office machines, water, heat and air conditioning, and (ii) provide daily janitorial service to the Building Common Areas on normal business days (except that if Tenant becomes the sole occupant of the entire Building, then Tenant shall contract directly with a janitorial provider at Tenant's sole cost for janitorial service for the Building). Tenant shall be responsible at its sole cost and expense for contracting directly for janitorial services in the Premises. If Landlord reasonably determines that Tenant is using materially more electricity or water than a typical office tenant, then Landlord shall have the right, at Tenant's sole cost and expense, to install separate metering for all electricity and water to the Premises or, in the alternative, for any equipment exclusively serving the Premises other than normal desk-top equipment (i.e., server rooms, lab equipment, etc.). In addition, Tenant shall reimburse Landlord within ten (10) days after Landlord's written request for the cost of providing heat and air conditioning to the Premises in excess of that required for normal office use or during other than usual business hours (7:00 am to 6:00 pm, Monday through Friday, holidays excepted) and the cost of providing power to the Premises for other than normal desk-top office equipment (i.e., server rooms, lab equipment, etc.).

8.2. No Liability. Landlord shall not be in default hereunder or be liable for any damages or personal injuries to any person directly or indirectly resulting from, nor shall there be any Rent abatement by reason of, any interruption or curtailment whatsoever in utility services, unless Tenant's use or occupancy of the Premises is substantially impaired by an interruption or curtailment caused by Landlord for a period of more than five (5) consecutive business days, in which event Rent shall abate until such substantial impairment ceases.

9. Maintenance and Repairs.

9.1. Tenant's Repairs and Maintenance. Tenant shall, at Tenant's expense, maintain the Premises in good order, condition and repair, including without limitation, (i) all interior surfaces, ceilings, walls, door frames, window frames, floors, carpets, draperies, window coverings and fixtures, (ii) all windows, doors, locks and closing devices, entrances, plate glass, and signs, (iii) all phone lines, the portion of the electrical system exclusively serving the Premises including wiring, equipment, switches, outlets and light bulbs, (iv) all of Tenant's personal property, improvements and alterations, and (v) all other fixtures and special items installed by or for the benefit of, or at the expense of Tenant. Tenant, at its expense, shall maintain in good operating condition and repair, all heating, ventilating, and air conditioning equipment exclusively serving the Premises, and the portion of the plumbing system exclusively serving the Premises. Tenant shall keep in force a preventive maintenance contract with a qualified maintenance company acceptable to Landlord covering all heating, ventilating and air conditioning equipment exclusively serving the Premises and shall annually provide Landlord with a copy of this contract. Tenant shall not enter onto the roof area of the Building, except for the purpose of installing, and maintaining the heating, ventilating, and air conditioning equipment and solar panels permitted under the terms of this Lease. Tenant shall repair any damage to the roof area caused by its entry.

9.2. Landlord's Repairs and Maintenance. Landlord shall keep in good condition and repair the foundation, roof structure, exterior walls and other structural parts of the Building, the Building Common Areas, and all Building systems, including electrical, mechanical, plumbing, fire/life safety and HVAC systems. Tenant expressly waives the benefits of any statute, including Civil Code Sections 1941 and 1942, which would afford Tenant the right to make repairs at Landlord's expense or to terminate this Lease due to Landlord's failure to keep the Building in good order, condition and repair. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant as the result of Landlord performing any such maintenance and repair work, provided Landlord shall use commercially reasonable efforts to minimize interference with Tenant's use.

9.3. Failure to Repair or Maintain. In the event Tenant fails to perform Tenant's obligations under this Section 9, Landlord may, but shall not be required to, give Tenant notice to do such acts as are reasonably required to so maintain the Premises. If Tenant shall fail to commence such work and diligently prosecute it to completion, then Landlord shall have the right (but not the obligation) to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amounts so expended by Landlord will be additional rent due under this Lease, and such amounts will become due and payable on demand

by Landlord. Landlord shall have no liability to Tenant for any such damages, inconvenience or interference with the use of the Premises by Tenant as a result of performing such work.

9.4. Surrender of Premises. Upon the expiration or earlier termination of this Lease, Tenant shall surrender the Premises to Landlord in good condition and repair, ordinary wear and tear excepted. The term "ordinary wear and tear" as used herein shall mean wear and tear which manifests itself solely through normal intensity of use and passage of time consistent with the employment of commercially prudent measures to protect finishes and components from damage and excessive wear, the application of regular and appropriate preventative maintenance practices and procedures, routine cleaning and servicing, waxing, polishing, adjusting, repair, refurbishment and replacement at a standard of appearance and utility and as often as appropriate for Class A corporate and professional office occupancies in the Petaluma office market. The term "ordinary wear and tear" would thus encompass the natural fading of painted surfaces, fabric and materials over time, and carpet wear caused by normal foot traffic. To the extent that such wear and tear exceeds the normal Class A office occupancy standards of the Petaluma office market, such would be considered items of deferred maintenance indicative of a degradation of the improvements. The term "ordinary wear and tear" shall not include any damage or deterioration that could have been prevented by Tenant's employment of ordinary prudence, care and diligence in the occupancy and use of the Premises and the performance of all of its obligations under this Lease. Items not considered reasonable wear and tear hereunder include the following for which Tenant shall bear the obligation for repair and restoration (except to the extent caused by the negligence or willful misconduct of Landlord or its employees or agents) (i) excessively soiled, stained, worn or marked surfaces or finishes; (ii) damage, including holes in building surfaces (e.g., cabinets, doors, walls, ceilings and floors) caused by the installation or removal of Tenant's trade fixtures, furnishings, decorations, equipment, alterations, utility installations, security systems, communications systems (including cabling, wiring and conduits), displays and signs; and (iii) damage to any component, fixture, hardware, system or component part thereof within the Premises, and any such damage to the Building or Project, caused by Tenant or its agents, contractors or employees, and not fully recovered by Landlord from insurance proceeds. Tenant, at its sole cost and expense, agrees to repair any damages to the Premises caused by or in connection with the removal of any articles of personal property, business or trade fixtures, signs, machinery, equipment, cabinetwork, furniture, moveable partitions or permanent improvements or additions, including without limitation thereto, repairing the floor and patching and painting the walls where required by Landlord to Landlord's reasonable satisfaction. Tenant shall indemnify Landlord against any loss or liability resulting from delay by Tenant in so surrendering the Premises, including without limitation, any claims made by any succeeding tenant resulting from such delay.

10. Alterations.

10.1. Consent Required. Tenant shall not make any alterations, improvements or additions (each, an "Alteration") in, on or about the Premises without Landlord's prior written consent, which consent may be withheld by Landlord in its sole and absolute discretion. Notwithstanding the foregoing, Tenant may make Alterations without Landlord's prior written consent where (i) the reasonably estimated cost of the Alteration and together with the cost of any other Alteration made during the immediately preceding twelve (12) months does not exceed $25,000, and (ii) such Alterations do not affect or involve the structural integrity, roof membrane, exterior areas, building systems or water-tight nature of the Premises, Building or Project. In requesting Landlord's consent, Tenant shall, at Tenant's sole cost, submit to Landlord complete drawings and specifications describing the Alteration and the identity of the proposed contractor.

10.2. Conditions.

10.2.1. Notice. Before commencing any work relating to Alterations, Tenant shall notify Landlord of the expected date of commencement thereof and of the anticipated cost thereof. Landlord shall then have the right at any time and from time to time to post and maintain on the Premises such notices as Landlord reasonably deems necessary to protect the Premises and Landlord from mechanics' liens or any other liens.

10.2.2. Liens. Tenant shall pay when due all claims for labor or materials furnished to Tenant for use in the Premises. Tenant shall not permit any mechanics' liens or any other liens to be levied against the Premises for any labor or materials furnished to Tenant in

connection with work performed on the Premises by or at the direction of Tenant. Tenant shall indemnify, hold harmless and defend Landlord (by counsel reasonably satisfactory to Landlord) from any liens and encumbrances arising out of any work performed or materials furnished by or at the direction of Tenant. In the event that Tenant shall not, within twenty (20) days following the imposition of any such lien, cause such lien to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein by law, the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses incurred by it in connection therewith, including attorneys' fees and costs, shall be payable to Landlord by Tenant on demand with interest at the Interest Rate.

10.2.3. Compliance with Laws. All Alterations in or about the Premises performed by or on behalf of Tenant shall be done in a first-class, workmanlike manner, shall not unreasonably lessen the value of leasehold improvements in the Premises, and shall be completed in compliance with all applicable laws, ordinances, regulations and orders of any governmental authority having jurisdiction thereover, as well as the requirements of insurers of the Premises and the Building.

10.2.4. Labor Disputes. Upon Landlord's request, Tenant shall remove any contractor, subcontractor or material supplier from the Premises and the Building if the work or presence of such person or entity results in labor disputes in or about the Building or Project or damage to the Premises, Building or Project.

10.2.5. Americans with Disabilities Act. Landlord, at Landlord's sole discretion, may refuse to grant Tenant permission for Alterations that require, because of application of Americans with Disabilities Act or other laws, substantial improvements or alterations to be made to the Common Areas, unless Tenant agrees to pay the cost thereof.

10.2.6. End of Term. Landlord, by written notice given concurrently with the grant of Landlord's consent to installation, may require that Tenant, at Tenant's expense, remove any Alterations prior to or upon the expiration of this Lease, and restore the Premises to their condition prior to such Alterations. Unless Landlord requires their removal, as provided above, all Alterations made to the Premises shall become the property of Landlord and remain upon and be surrendered with the Premises upon the expiration of this Lease; provided, however, that Tenant's machinery, equipment and trade fixtures, other than any which may be affixed to the Premises so that they cannot be removed without material damage to the Premises, shall remain the property of Tenant and may be removed by Tenant subject to the provisions of Section 9.4 above.

11. Insurance and Indemnity.

11.1. Insurance. Tenant shall obtain and maintain during the Term the following insurance:

11.1.1. Commercial General Liability Insurance. Commercial general liability insurance (occurrence form) having a combined single limit of not less than $2,000,000 per occurrence and $2,000,000 aggregate, providing coverage for, among other things, blanket contractual liability, premises, product/completed operations and personal injury coverage (in a form, with a deductible amount, and with carriers reasonably acceptable to Landlord).

11.1.2. Automobile Liability Insurance. Comprehensive automobile liability insurance having a combined single limit of not less than Two Million Dollars ($2,000,000) per occurrence, and insuring Tenant against liability for claims arising out of ownership, maintenance or use of any owned, hired, borrowed or non-owned automobiles;

11.1.3. Workers' Compensation and Employer's Liability Insurance. Workers' compensation insurance having limits not less than those required by state statute and federal statute, if applicable, and covering all persons employed by Tenant in the conduct of its operations on the Premises (including the all states endorsement and, if applicable, the volunteers endorsement), together with employer's liability insurance coverage in the amount of at least Two Million Dollars ($2,000,000);

11.1.4. Property Insurance. “Special Form” property insurance (or its equivalent if “Special Form” property insurance is not available), including vandalism and malicious mischief, boiler and machinery comprehensive form, if applicable, and endorsement for earthquake sprinkler damage, each covering damage to or loss of Tenant’s personal property, fixtures and equipment, including electronic data processing equipment (“EDP Equipment”), media and extra expense, and all alterations, additions and improvements made by or at the request of Tenant to the Premises other than those tenant improvements owned by Landlord (and coverage for the full replacement cost thereof). EDP Equipment, media and extra expense shall be covered for perils insured against in the so-called “EDP Form”. If the property of Tenant’s invitees is to be kept in the Premises, warehouser’s legal liability or bailee customers insurance for the full replacement cost of such property; and

11.1.5. Additional Insurance. Any such other insurance as Landlord or Landlord’s lender may reasonably require.

11.2. General. The insurance carrier shall be authorized to do business in the State of California, with a policyholders and financial rating of at least A:IX Class status as rated in the most recent edition of Best’s Key-Rating guide. Tenant’s commercial general liability insurance policy shall be endorsed to provide that (i) Landlord is designated as an additional insured, and (ii) such insurance is primary with respect to Landlord and that any other insurance maintained by Landlord is excess and noncontributing with such insurance. If, in the opinion of Landlord’s lender or in the commercially reasonable opinion of Landlord’s insurance adviser, the specified amounts of coverage are no longer adequate, such coverage shall, within thirty (30) days’ written notice to Tenant (but in no event sooner than the next policy renewal), be appropriately increased. Prior to the commencement of the Term, Tenant shall deliver to Landlord a duplicate of such policy or a certificate thereof to Landlord for retention by it with endorsements. Within fourteen (14) days following the policy renewal date, Tenant shall deliver to Landlord a replacement or renewal binder, followed by a certificate of insurance and copies of endorsements within a reasonable time thereafter. If Tenant fails to obtain such insurance or to furnish Landlord any such duplicate policy or certificate as herein required, Landlord may, at its election, with at least ten (10) days prior written notice to Tenant and without any obligation to do so, procure and maintain such coverage and Tenant shall reimburse Landlord on demand as additional rent for any premium so paid by Landlord.

11.3. Waiver of Claims. Landlord waives all claims against Tenant and Tenant’s officers, directors, partners, employees, agents and representatives for loss or damage to the extent that such loss or damage is insured against under any valid and collectable insurance policy insuring Landlord or would have been insured against but for any deductible amount under any such policy. Tenant waives all claims against Landlord and Landlord’s officers, directors, partners, employees, affiliates, joint venturers, members, trustees, owners, shareholders, principals, agents, representatives, successors and assigns, for loss or damage to the extent such loss or damage is insured against under any valid and collectable insurance policy insuring Tenant or required to be maintained by Tenant under this Lease, or would have been insured against but for any deductible amount under any such policy. The insuring party shall, upon obtaining the policies of insurance required under this Lease, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease. Tenant agrees that in the event of a sale, assignment or transfer of the Premises by Landlord, this waiver of subrogation shall continue in favor of the original Landlord and any subsequent Landlord.

11.4. Landlord’s Insurance. During the Term, Landlord shall keep the Building insured against loss or damage by fire, with extended coverage and vandalism, malicious mischief and special extended perils (all risk) endorsements or their equivalents, in amounts not less than one hundred percent (100%) of the replacement cost of the Building and structures insured. Landlord may maintain rent insurance, for the benefit of Landlord, equal to at least one year’s Base Rent hereunder. If this Lease is terminated as a result of damage by fire, casualty or earthquake, all insurance proceeds shall be paid to and retained by Landlord, subject to the rights of any authorized encumbrancer of Landlord.

11.5. Earthquake and Flood. Tenant acknowledges that Landlord does not, at the time of the signing of this Lease, insure the Building for earthquake or flood damage. Landlord may, when Landlord deems the premiums to be reasonable, insure the Building fully or partially

for earthquake and/or flood damage. At such time, the premium for earthquake and/or flood insurance will be added to the Operating Expenses for purposes of determining additional rent.

11.6. Indemnity. Tenant waives all claims against Landlord for any injury to Tenant's business or loss of income there from, damage to any property or injury to or death of any person in, on, or about the Premises, the Building, or any other portion of the Project arising at any time and from any cause, unless caused by the negligence or willful misconduct of Landlord or its agents, employees or contractors. Tenant shall indemnify, defend (by counsel reasonably satisfactory to Landlord) and hold harmless Landlord, and Landlord's officers, directors, partners, employees, affiliates, joint venturers, members, trustees, owners, shareholders, principals, agents, representatives, successors and assigns, from and against all claims, costs, damages, actions, indebtedness and liabilities (except such as may arise from the negligence or willful misconduct of Landlord, and Landlord's officers, directors, partners, employees, affiliates, joint venturers, members, trustees, owners, shareholders, principals, agents, representatives, successors and assigns) arising by reason of any death, bodily injury, personal injury, property damage or any other injury or damage in connection with (i) Tenant's use or occupancy of the Premises, (ii) any condition or occurrence in or about or resulting from any condition or occurrence in or about the Premises during the Term, or (iii) any act or omission of Tenant, or Tenant's agents, representatives, officers, directors, shareholders, partners, employees, successors and assigns, wherever it occurs. Landlord shall protect, indemnify and hold Tenant harmless from and against any and all loss, claims, liability or costs (including court costs and attorney's fees) incurred by reason of any damage to any property (including but not limited to property of Tenant) or any injury (including but not limited to death) to any person occurring in, on or about the Project to the extent that such injury or damage shall be caused by or arise from the gross negligence or willful misconduct of Landlord or any of Landlord's agents or employees. The foregoing indemnity obligations shall include reasonable attorneys' fees, and all other reasonable costs and expenses incurred by the indemnified party from the first notice that any claim or demand is to be made. The provisions of this Section 11.6 shall survive the termination or expiration of this Lease with respect to any damage, injury, or death occurring prior to such expiration or termination.

12. Damage or Destruction.

12.1. Landlord's Obligation to Rebuild. Subject to the provisions of Sections 12.2, 12.3 and 12.4 below, if, during the Term, the Premises are totally or partially destroyed from any insured casualty, Landlord shall, within ninety (90) days after the destruction, commence to restore the Premises to substantially the same condition as they were in immediately before the destruction and prosecute the same diligently to completion. Such destruction shall not terminate this Lease. Landlord's obligation shall not include repair or replacement of Tenant's alterations or Tenant's equipment, furnishings, fixtures and personal property. If the existing laws do not permit the Premises to be restored to substantially the same condition as they were in immediately before destruction, and Landlord is unable to get a variance to such laws to permit the commencement of restoration of the Premises within the 90-day period, then either party may terminate this Lease by giving written notice to the other party within thirty (30) days after expiration of the 90-day period.

12.2. Right to Terminate. Landlord shall have the option to terminate this Lease if the Premises or the Building is destroyed or damaged by fire or other casualty, regardless of whether the casualty is insured against under this Lease, if Landlord reasonably determines that (i) there are insufficient insurance proceeds made available to Landlord to pay all of the costs of the repair or restoration or (ii) the repair or restoration of the Premises or the Building cannot be completed within two hundred seventy (270) days after the date of the casualty. If Landlord elects to exercise the right to terminate this Lease as a result of a casualty, Landlord shall exercise the right by giving Tenant written notice of its election to terminate this Lease within forty-five (45) days after the date of the casualty, in which event this Lease shall terminate fifteen (15) days after the date of the notice. If Landlord does not exercise its right to terminate this Lease, Landlord shall promptly commence the process of obtaining all of the necessary permits and approvals for the repair or restoration of the Premises or the Building as soon as practicable and thereafter prosecute the repair or restoration of the Premises or the Building diligently to completion and this Lease shall continue in full force and effect. Tenant shall have the option to terminate this Lease if the Premises or the Building is destroyed or damaged by fire or other casualty, regardless of whether the casualty is insured against under this Lease, if Landlord notifies Tenant that Landlord has determined that the repair or restoration of the

Premises or the Building cannot be completed within one hundred eighty (180) days after the date of the casualty.

12.3. Last Year of Term. In addition to rights to terminate this Lease under Section 12.2, either party shall have the right to terminate this Lease upon thirty (30) days' prior written notice to the other if the Premises or Building is substantially destroyed or damaged during the last twelve (12) months of the Term. The terminating party shall notify the other party in writing of its election to terminate this Lease under this Section 12.3, if at all, within forty-five (45) days after the Premises or Building has been substantially destroyed. If neither party elects to terminate this Lease, the repair of the Premises or Building shall be governed by Sections 12.1, 12.2 and 12.4.

12.4. Uninsured Casualty. If the Premises are damaged from any uninsured casualty to any extent whatsoever, Landlord may within ninety (90) days following the date of such damage: (i) commence to restore the Premises to substantially the same condition as they were in immediately before the destruction and prosecute the same diligently to completion, in which event this Lease shall continue in full force and effect; or (ii) within the 90-day period Landlord may elect not to so restore the Premises, in which event this Lease shall cease and terminate. In either such event, Landlord shall give Tenant written notice of its intention within the 90-day period.

12.5. Abatement of Rent. In the event of destruction or damage to the Premises which materially interferes with Tenant's use of the Premises, if this Lease is not terminated as above provided, there shall be an abatement or reduction of Rent between the date of destruction and the date Landlord substantially completes its reconstruction obligations, based upon the extent to which the destruction materially interferes with Tenant's use of the Premises. All other obligations of Tenant under this Lease shall remain in full force and effect. Except for abatement of Rent, Tenant shall have no claim against Landlord for any loss suffered by Tenant due to damage or destruction of the Premises or any work of repair undertaken as herein provided.

12.6. Waiver. The provisions of California Civil Code Sections 1932(2) and 1933(4), and any successor statutes, are inapplicable with respect to any destruction of the Premises, such sections providing that a lease terminates upon the destruction of the Premises unless otherwise agreed between the parties to the contrary.

13. Eminent Domain.

13.1. Condemnation. If all or any part of the Premises shall be taken as a result of the exercise of the power of eminent domain or sold in lieu of condemnation ("Condemned"), this Lease shall terminate as to the part so taken as of the date of title vesting in such proceeding. In the case of a partial condemnation of greater than fifty percent (50%) of the rentable area of the Premises, either Landlord or Tenant shall have the right to terminate this Lease as to the balance of the Premises by notice to the other within thirty (30) days after the date of title vesting in such proceeding. In the event of a partial condemnation of the Premises which does not result in a termination of this Lease, the monthly Base Rent thereafter to be paid shall be equitably reduced on a rentable square footage basis. If the continued occupancy of Tenant is materially interfered with for any time during the partial taking, notwithstanding the partial taking does not terminate this Lease as to the part not so taken, the Base Rent shall proportionately abate so long as Tenant is not able to continuously occupy the part remaining and not so taken.

13.2. Award. If the Premises are wholly or partially Condemned, Landlord shall be entitled to the entire award paid in connection with such condemnation, and Tenant waives any right or claim to any part thereof from Landlord or the condemning authority. Tenant shall have the right to claim and recover from the condemning authority, but not from Landlord, such compensation as may be separately awarded or recoverable by Tenant in Tenant's own right on account of any and all costs which Tenant might incur in moving Tenant's merchandise, furniture, fixtures, leasehold improvements and equipment to a new location.

14. Assignment and Subletting.

14.1. Assignment and Subletting; Prohibition. Except in connection with a "Permitted Transfer" (defined below), Tenant shall not assign, mortgage, pledge or otherwise

transfer this Lease, in whole or in part (each hereinafter referred to as an "assignment"), nor sublet or permit occupancy by any party other than Tenant of all or any part of the Premises (each hereinafter referred to as a "sublet" or "subletting"), without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld, conditioned or delayed. No assignment or subletting by Tenant shall relieve Tenant of any obligation under this Lease, including Tenant's obligation to pay Base Rent and additional rent hereunder. Any purported assignment or subletting contrary to the provisions of this Lease without Landlord's prior written consent shall be void. The consent by Landlord to any assignment or subletting shall not constitute a waiver of the necessity for obtaining Landlord's consent to any subsequent assignment or subletting. Landlord may consent to any subsequent assignment or subletting, or any amendment to or modification of this Lease with the assignees of Tenant, without notifying Tenant or any successor of Tenant, and without obtaining its or their consent thereto, and such action shall not relieve Tenant or any successor of Tenant of any liability under this Lease. As additional rent hereunder, Tenant shall reimburse Landlord for all reasonable legal fees and other expenses incurred by Landlord in connection with any request by Tenant for consent to an assignment or subletting.

14.2. Information to be Furnished. If Tenant desires at any time to assign its interest in this Lease or sublet the Premises, other than in connection with a Permitted Transfer, Tenant shall first notify Landlord of its desire to do so and shall submit in writing to Landlord: (i) the name of the proposed assignee or subtenant; (ii) the nature of the proposed assignee's or subtenant's business to be conducted in the Premises; (iii) the terms and provisions of the proposed assignment or sublease, including the date upon which the assignment shall be effective or the commencement date of the sublease (hereinafter referred to as the "Transfer Effective Date") and a copy of the proposed form of assignment or sublease; and (iv) such financial information, including financial statements, and other information as Landlord may reasonably request concerning the proposed assignee or subtenant.

14.3. Landlord's Election. At any time within ten (10) days after Landlord's receipt of the information specified in Section 14.2, Landlord may, by written notice to Tenant, elect to (i) terminate this Lease as to the space in the Premises that Tenant proposes to sublet for the remainder of the Term; (ii) terminate this Lease as to the entire Premises (available only if Tenant proposes to assign all of its interest in this Lease or the total amount of rentable square feet of space that Tenant proposes to sublease for the remainder of the Term, together with the aggregate amount of rentable square feet of space in the Premises previously subleased by Tenant for the remainder of the Term or recaptured by Landlord pursuant to this Section, is one hundred percent (100%) of the original Premises), (iii) consent to the proposed assignment or subletting by Tenant.

14.4. Termination. If Landlord elects to terminate this Lease with respect to all or a portion of the Premises pursuant to Section 14.3(i) or (ii) above, this Lease shall terminate effective as of the earlier of (a) the one hundred twentieth (120th) day after Landlord notifies Tenant in writing of its election to terminate this Lease or (b) the Transfer Effective Date. If Landlord terminates this Lease with respect to less than all of the Premises, Landlord shall bear and pay all costs incurred by Landlord in partitioning the Premises to provide the occupants of each premises commercially reasonable and secured access to their respective premises, legal fire exits, access to bathrooms and utility rooms and loading facilities, and in separately metering all utility services (including heating and air conditioning zoning) servicing each premises, including all design, permitting and construction costs.

14.5. Withholding Consent. Without limiting other situations in which it may be reasonable for Landlord to withhold its consent to any proposed assignment or sublease, Landlord and Tenant agree that it shall be reasonable for Landlord to withhold its consent in any one (1) or more of the following situations: (1) in Landlord's reasonable judgment, the proposed subtenant or assignee or the proposed use of the Premises would detract from the status of the Building as a first-class office building, generate vehicle or foot traffic, parking or occupancy density materially in excess of the amount customarily used by Tenant or result in a materially greater use of the elevator, janitorial, security or other Building services (e.g., HVAC, trash disposal and sanitary sewer flows) than was customary for the Tenant; (2) in Landlord's reasonable judgment, the creditworthiness of the proposed subtenant or assignee does not meet the credit standards applied by Landlord in considering other tenants for the lease of space in the Project on comparable terms, or Tenant has failed to provide Landlord with reasonable proof of the creditworthiness of the proposed subtenant or assignee; (3) in Landlord's reasonable

judgment, the business history, experience or reputation in the community of the proposed subtenant or assignee does not meet the standards applied by Landlord in considering other tenants for occupancy in the Project; (4) the proposed assignee or subtenant is a governmental entity, agency or department or the United States Post Office; or (5) the proposed subtenant or assignee is a then existing or prospective tenant of the Project, provided Landlord at that time has space available for lease in the Project comparable to that being offered by Tenant. If Landlord fails to elect any of the alternatives within the ten (10) day period referenced in Section 14.3, it shall be deemed that Landlord has granted its consent to the proposed assignment or sublease.

14.6. Bonus Rental. If, in connection with any assignment or sublease other than a Permitted Transfer, Tenant receives rent or other consideration, either initially or over the term of the assignment or sublease, in excess of the Rent called for hereunder, or in case of the sublease of a portion of the Premises, in excess of such Rent fairly allocable to such portion, Tenant shall pay to Landlord, as additional rent hereunder, fifty percent (50%) of the excess of each such payment of Rent or other consideration received by Tenant (after deducting the costs incurred by Tenant for brokerage commissions, attorneys' fees, tenant improvement allowances and other incentives offered to the transferee) promptly after Tenant's receipt of such Rent or other consideration. To the extent that a subtenant or assignee purchases goods or services from sublandlord or an affiliate of sublandlord for an amount in excess of the fair market value for such goods or services, such costs incurred or amounts expended shall be deemed to be "other consideration" for purposes of calculating excess Rent due to Landlord hereunder.

14.7. Scope. The prohibition against assigning or subletting contained in this Section 14 shall be construed to include a prohibition against any assignment or subletting by operation of law, except as otherwise expressly set forth in this Lease. If this Lease is assigned, or if the underlying beneficial interest of Tenant is transferred, or if the Premises or any part thereof is sublet or occupied by anybody other than Tenant, Landlord may collect rent from the assignee, subtenant or occupant and apply the net amount collected to the Rent due herein and apportion any excess rent so collected in accordance with the terms of Section 14.6, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of the provisions regarding assignment and subletting, or the acceptance of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. No assignment or subletting shall affect the continuing primary liability of Tenant (which, following assignment, shall be joint and several with the assignee), and Tenant shall not be released from performing any of the terms, covenants and conditions of this Lease.

14.8. Executed Counterparts. No sublease or assignment shall be valid, nor shall any subtenant or assignee take possession of the Premises, until a copy of a fully executed counterpart of the sublease or assignment has been delivered to Landlord and Landlord, Tenant and the applicable assignee or subtenant have entered into a consent to assignment or sublease in a form acceptable to Landlord, in its commercially reasonable discretion.

14.9. Permitted Transfers. Tenant may assign this Lease or sublet the Premises, or any portion thereof, without Landlord's consent, to any entity which controls, is controlled by, or is under common control with Tenant; to any entity which results from a merger of, reincorporation of, reorganization of, or consolidation with Tenant; or to any entity which acquires substantially all of the memberships, interests, stock or assets of Tenant, as a going concern, with respect to the business that is being conducted in the Premises (hereinafter each a "Permitted Transfer"). In addition, a sale or transfer of the memberships, interests or stock of Tenant shall be deemed a Permitted Transfer if (1) such sale or transfer occurs in connection with any *bona fide* financing or capitalization for the benefit of Tenant, or (2) Tenant is, or in connection with the proposed transfer becomes, a publicly traded entity. Landlord shall have no right to terminate the Lease in connection with, and shall have no right to any sums or other economic consideration resulting from, any Permitted Transfer.

15. Default by Tenant.

15.1. Events of Default. The occurrence of any of the following events shall constitute an event of default on the part of Tenant under this Lease:

15.1.1. Payment. A failure by Tenant to pay Rent within five (5) days after written notice that such payment is due;

15.1.2. Bankruptcy. The bankruptcy or insolvency of Tenant, any transfer by Tenant to defraud creditors, any assignment by Tenant for the benefit of creditors, or the commencement of any proceedings of any kind by or against Tenant under any provision of the Federal Bankruptcy Act or under any other insolvency, bankruptcy or reorganization act unless, in the event any such proceedings are involuntary, Tenant is discharged from the same within sixty (60) days thereafter; the appointment of a receiver for a substantial part of the assets of Tenant; or the levy upon this Lease or any estate of Tenant hereunder by any attachment or execution;

15.1.3. Abandonment. The abandonment of the Premises;

15.1.4. Performance of Lease Terms. Tenant's failure to perform any of the terms, covenants, agreements or conditions of this Lease to be observed or performed by Tenant (excluding any event of default under Section 15.1.1 above), which default has not been cured within thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within the 30-day period, Tenant shall not be deemed to be in default if within such period Tenant shall commence such cure and thereafter diligently prosecute the same to completion; and

15.1.5. Failure to Comply. Tenant's failure to comply with the provisions contained in Sections 18 and 19.

Any notice required to be given by Landlord under this Lease shall be in lieu of, and not in addition to, any notice required under Section 1161 of the California Civil Code of Procedure. Tenant shall pay to Landlord the amount of Two Hundred Fifty Dollars ($250.00) for each notice of default given to Tenant under this Lease, which amount is the amount the parties reasonably estimate will compensate Landlord for the cost of giving such notice of default.

15.2. Remedies. In the event of any default or breach by Tenant, Landlord may at any time thereafter, without limiting Landlord in the exercise of any right or remedy at law or in equity which Landlord may have by reason of such default or breach:

15.2.1. Continue Lease. Pursue the remedy described in California Civil Code Section 1951.4 whereby Landlord may continue this Lease in full force and effect after Tenant's breach and recover the Rent and any other monetary charges as they become due, without terminating Tenant's right to sublet or assign this Lease, subject only to reasonable limitations as herein provided. During the period Tenant is in default, Landlord shall have the right to do all acts necessary to preserve and maintain the Premises as Landlord deems reasonable and necessary, including removal of all persons and property from the Premises, and Landlord can enter the Premises and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable immediately to Landlord for all costs Landlord incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises required by the reletting, and like costs. Reletting can be for a period shorter or longer than the remaining Term.

15.2.2. Perform. Pay or perform such obligation due (but shall not be obligated to do so), if Tenant fails to pay or perform any obligations when due under this Lease within the time permitted for their payment or performance. In such case, the costs incurred by Landlord in connection with the performance of any such obligation will be additional rent due under this Lease and will become due and payable on demand by Landlord.

15.2.3. Terminate. Terminate Tenant's rights to possession by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including, without limitation, the following: (A) the worth at the time of award of any unpaid Rent which had been earned at the time of such termination; plus (B) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such Rent loss that is proved could have been reasonably avoided; plus (C) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such Rent loss that is proved could be reasonably avoided; plus (D) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or

which in the ordinary course of events would be likely to result therefrom; plus (E) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable State law. In addition, Landlord shall be entitled to recover from Tenant the unamortized portion of any tenant improvement allowance, free rent or other allowance provided by Landlord to Tenant and any brokerage commission or finders fee paid or incurred by Landlord in connection with this Lease (amortized with interest at the Interest Rate on a straight line-basis over the original term of this Lease.) Upon any such termination of Tenant's possessory interest in and to the Premises, Tenant (and at Landlord's sole election, Tenant's sublessees) shall no longer have any interest in the Premises, and Landlord shall have the right to make any reasonable repairs, alterations or modifications to the Premises which Landlord in its sole discretion deems reasonable and necessary. The "worth at the time of award" of the amounts referred to in subparagraphs (A) and (B) above is computed by allowing interest at the maximum rate an individual is permitted by law to charge. The worth at the time of award of the amount referred to in subparagraph (C) above is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

15.2.4. Additional Remedies. Pursue any other legal or equitable remedy available to Landlord. Unpaid installments of Rent and other unpaid monetary obligations of Tenant under the terms of this Lease shall bear interest from the date due at the rate of ten percent (10%) per annum.

15.3. Waiver of Right of Redemption. In the event Tenant is evicted or Landlord takes possession of the Premises by reason of any default by Tenant hereunder, Tenant hereby waives any right of redemption or relief from forfeiture as provided by law.

15.4. Continue. Even though Tenant has breached this Lease and abandoned the Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all its rights and remedies under this Lease, including the right to recover Rent as it becomes due under this Lease. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver upon initiative of Landlord to protect Landlord's interest under this Lease, shall not constitute a termination of Tenant's right to possession.

15.5. Tenant's Exercise Rights. In the event Tenant is in default under any provision of this Lease beyond any applicable notice and cure period, then, at Landlord's sole election: (i) Tenant shall not have the right to exercise any available right, option or election under this Lease ("Tenant's Exercise Rights"), (ii) Tenant shall not have the right to consummate any transaction or event triggered by the exercise of any of Tenant's Exercise Rights, and (iii) Landlord shall not be obligated to give Tenant any required notices or information relating to the exercise of any of Tenant's Exercise Rights hereunder.

16. Default by Landlord. Landlord shall not be in default under this Lease unless Landlord, or the holder of any mortgage, deed of trust or ground lease covering the Premises, fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord certified mail, postage prepaid, and to the holder of any first mortgage, deed of trust or ground lease covering the Premises whose name and address shall have been furnished to Tenant in writing, specifying wherein Landlord has failed to perform such obligations; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord or the holder of any such mortgage, deed of trust or ground lease commences performance within such 30-day period and thereafter diligently prosecutes the same to completion. In no event shall Tenant be entitled to terminate this Lease by reason of Landlord's default, and Tenant's remedies shall be limited to an action for monetary damages at law.

17. Intentionally Omitted.

18. Estoppel Certificate.

18.1. Obligation to Execute Estoppel. Tenant shall within ten (10) business days after notice from Landlord, execute, acknowledge and deliver to Landlord a statement certifying (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of

such modification and certifying that this Lease, as so modified, is in full force and effect), (ii) the amount of the Rent and the Security Deposit, (iii) the date to which the Rent has been paid, (iv) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults, if any are claimed, and (v) such other matters as may reasonably be requested by Landlord. Any such statement may be conclusively relied upon by Landlord and any prospective purchaser or encumbrancer of the Building.

18.2. Failure to Execute Estoppel. Tenant's failure to deliver such statement within three (3) business days of Landlord's second request shall be conclusive upon Tenant that (i) this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) there are no uncured defaults in Landlord's performance, and (iii) not more than one month's Base Rent has been paid in advance.

18.3. Financial Statements. If Landlord desires to sell all or any portion of its interest in the Building or the Project or to finance or refinance the Building or the Project, Tenant agrees to deliver to Landlord and any lender or prospective purchaser designated by Landlord such financial statements of Tenant as may be reasonably required by Landlord or such lender or prospective purchaser. All such financial statements shall be received and kept by Landlord in confidence and shall be used for the purposes herein set forth. In addition, within seven (7) days after Landlord's written request, Tenant shall deliver to Landlord Tenant's most current quarterly and annual financial statements audited by Tenant's certified public accountant. If audited financial statements are not available, Tenant shall deliver to Landlord Tenant's financial statements certified to be true and correct by Tenant's chief financial officer. Tenant's annual financial statements shall not be dated more than twelve (12) months prior to the date of Landlord's request.

19. Subordination. Conditioned upon Tenant's receipt of a non-disturbance agreement in form and substance satisfactory to Tenant in its commercially reasonable discretion, this Lease, at Landlord's sole option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation for security now or hereafter placed upon the Building and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements, refinancings and extensions thereof. Notwithstanding such subordination, Tenant's right to quiet possession of the Premises shall not be disturbed if Tenant is not in default beyond any applicable notice and cure period and so long as Tenant shall pay the Rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee or ground lessor shall elect to have this Lease prior to the lien of its mortgage, deed of trust or ground lease, and shall give notice thereof to Tenant, this Lease shall be deemed prior to such mortgage, deed of trust, or ground lease, whether this Lease is dated prior to or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof. If any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, Tenant shall attorn to the purchaser at the foreclosure sale or to the grantee under the deed in lieu of foreclosure; if any ground lease to which this Lease is subordinate is terminated, Tenant shall attorn to the ground lessor. Tenant agrees to execute any documents required to effectuate such subordination or to make this Lease prior to the lien of any mortgage, deed of trust or ground lease, as the case may be, or to evidence such attornment, conditioned upon Tenant's receipt of a non-disturbance agreement in form and substance satisfactory to Tenant in its commercially reasonable discretion. Any such document of attornment shall also provide that the successor shall not disturb Tenant in its use of the Premises in accordance with this Lease.

20. Attorneys' Fees. If Landlord uses the services of an attorney in order to secure Tenant's compliance with the terms of this Lease, Tenant shall reimburse Landlord upon demand for any and all reasonable attorneys' fees and expenses incurred by Landlord, whether or not formal legal proceedings are instituted by Landlord. In any action or proceeding which Landlord or Tenant brings against the other party in order to enforce its respective rights hereunder or by reason of the other party failing to comply with all of its obligations hereunder, whether for declaratory or other relief, the unsuccessful party therein agrees to pay all costs incurred by the prevailing party therein, including reasonable attorneys' fees, to be fixed by the court, and said costs and attorneys' fees shall be made a part of the judgment in said action. A party shall be deemed to have prevailed in any action (without limiting the definition of prevailing party) if such action is dismissed upon the payment by the other party of the amounts allegedly due or the performance of obligations which were allegedly not performed, or if such party obtains

substantially the relief sought by such party in the action, regardless or whether such action is prosecuted to judgment

21. Notices. All notices, consents, demands, and other communications from one party to the other given pursuant to the terms of this Lease shall be in writing and shall be personally delivered, delivered by courier service, delivered by national overnight delivery service (e.g., Federal Express, Airborne Express and UPS), sent via facsimile (confirmation receipt required), or deposited in the United States mail, certified or registered, postage prepaid, and addressed as follows: To Tenant at the address specified in the Basic Lease Information or to such other place as Tenant may from time to time designate in a notice to Landlord; to Landlord at the address specified in the Basic Lease Information, or to such other place and to such other parties as Landlord may from time to time designate in a notice to Tenant. All notices shall be effective upon delivery or refusal of delivery.

22. General Provisions.

22.1. Applicable Law. This Lease shall be governed by and construed in accordance with the internal laws of the State of California, notwithstanding any choice of law statutes, regulations, provisions or requirements to the contrary.

22.2. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

22.3. Waiver. No waiver of any provision hereof by either party shall be deemed by the other party to be a waiver of any other provision, or of any subsequent breach of the same provision. Landlord's or Tenant's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Landlord's or Tenant's consent to, or approval of, any subsequent act by the other party.

22.4. Holdover. Should Tenant, or any of its successors in interest, hold over in the Premises, or any part thereof, after the expiration of the Term unless otherwise agreed to in writing, such holding over shall constitute and be construed as tenancy from month-to-month only, at a monthly rent equal to 150% of the Base Rent owed during the final year of the Term, as the same may have been extended, together with the additional rent due under this Lease. The inclusion of the preceding sentence shall not be construed as Landlord's permission for Tenant to hold over. In addition, Tenant shall indemnify, protect, defend and hold harmless Landlord for all losses, expenses and damages, including any consequential damages incurred by Landlord, as a result of Tenant failing to surrender the Premises to Landlord and vacate the Premises by the end of the Term.

22.5. Entry. Upon reasonable prior notice to Tenant of not less than twenty-four (24) hours (which notice shall not be required in the event of an emergency), Landlord and Landlord's representatives and agents shall have the right to enter the Premises during regular business hours for the purpose of inspecting the same, showing the same to prospective purchasers or lenders, and making such alterations, repairs, improvements, or additions to the Premises, the Building or the Common Areas as Landlord may deem necessary or desirable. Landlord may at any time during the last nine (9) months of the Term place on or about the Premises any ordinary "For Lease" sign. Landlord may at any time place on or about the Premises any ordinary "For Sale" sign.

22.6. Subleases. The voluntary or other surrender of this Lease by Tenant, the mutual cancellation thereof or the termination of this Lease by Landlord as a result of Tenant's default shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

22.7. Limitation of Liability. In the event that Landlord or any successor owner of the Building sells or conveys the Building, then all liabilities and obligations of Landlord or the successor owner under this Lease accruing after the sale or conveyance shall terminate and become binding on the new owner, and Tenant shall release Landlord from all liability under this Lease (including, without limitation, the Security Deposit), except for acts or omissions of Landlord occurring prior to such sale or conveyance. Tenant expressly agrees that (i) the obligations of Landlord shall not constitute personal obligations of the officers, directors,

partners, employees, affiliates, joint venturers, members, trustees, owners, shareholders, or other principals, agents or representatives of Landlord ("Member of Landlord"), and (ii) Tenant shall have recourse only to Landlord's interest in the Building of which the Premises are a part for the satisfaction of such obligations and not against the other assets of Landlord. In this regard, Tenant agrees that in the event of any actual or alleged failure, breach or default by Landlord of its obligations under this Lease, that (i) no Member of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of Landlord), (ii) no judgment will be taken against any Member of Landlord, and any judgment taken against any Member of Landlord may be vacated and set aside at any time without hearing, (iii) no writ of execution will ever be levied against the assets of any Member of Landlord, and (iv) these agreements by Tenant are enforceable both by Landlord and by any Member of Landlord.

22.8. Authority. If either party to this Lease is a corporation, limited liability company or partnership, each such party represents and warrants to the other party that each individual executing this Lease on behalf of such party is duly authorized to execute and deliver this Lease on behalf of the corporation, company or partnership in accordance with, where applicable, a duly adopted resolution of the board of directors of the corporation, the vote of the members of the limited liability company or the vote of the partners within the partnership, and that this Lease is binding upon the corporation, company or partnership in accordance with its respective articles of incorporation and bylaws, operating agreement or partnership agreement.

22.9. Time. Time is expressly declared to be of the essence of this Lease and of each and every covenant, term, condition, and provision hereof.

22.10. Joint and Several Liability. If there is more than one party comprising Tenant, the obligations imposed on Tenant shall be joint and several.

22.11. Construction. The language in all parts of this Lease shall be in all cases construed as a whole according to its fair meaning and not strictly for nor against either Landlord or Tenant.

22.12. Definitions. As used in this Lease and whenever required by the context thereof, each number, both singular and plural, shall include all numbers and in each gender shall include all genders. Landlord and Tenant, as used in this Lease or in any other instrument referred to in or made a part of this Lease, shall likewise include both the singular and the plural, a corporation, limited liability company, partnership, individual or person acting in any fiduciary capacity as executor, administrator, trustee or in any other representative capacity.

22.13. Exhibits. The Basic Lease Information, Exhibits and Addendum attached to this Lease and incorporated herein by reference thereto.

22.14. Force Majeure. Any delay in construction, repairs, or rebuilding any building, improvement or other structure herein shall be excused and the time limit extended to the extent that the delay is occasioned by reason of acts of God, labor troubles, laws or regulations of general applicability, acts of Tenant or Tenant Delays (as the term is defined in the Work Letter Agreement), or other occurrences beyond the reasonable control of Landlord. Accordingly, Landlord's obligation to perform shall be excused for the period of the delay and the period for performance shall be extended for a period equal to the period of such delay.

22.15. Broker's Fee. Each party represents that it has not had dealings with any real estate broker, finder or other person, with respect to this Lease in any manner. Each party shall hold harmless the other party from all damages resulting from any claim that may be asserted against the other party by any broker, finder, or other person with whom the other party has or purportedly has dealt. Landlord shall pay any commissions or fees that are payable to the broker or finder specified in the Basic Lease Information, with respect to this Lease in accordance with the provisions of a separate commission contract.

22.16. Entire Agreement. This Lease, including attached Exhibits, Addendum, and Basic Lease Information, contains all agreements and understandings of the parties and supersedes and cancels any and all prior or contemporaneous written or oral agreements, instruments, understandings, and communications of the parties with respect to the subject matter herein. This Lease, including the attached Exhibits, Addendum, and Basic Lease Information,

may be modified only in a writing signed by each of the parties. The Exhibits, Addendum and Basic Lease Information attached to this Lease are incorporated herein by reference.

22.17. Owners Association. Portions of the common areas in the Project may be owned and/or operated by an owners association (the "Owners Association") or by operators of other portions of the Project pursuant to the by-laws of the Owners Association. Tenant hereby agrees to comply with all covenants, conditions and restrictions which may now or hereafter encumber the Project.

22.18. Addendum. The Addendum attached hereto is incorporated herein by reference.

[SIGNATURE TO APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Lease on the date first mentioned above.

"LANDLORD"

SEQUOIA CENTER LLC,
a California limited liability company

By: G&W Ventures, LLC,
a California limited liability company,
its Manager

By: /s/ Matthew T. White
Matthew T. White, Manager

"TENANT"

ENPHASE ENERGY, INC.,
a Delaware corporation

By: /s/ Paul Nahi
Name: Paul Nahi
Its: President/CEO

ADDENDUM

23. Base Rent. The monthly Base Rent during the Term shall be as follows:

Period	Rate	Monthly Base Rent
Year 1	$1.10	$ 26,400.00
Year 2	$1.13	$ 27,120.00
Year 3	$1.17	$ 28,080.00
Year 4	$1.20	$ 28,800.00
Year 5	$1.24	$ 29,760.00
Year 6	$1.28	$ 30,720.00
Year 7	$1.31	$ 31,440.00
Year 8	$1.35	$ 32,400.00
Year 9	$1.39	$ 33,360.00
Year 10	$1.44	$ 34,560.00

24. Expansion Option. During the first year of the Term and so long as no Event of Default has occurred and is then continuing, Tenant shall have the continuing option to lease the 2nd and 3rd floors of the Building (collectively, the "Expansion Space"), containing approximately 48,000 rentable square feet of space, on all of the terms and conditions of this Lease. Without limiting the foregoing, Tenant shall lease the Expansion Space at the same rental rates, with the same expiration date, and with the same tenant improvement allowance per square foot as the original Premises. Tenant shall exercise such right, if at all, by delivering written notice to Landlord exercising such right (the "Expansion Notice") before the first anniversary of the Commencement Date of this Lease. If Tenant has not delivered the Expansion Notice to Landlord by such date, Tenant's rights pursuant to this Section 24 shall terminate and be of no further force or effect. If Tenant timely delivers the Expansion Notice, the parties shall execute an amendment to this Lease reflecting the addition of the Expansion Space to the Premises, including without limitation the adjustment of Tenant's Building Percentage Share. Tenant shall have thirty (30) days following the delivery of the Expansion Notice to submit the Development Drawings (as such term is defined in the Work Letter Agreement) to Landlord for the Expansion Space, and any delay in excess of such thirty days shall constitute a Tenant Delay for purposes of determining the Commencement Date with respect to the Expansion Space.

25. Right of First Refusal. So long as no Event of Default has occurred and is then continuing, Tenant shall have a continuing right of first refusal during the Term to lease any space in the Building that becomes available for lease from time to time. If Landlord receives an offer to lease any space in the Building which Landlord desires to accept (the "Offer"), Landlord shall notify Tenant of the space so offered and the rent and other material terms so offered (the "Offer Notice"). If Tenant desires to exercise Tenant's right of first refusal with respect to such space, then within seven (7) business days following Tenant's receipt of the Offer Notice, Tenant shall deliver notice to Landlord electing to lease the space so offered on the terms set forth in the Offer Notice. If Tenant elects to lease such space, then Landlord and Tenant shall execute an amendment to the Lease on the terms set forth in the Offer Notice and to the extent not inconsistent with such notice terms, the terms of the Lease. If Tenant does not respond affirmatively in writing within such seven (7) business day period, Landlord may lease the subject space to a third party on terms not materially more favorable than the terms presented to Tenant in the Offer Notice. Further, if Landlord does not so execute a lease for the subject space within six (6) months following Tenant's receipt of the Offer Notice, such space will again be subject to the provisions of this Section 25.

26. Right of First Offer. So long as no Event of Default has occurred and is then continuing, Tenant shall have a right of first offer to lease any additional space in the Project that becomes available for lease from time to time. As such space becomes available to lease, Landlord shall notify Tenant in writing thereof and offer such space to Tenant for lease. Tenant shall have fourteen (14) days in which to notify Landlord in writing of its intention to lease such space. Landlord and Tenant are free to agree on the rent, term and interior improvements for such additional space and shall not be bound by the terms of this Lease. If Landlord and Tenant cannot agree on the terms for such a lease within fourteen (14) days following Landlord's receipt of Tenant's notice of intent to lease such space, Landlord shall be free to lease the space to a third party.

27. Solar Panels on Roof. Tenant shall have the right during the Term (but only to the extent permitted by the City and/or County in which the Premises is located and governmental authorities having jurisdiction thereof), at Tenant's sole cost and expense, to install and operate solar panels and related equipment (the "Solar Panels") with any necessary cables and wiring ("Cables") on a portion of the roof on the Building to be designated by Landlord (the "Roof Space"). The location and size of the Solar Panels and the Cables (hereinafter collectively referred to as the "Equipment") shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. All of the Equipment and any modification thereto or placement thereof shall be (i) at Tenant's sole cost and expense, (ii) contained visually within the roof screen, (iii) installed and operated to Landlord's reasonable specifications, and (iv) installed, maintained, operated and removed in accordance with this Lease and all applicable laws. The Equipment shall remain the property of Tenant and Tenant shall remove the Equipment upon the expiration or earlier termination of this Lease. At the end of the Term, Tenant shall restore the Roof Space and any other portion of the Building affected by the Equipment to its original condition, excepting ordinary wear and tear and/or damage or destruction due to fire or other casualty not caused directly or indirectly by Tenant or its agents, employees or contractor. Tenant may not assign, lease, rent, sublet or otherwise transfer any of its interest in the Roof Space or the Equipment, or the right to use the Equipment, except together with the remainder of all of the Premises as more particularly set forth in this Lease. All of the provisions of this Lease shall be applicable to the Equipment and use of the Roof Space by Tenant. The Equipment shall comply with all non-interference rules of the Federal Communications Commission. Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord) and hold harmless Landlord from any and all claims, demands, liability, damages, judgments, costs and expenses (including reasonable attorneys' fees) that Landlord may suffer or incur as a result or arising out of or related to the installation, use, operation, maintenance, replacement and/or removal of the Equipment or any portion thereof.

28. Landlord Upgrades. Prior to the Commencement Date and at Landlord's sole cost and expense, Landlord shall (i) upgrade the exterior landscaping of the Project to a Class A standard, and (ii) repaint the exterior of all three buildings in the Project. Landlord and Tenant shall collaborate in selecting the exterior Building colors, with Landlord making the final selection in its sole discretion.

29. Condition Precedent. Tenant acknowledges and understands that as of the execution of this Lease Landlord is not the owner of the Building. Accordingly, Landlord's purchase of the Building is a condition precedent to the effectiveness of this Lease. If Landlord has not acquired title to the Building on or before July 30, 2011, then either party may terminate this Lease by written notice to the other party given after July 30, 2011 and prior to the date Landlord acquires the Building. Tenant further acknowledges that Landlord is under no obligation to purchase the Building, that Landlord may elect to forego the purchase of the Building for any reason, and that Landlord shall have no liability whatsoever to Tenant in the event Landlord does not acquire the Building.

FIRST AMENDMENT TO LEASE

(1400 N. McDowell Blvd.)

THIS FIRST AMENDMENT TO LEASE (this "Amendment") dated as of January 12, 2012, is entered into between SEQUOIA CENTER LLC, a California limited liability company ("Landlord") and ENPHASE ENERGY, INC., a Delaware corporation ("Tenant").

THE PARTIES ENTER INTO THIS AMENDMENT based upon the following facts, understandings and intentions:

A. Landlord and Tenant previously entered into that certain Redwood Business Park NNN Lease dated as of June 3, 2011 (together with all exhibits thereto, the "Lease") pursuant to which Tenant leases from Landlord the first floor of the building commonly known as 1400 N. McDowell Boulevard, Petaluma, California. Capitalized terms used herein and not defined herein shall have the meanings set forth in the Lease (including the Work Letter Agreement attached as Exhibit B thereto) in connection therewith.

B. Landlord and Tenant desire to make certain changes to the Lease as further provided herein.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and promises of the parties, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Estimated Commencement Date. The Estimated Commencement Date is hereby extended to April 10, 2012. Tenant acknowledges that Landlord may deliver the Premises to Tenant in the condition required by the Lease prior to the Estimated Commencement Date, and that in such event the Commencement Date shall occur prior to the Estimated Commencement Date on the date the Premises are Substantially Completed as defined in Section 13 of the Work Letter Agreement.

2. Approved Working Drawings. Landlord and Tenant hereby agree that the Working Drawings listed on Schedule 1 attached hereto shall be deemed the "Approved Working Drawings" under Section 2 of the Work Letter Agreement. Tenant shall either (a) modify the Approved Working Drawings to restore the roof access that would be eliminated per the Approved Working Drawings, or (b) install roof walking pads as reasonably determined by Landlord to allow full roof access from other access points, with such changes constituting a Tenant requested Change Order at Tenant's sole cost. Landlord shall have the right to direct changes to the Approved Working Drawings to effectuate the Change Order Requests listed on Exhibit C (the "COR's"). Such changes shall be subject to Tenant's approval, which shall not be unreasonably withheld, conditioned or delayed. Such changes directed by Landlord shall not constitute Tenant requested Change Orders. By way of example, Landlord shall specify the mesh material

contemplated in COR No. 31, and Tenant may suggest alternative materials but may not require a material that does not result in the savings contemplated in COR No. 31.

3. Approved Budget. This Section 3 of this Amendment replaces and supersedes Section 3 of the Work Letter Agreement with respect to Tenant's budget approval for the Tenant Improvements to be constructed in the Premises, but the mechanism set forth in Section 3 of the Work Letter Agreement shall apply with respect to the construction of Tenant Improvements in the Expansion Space in the event Tenant exercises its expansion rights pursuant to Section 24 of the Lease. Tenant hereby approves the Tenant Improvement Summary attached hereto as Exhibit A (the "Approved Budget"), which is based on the Proposal from Vila Construction dated November 16, 2011 attached hereto as Exhibit B and the Approved Working Drawings referenced therein, as modified by the COR's (as so modified, the "Contractor Proposal"). In no event shall Tenant's Contribution (defined below) be increased because the Tenant Improvement Summary attached hereto as Exhibit A failed to include an item expressly and unambiguously required in the Approved Working Drawings, as modified by the COR's. For the purposes of clarity, the parties hereby agree that the Approved Working Drawings did not expressly and unambiguously require a water proofing membrane on the concrete slab on the first floor. The Approved Budget applies to the Premises as well as an additional 72,000 square feet of space located in the adjacent building having an address of 1420 N. McDowell Boulevard, Petaluma, California (the "Neighboring Building").

4. Tenant Payment for Tenant Improvements. This Section 4 of this Amendment replaces and supersedes Section 6 of the Work Letter Agreement with respect to Tenant's payment for Tenant Improvements to be constructed in the Premises, but the mechanism set forth in Section 6 of the Work Letter Agreement shall apply with respect to the construction of Tenant Improvements in the Expansion Space in the event Tenant exercises its expansion rights pursuant to Section 24 of the Lease. Tenant shall pay to Landlord $381,840.55, which represents Tenant's contribution to the portion of the Tenant Improvements described in the Approved Working Drawings and the COR's applicable to the Premises (i.e., 25% X $1,527,362.21) as more particularly set forth in the Approved Budget ("Tenant's Contribution"). Tenant shall pay such amount on the following schedule: 50% upon the mutual execution and delivery of this Amendment, 25% within ten (10) days following the delivery of the second and third floors of the Neighboring Building to Tenant in the condition required by the lease between Landlord and Tenant governing the Neighboring Building, and 25% within ten (10) days following the delivery of the Premises to Tenant in the condition required by the Lease. Notwithstanding anything to the contrary contained in the Work Letter Agreement, Landlord shall be responsible for any and all costs to perform such work in excess of Tenant's Contribution; provided (a) that (i) any changes by Tenant to the Approved Working Drawings or the COR's listed in Exhibit C, including without limitation changes contemplated in change order requests previously approved by Tenant but not included in the COR's listed in Exhibit C, and (ii) any additional costs resulting from errors or omissions in the Approved Working Drawings, shall constitute Change Orders per Section 8 of the Work Letter Agreement, and (b) that Tenant shall be solely responsible for the cost of procuring and installing any trade fixtures, equipment,

appliances, furniture, furnishings, telephone or computer equipment or wiring or other personal property. As provided in Section 9 of the Work Letter Agreement, all delays in Substantial Completion of the Tenant Improvements beyond the Estimated Commencement Date caused by Tenant requested Change Orders (including Change Orders resulting from errors or omissions in the Approved Working Drawings) shall constitute Tenant Delays. Notwithstanding the foregoing, Landlord shall be responsible for delays and costs resulting from an error or omission in the Approved Working Drawings that both (A) would not have been avoided by a licensed architect applying the standard of care customary in the industry, and (B) Vila Construction, applying the standard of care customary in the industry, should have nonetheless taken into account when preparing the estimate reflected in the Approved Budget. As an example, the following omission in the COR's would be the responsibility of Landlord: COR No. 12 calls for the removal of perimeter column drywall encasements, which resulted in exposure of the window side of the columns to daylight. Due to the opaque quality of glass and the original condition of the drywall encasement having a dark paint finish, this condition was not contemplated by Axia as warranting application of finish paint to that side of the columns despite Axia exercising customary care in the industry with respect to such encasement removal. When direct daylight is applied, however, the columns are somewhat apparent from the exterior, and Vila Construction, exercising customary care in estimating the cost of COR No. 12, should have included (and did include) the painting of the backside of the columns. Haley Recio, Matt Rudie, Russ Sweeney and Paul Nahi shall have authority to approve Change Orders and any Change Order approved in writing or by email by any such representative shall be binding upon Tenant. As an accommodation to Tenant, Landlord shall require payment for Change Orders for which Tenant is responsible within five (5) days following Tenant's notice to proceed with a Change Order rather than requiring prepayment as previously required by the Work Letter Agreement.

5. Toilet Partitions. Notwithstanding the allocation of responsibilities for costs set forth in Section 4 above, Landlord and Tenant agree that so long as Tenant does not make any improvements or other modifications to the restrooms serving the Premises, Landlord shall be responsible, at its sole cost, for all work in the restrooms required by the City of Petaluma to comply with the Americans with Disabilities Act (the "ADA"). If Tenant elects to make any improvements or other modifications to the restrooms that trigger any work to comply with ADA, such work shall constitute a Change Order at Tenant's sole cost.

6. Additional Drawings. On December 15, 2011, Tenant delivered to Landlord drawings and specifications dated December 13, 2011 prepared by Axia Architects (the "December 13 Drawings"), subject to review and approval by Landlord in accordance with Section 2 of the Work Letter Agreement. Tenant acknowledges that, subject to Landlord's timely compliance with the provisions of the Work Letter Agreement requiring Landlord to respond to drawings and specifications submitted for approval, any delays in Substantial Completion of the Tenant Improvements beyond the Estimated Commencement Date caused by any changes from the Approved Working Drawings or COR's that are required in the December 13 Drawings or caused by errors or omissions in either the Approved Working Drawings or the December 13 Drawings

shall constitute Tenant requested Change Orders as more fully set forth in Section 4 above.

7. Tenant Payment for Delay. Landlord and Tenant disagree as to who is responsible for the delay in the Estimated Commencement Date referenced in Section 1 above. Without either party admitting fault or liability, the parties have agreed to resolve such disagreement by Tenant paying to Landlord $88,199.01 concurrently with the execution and delivery of this Amendment. Such amount represents fifty percent (50%) of the rent that would have been payable under the Lease had the Commencement Date occurred on the original Estimated Commencement Date of November 1, 2012 rather than on the revised Estimated Commencement Date. Such calculation is set forth in Exhibit D. Tenant acknowledges that such payment is a fixed amount and shall not be subject to change if Landlord delivers the Premises to Tenant prior to the Estimated Commencement Date.

8. Tenant Payment of Advanced Base Rent. Tenant was required under Section 4.1 of the Lease to pay $26,800 in Advanced Base Rent concurrently with the mutual execution and delivery of the Lease, but through an oversight did not pay such Advanced Base Rent to Landlord until January 6, 2012, and Landlord hereby accepts such payment and waives any default in connection with such late payment.

9. Phased Termination of 201 1st Street Lease. At the time the Lease was executed, the parties anticipated Tenant relocating from its premises at 201 First Street in Petaluma, California (the "201 First Street Premises") to the Premises and the Neighboring Building all at one time. With the staggered delivery of the Premises and portions of the Neighboring Building now anticipated, the parties anticipate Tenant moving from the 201 First Street Premises in two phases. Accordingly, Landlord shall, if requested by Tenant, deliver the termination agreement described in Section 3.1 of the Lease with respect to discrete portions of the 201 First Street Premises rather than the entire 201 First Street Premises. Portions of the 201 First Street Premises requested for termination shall be readily leasable to third parties with direct access to the common areas of the 201 First Street building and without the need for any demising walls. In the event that Landlord shall delay delivery of a fully executed termination agreement, Landlord shall pay Tenant's rent for the applicable portion of the 201 First Street Premises directly to the owner of such Premises on a day for day basis for each day Landlord's failure to deliver the termination agreement continues.

10. Condition Precedent. Tenant making the payments required upon execution of this Amendment in Sections 4 and 7 above is a condition precedent to the effectiveness of this Amendment, and this Amendment shall be of no force or effect if such payments are not delivered by Tenant concurrently with Landlord's delivery to Tenant of a fully executed original of this Amendment.

11. Entire Agreement. This Amendment represents the entire understanding between Landlord and Tenant concerning the subject matter hereof, and there are no understandings or agreements between them relating to the Lease or the Premises not set forth in writing and signed by the parties hereto. No party hereto has

relied upon any representation, warranty or understanding not set forth herein, either oral or written, as an inducement to enter into this Amendment.

12. Continuing Obligations. Except as expressly set forth to the contrary in this Amendment, the Lease remains unmodified and in full force and effect. To the extent of any conflict between the terms of this Amendment and the terms of the Lease, the terms of this Amendment shall control.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

"LANDLORD"

SEQUOIA CENTER LLC,
a California limited liability company

By: G&W Ventures, LLC,
a California limited liability company,
its Manager

By: /s/ Matthew T. White
Matthew T. White, Manager

"TENANT"

ENPHASE ENERGY, INC.,
a Delaware corporation

By: /s/ Paul Nahi
Name: Paul Nahi
Its: President/CEO

SCHEDULE 1

LIST OF APPROVED WORKING DRAWINGS

1. The following sheets by Axia dated September 7, 2011:

   T1, T2, T3, T4; A1.1, A1.2, A2.0.1A, A2.0.2A, A2.1 A, A2.2 A, A2.3 A, A4.1 A, A5.1 A, A2.0.1B, A2.0.2B, A2.0.3B, A2.0.4B, A2.0.5B, A2.0.6B, A2.0.7B, A2.1 B, A2.2 B, A2.3 B, A2.4 B, A2.5 B, A2.6 B, A2.7 B, A2.8 B, A2.9 B, A3.1 B, A3.2 B, A3.3 B, A3.4 B, A3.5 B, A4.1 B, A4.2 B, A4.3 B, A4.4 B, A4.5 B, A4.6 B, A4.7 B, A4.8 B, A4.9 B, A5.1 B, A5.2 B, A5.3 B, A5.4 B, A8.1, A9.1, A9.2, A9.3, A9.4, A9.5

2. The following sheets by ATM Engineering dated August 31, 2011:

   S1.1, S2.1, S3.1, S3.2

3. The following sheets by Indoor Environmental Services dated August 31, 2011:

   M0.1, M0.2, M0.3, M0.4, M1.1A, M1.1B, M1.2A, M1.2B, M1.3A, M1.3B, M1.4A, M1.4B, M2.1

4. The following sheets by O’Rourke Electric Inc. dated August 10 2011:

   E0.1, E2.1, E3.1, E6.1, E6.3, E6.4, E.6.5, E6.6, E6.7, E2.2, E2.3, E2.4, E3.2, E3.3, E3.4, E6.2, E6.8, E6.11

5. Responses to Requests for Information Nos. 1-10

BASIN STREET

EXHIBIT A

12.15.11

Tenant Improvement Summary

Enphase
1400,1420 N. McDowell Blvd.
Petaluma, CA 94954

Square Foot 96,000

Description	TI Expansion Costs		Cost
Tenant Improvements Per Vila's 11.16.11 Bid Letter			$ 6,001,417.00
Reductions for Approved COR's:			
COR's #: 6, 8, 9, 12, 19, 21, 22, 23, 24, 26, 28, 31, 37, 38, 39, 40, 41, 43, 44, 45, 48, 59, 62, 63			–$ 457,387.00
Addition of "Code Only" Fire Alarm Work per Alternate:			$ 4,260.00
Total Contract Amount			$ 5,548,290.00
Less Overlaps from Prior Approvals:			
Ceiling Tile Removal			–$ 5,000.00
Demolition Costs			–$ 113,203.00
Other Adjustments, BSP to Pay:			
Power during construction; BSP to cover expense			–$ 7,500.00
Temporary toilets; BSP to cover expense			–$ 2,400.00
Code only Fire alarm Work			–$ 4,260.00
Other:			
BSP to perform landscape screening at transformers on balcony and one exterior condensing unit (note: this cost is NOT included in Bid Letter; no adjustment req'd)			$ 0.00
EMON system work to be performed as part of future TI's, 2nd and 3rd floor of 1400 as req'd (Note: this cost is not included in Bid Letter; no adjustment req'd)			$ 0.00
Building Permit Fee - (Assumes no Impact Fees)			by Tenant
CM Fee			waived
1400 Handicap Parking Improvements - to be charged to 2nd, 3rd Flr. TI Allowance			$ 0.00
Structural Engineering Re-Design Proposal - Chiller			$ 2,700.00
Total Costs, This Summary			$ 5,418,627.00
Prior Authorizations:			
10.20.11 1400 Demo, excl. Ceiling Tile Removal Direct Costs			$ 40,863.00
Plan Check Fee			$ 16,766.74
Furniture Mock Up Costs			$ 1,158.00
7.19.11 Ceiling Tile Removal/Slab Moisture Tests			$ 6,000.00
7.15.11 MEP Coordinator & Structural Engineer			$ 33,850.00
7.28.11 Demo for 1420, excluding Ceil Tile Removal Costs Approved Separately			$ 72,340.00
7.28.11 Demo Permit costs, w/o Mark up			$ 1,216.47
Total TI Costs Approved to Date:			$ 5,590,821.21
Tenant Improvement Allowance:		$40/sf	$ 3,840,000.00
Amount Over Tenant Improvement Allowance			$ 1,750,821.21
Agreed Cost Sharing By BSP			–$ 223,459.00
Total Construction and Other Costs Payable:			$ 1,527,362.21

EXHIBIT B

VILA PROPOSAL - 11/16/11

[attached]

Exhibit B

Vila Construction Co.

Office Phone
(510) 236-9111

GENERAL CONTRACTORS
590 South 33rd Street Richmond, California 94804

Contractor's
Lic. No. 300454

FAX
(510) 236-4979

www.vilaconstruction.com

November 16, 2011

Basin Street Properties
1383 North McDowell Blvd., Suite 200
Petaluma, CA 94954
Attn: Matt Sherrill

RE: Enphase Tenant Improvement
1400 /1420 North McDowell
Petlauma, CA

Matt,

The following is Our Cost Breakdown for the Enphase Tenant Improvement at 1400/1420 North McDowell Blvd., Petaluma. The costs are based on the Construction Documents from AXIA Architects, dated September 7, 2011.

1.	General Conditions	$173,600.00	
2.	Demo Work	118,203.00	
3.	Concrete Work	5,940.00	
4.	Pre Cast Concrete Countertops	65,112.00	* see Line Item 34
5.	Structural Steel / Metal Fabrications	164,814.00	
6.	Carpentry	90,000.00	
7.	Millwork	77,085.00	
8.	Wood Veneer Paneling	47,522.00	
9.	Roof Patching (allowance)	20,000.00	
10.	Doors, Frames, Hardware	132,768.00	
11.	Glass / Glazing	264,000.00	
12.	Glass/Stainless Steel Railings	80,360.00	
13.	Accordian Door	19,930.00	
14.	Gypsum Board	587,917.00	
15.	Ceramic Tile	65,049.00	
16.	Acoustical Ceilings	58,995.00	
17.	Floor Covering	490,385.00	
18.	Painting	163,652.00	
19.	Whiteboards (backing only)	2,850.00	
20.	Toilet Partitions/Accessories	29,060.00	
21.	Projector Mounts	21,688.00	
22.	Access Floor Repair	20,130.00	
23.	Signage	by tenant	

24.	Interior Blinds/Mortorized Shades	33,599.00	
25.	Roof Hatches/Ships Ladders	24,114.00	
26.	Elevator Upgrades	5,940.00	
27.	Fire Sprinklers	65,308.00	
28.	HVAC	981,776.00	
29.	Hydronic Piping	18,590.00	
30.	Plumbing	59,205.00	
31.	Electric	1,534,862.00	
32.	Fire Alarm System	41,095.00	
33.	Wire Mesh Ceiling	120,248.00	
34.	Granite Stone, Lobbies & Stairs 1 & 2	51,336.00	
	Sub Total	$5,635,133.00	
	OH & P	366,284.00	
	TOTAL LINE ITEMS	$6,001,417.00	
34.	COR #6	2,205.00	
35.	COR #8	2,327.00	
36.	COR #9	7,326.00	
37.	COR #12	(7,743.00)	
38.	COR #19	145.00	
39.	COR #21	—	pending engineering
40.	COR #22	—	pending re-design
41.	COR #23	3,972.00	
42.	COR #24	817.00	
43.	COR #26	(4,350.00)	
44.	COR #28	(134,519.00)	
45.	COR #37	(8,288.00)	
46.	COR #38	(34,340.00)	
47.	COT #39	(18,813.00)	
48.	COR #40	(14,377.00)	
49.	COR #41	(69,522.00)	
50.	COR#43	(35,770.00)	
51.	COR #44	(2,455.00)	
52.	COR #45	(5,242.00)	
53.	COR #48	(25,246.00)	
53.	COR#59	deducted $12,100 from the electric line item (both bldgs)	
54.	COR #63 (allowance)	4,000.00	
	Sub Total	$ (339,873.00)	
	OH & P	included	
	TOTAL COR’s	$ (339,873.00)	
	GRAND TOTAL	$5,661,544.00	

Clarifications & Alternates

1. We do not include any permit, architectural, or utility company fees.

2. The alternates listed below are just a few obvious ones. We can review all VE options in our meeting.

3. Alternate #1; Per the specification, install R-11 insulation above the acoustical ceiling; ADD $6,805.00

4. Alternate #2; Provide and install a FM 200 Fire System in the Server Room; ADD $37,625.00

5. We have not included changing the wall texture in the exterior stairwells.

6. Electrical items not included in above costs, without GC markup;

1. Restroom Lighting over sinks, 1420, allowance	$ 2,600.00
2. Traning Room Upgrades	$ 8,000.00
3. Fire alarm system boxes, conduit, & cabling	$55,000.00

7. Cleaning of the existing mini blinds on the exterior windows is NIC.

8. Alternate #3; Fire alarm check, if required: Add $4,260.00

Respectfully Submitted

VILA CONSTRUCTION COMPANY

/s/ Robert P. Vila
Robert P. Vila
Vice President

EXHIBIT C

LIST OF CHANGE ORDER REQUESTS

[attached]

Exhibit C

Change Order Request ("COR") List

Vila Bid Letter Line #	Accepted CORs #	Description	COR Cost	
34	6	move sprinkler valves in lobby	2,205.00	
35	8	expose steel beam @ Stairs 3 and 4	2,327.00	remove sheet rock from steel beam and paint steel
36	9	sheet rock over small windows at Stair #4	7,326.00	
37	12	Remove sheet rock from exterior columns	(7,743.00)	
38	19	remove sheet rock from inter. Column @ wnd floor stair #2	145.00	
39	21	increase air flow at relocated board room	—	pending engineering
40	22	rotate sodering area and move against Row A	—	pending re-design
41	23	change wall at gridline C @ gridline 2-5 to full height wall	3,972.00	
42	24	Add 230V/50Hz outlet in Engineering Chambers	817.00	
43	26	Remove sheet rock from interior columns	(4,350.00)	
44	28	delete new toilet partitions and tile work	(134,519.00)	This will delete new toilet partitions, replacement of plumbing fixtures and new tile work. ADA shower work will remain
	31	*Delete steel mesh ceiling and install grid mesh*	*(73,748.00)*	*this will delete the custom metal mesh ceiling and add metal mesh panels in t-bar grid; new means to support glass wall is required*
45	37	change roof hatch to manual	(8,288.00)	this changes the roof hatch door (1 only) to a manual operation in lieu of having an electric motor and switch
46	38	Change precast concrete counters to p-lam	(34,340.00)	this will delete the precast concrete countertops at restrooms replace them with P-lam
47	39	change door hardware to Dorma	(18,813.00)	
48	40	Delete fry reglet and use L metal at sheet rock	(14,377.00)	this will delete the decorative trim at sheet rock locations
49	41	delete steel canopy at Entry	(69,522.00)	
50	43	Delete drywall trim detail at steel bm and metal kickers at exterior walls; run drywall straight up wall behind beam	(35,770.00)	this will delete work shown on Axia SK-1 at perimeter walls
51	44	Paint corridor walls above metal ceiling and eliminate patching of corridor walls	(2,455.00)	this will eliminate patching of fire caulking and penetrations
52	45	change motorized shades to manual	(5,242.00)	this will change the motorized shades at the Training room to manually operated
53	48	delete 1 roof hatch and ships ladder at 1400	(25,246.00)	this will delete roof access at 1400
53	59	cable tray	n/a	deducted $12,100 from the electric line item (both bldgs)
	62	Change fire alarm scope to code minimums	(43,766.00)	
54	63	Add structural steel to roof for chiller	4,000.00	Allowance; add structural steel to roof for chiller plant
	Sub Total		(457,387.00)	$ —
	OH & P		included	
	TOTAL COR's		$(457,387.00)	

EXHIBIT D

Base Rent and CAM

Labs on Ground Floor - 162 day delay/2=81 days

Bldg	Sq.ft	Base Rent	CAM	Rent + Cam per day	Office Base Rent and CAM Owed Now
1400	24,000	$ 1.10	$0.28	$ 1,088.88	$ 88,199.01
		Total Rent and CAM Owed			**$ 88,199.01**

REDWOOD BUSINESS PARK
NNN LEASE
BASIC LEASE INFORMATION

DATE:	June 3, 2011
LANDLORD:	SEQUOIA CENTER LLC, a California limited liability company
LANDLORD'S ADDRESS:	c/o Basin Street Properties 1383 N. McDowell Blvd. Suite 200 Petaluma, CA 94954 Attn: Property Management
TENANT:	ENPHASE ENERGY, INC., a Delaware corporation
TENANT'S ADDRESS:	
a. Before Commencement Date:	201 First Street, Suite 213 Petaluma, CA 94952 Attn: Paul Nahi
b. After Commencement Date:	1420 N. McDowell Blvd. Petaluma, CA 94954 Attn: Sanjeev Kumar, CFO with a copy to: 1420 N. McDowell Blvd. Petaluma, CA 94954 Attn: Taylor Browning, General Counsel
PREMISES:	The entire Building.
BUILDING:	The building commonly known as 1420 North McDowell Boulevard containing approximately 72,000 rentable square feet of space.
PROJECT:	That certain three-building office complex located in Petaluma, California, including the Building and the neighboring buildings located at 1400 N. McDowell Boulevard and 5341 Old Redwood Highway.
TERM:	10 Years
a. Commencement Date	See Section 3.1.
b. Estimated Commencement Date	November 1, 2011

BASE RENT:

a.	Initial Monthly Base Rent	$72,000.00
b.	Advanced Base Rent (Paid Upon Lease Execution)	$72,000.00
c.	Adjustment Date of Monthly Base Rent	See Addendum

INITIAL ESTIMATED MONTHLY ALLOCATION OF TAXES & OPERATING EXPENSES FOR 2011:	$20,160.00 ($.28 per r.s.f. of the Premises).
TENANT'S BUILDING PERCENTAGE SHARE:	One hundred percent (100%) (i.e., the rentable square footage of the Premises/the rentable square footage of the Building)
SECURITY DEPOSIT:	None.
PERMITTED USE:	For use as office and administrative space and research and development (including laboratory work and assembly of test equipment but excluding manufacturing), and for no other use or purpose.
PARKING SPACES:	Tenant shall have the right to use a minimum of 5.0 parking spaces per 1,000 rentable square feet of the Premises on a non-exclusive basis in the parking areas shown on Exhibit A-2.

REAL ESTATE BROKERS:

a.	Landlord's Broker:	None.
b.	Tenant's Broker:	None.

EXHIBITS AND ADDENDUM

Exhibit A-1:	Diagram of Premises
Exhibit A-2:	Diagram of Project
Exhibit B:	Work Letter Agreement
Exhibit C:	Commencement Date Memorandum
Exhibit D:	Rules and Regulations
Exhibit E:	Form Lease Termination

REDWOOD BUSINESS PARK

NNN LEASE

THIS REDWOOD BUSINESS PARK NNN LEASE (this "Lease") dated as of June 3, 2011, is entered into by and between SEQUOIA CENTER LLC, a California limited liability company ("Landlord"), and ENPHASE ENERGY, INC., a Delaware corporation ("Tenant").

1. Definitions. The following terms shall have the meanings set forth below:

1.1. Building. The term "Building" shall have the meaning set forth in the Basic Lease Information.

1.2. Building Common Areas. The term "Building Common Areas" shall mean the areas and facilities within the Building provided and designated by Landlord for the general use, convenience or benefit of Tenant and other tenants and occupants of the Building (e.g., common stairwells, stairways, hallways, shafts, elevators, restrooms, janitorial telephone and electrical closets, pipes, ducts, conduits, wires and appurtenant fixtures servicing the Building). So long as Tenant is leasing the entire Building, the Building Common Areas shall be deemed part of the Premises.

1.3. Commencement Date. The term "Commencement Date" shall have the meaning set forth in Section 3.1, below.

1.4. Common Areas. The term "Common Areas" shall mean the Building Common Areas and the Project Common Areas.

1.5. Premises. The term "Premises" shall have the meaning set forth in the Basic Lease Information.

1.6. Project. The term "Project" shall have the meaning set forth in the Basic Lease Information.

1.7. Project Common Areas. The term "Project Common Areas" shall mean the areas and facilities within the Project provided and designated by Landlord for the general use, convenience or benefit of Tenant and other tenants and occupants of the Project (e.g., walkways, traffic aisles, accessways, utilities and communications conduits and facilities).

1.8. Rentable Area. The term "Rentable Area" shall mean the rentable area of the Premises, Building and Project as reasonably determined by Landlord. The parties agree that for all purposes under this Lease, the Rentable Area of the Premises, Building and Project shall be deemed to be the number of rentable square feet identified in the Basic Lease Information.

1.9. Tenant's Building Percentage Share. The term "Tenant's Building Percentage Share" shall mean the percentage specified in the Basic Lease Information. If the Rentable Area of the Premises or the Rentable Area of the Building is changed, then Tenant's Building Percentage Share shall be adjusted to a percentage equal to the Rentable Area of the Premises divided by the Rentable Area of the Building.

1.10. Term. The term "Term" shall have the meaning set forth in the Basic Lease Information.

2. Premises.

2.1. Demise. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, for the Term, at the rent and upon the conditions set forth below, the Premises, together with the right in common to use the Common Areas.

2.2. Condition Upon Delivery. Tenant acknowledges that it has had an opportunity to thoroughly inspect the Premises and, subject to Landlord's obligations under Section 9.2 and the Work Letter Agreement, Tenant accepts the Premises in its existing "as is" condition, with all faults and defects and without any representation or warranty of any kind, express or implied; provided that Landlord hereby agrees to deliver the Premises to Tenant with

all Building systems in good operating condition and repair, and in compliance with applicable laws, including, without limitation, the Americans With Disabilities Act.

2.3. Reserved Rights. Landlord reserves the right to do the following from time to time:

(a) Changes. Provided Landlord uses commercially reasonable efforts to minimize interference with Tenant's use, to install, use, maintain, repair, replace and relocate pipes, ducts, shafts, conduits, wires, appurtenant meters and mechanical, electrical and plumbing equipment and appurtenant facilities for service to other parts of the Building or Project above the ceiling surfaces, below the floor surfaces and within the walls of the Premises and in the central core areas of the Building and in the Building Common Areas, and to install, use, maintain, repair, replace and relocate any pipes, ducts, shafts, conduits, wires, appurtenant meters and mechanical, electrical and plumbing equipment and appurtenant facilities servicing the Premises, which are located either in the Premises or elsewhere outside of the Premises;

(b) Boundary Changes. To change the boundary lines of the Project;

(c) Facility Changes. Provided Landlord uses commercially reasonable efforts to minimize interference with Tenant's use, to alter or relocate the Common Areas or any facility within the Project;

(d) Parking. To designate and/or redesignate specific parking spaces in the Project for the exclusive or non-exclusive use of specific tenants in the Project, provided the number of Tenant's parking spaces is not diminished and Tenant receives parking space locations at least as favorable as other tenants of the Project;

(e) Services. To install, use maintain, repair, replace, restore or relocate public or private facilities for communications and utilities on or under the Building and/or Project, so long as such work does not require the relocation of and/or unreasonably interfere with Tenant's solar panels installed in accordance with this Lease.

(f) Other. Provided Landlord uses commercially reasonable efforts to minimize interference with Tenant's use, to perform such other acts and make such other changes in, to or with respect to the Common Areas, Building and/or Project as Landlord may reasonably deem appropriate.

2.4. Work Letter Agreement. Landlord and Tenant shall each perform the work required to be performed by it as described in the Work Letter Agreement attached hereto as Exhibit B. Landlord and Tenant shall each perform such work in accordance with the terms and conditions contained therein.

3. Term.

3.1. Commencement Date. The Term shall be for the period of time specified in the Basic Lease Information unless sooner terminated as hereinafter provided. The Term shall commence on the date that (i) a fully executed lease termination agreement, in the form attached hereto as Exhibit E, is delivered to Tenant for its lease of the space located at 201 First Street, Petaluma, CA, and (ii) the Premises are delivered to the Tenant in "Substantially Completed" condition (as defined in the Work Letter Agreement), subject to adjustment for "Tenant Delays" as provided in the Work Letter Agreement (as so adjusted, the "Commencement Date") and shall continue thereafter in full force and effect for the period specified as the Term or until this Lease is terminated as otherwise provided herein. For purposes of this Lease, the first "Lease Year" shall mean the period commencing on the Commencement Date and ending twelve (12) months thereafter, except that if the Commencement Date is other than the first day of a calendar month, the first "Lease Year" shall mean the period commencing on the Commencement Date and ending on the last day of the twelfth (12th) full calendar month after the Commencement Date. Thereafter, the term "Lease Year" shall mean a period equal to twelve (12) full calendar months. Delay in Delivery. If for any reason Landlord has not delivered to Tenant possession of the Premises by the Estimated Commencement Date, this Lease shall remain in effect and Landlord shall not be liable to Tenant for any loss or damage resulting therefrom. Notwithstanding anything to the contrary contained in this Lease, if Landlord has not delivered the Premises Substantially Completed to Tenant on or before the 120th day following the Estimated

Commencement Date for any reason other than a Tenant Delay, then Tenant shall have the right to terminate this Lease at any time prior to the delivery of the Premises to Tenant in substantially completed condition by written notice to Landlord, and upon such termination, Landlord shall return all sums theretofore deposited by Tenant with Landlord, and neither party shall have any further liability to the other.

3.2. Commencement Date Memorandum. Following the Commencement Date, Landlord may prepare and deliver to Tenant a commencement date memorandum (the "Commencement Date Memorandum") in the form of Exhibit C, attached hereto, subject to such changes in the form as may be required to insure the accuracy thereof. The Commencement Date Memorandum shall certify the date on which Landlord delivered possession of the Premises in the condition required by the Work Letter to Tenant and the dates upon which the Term commences and expires. Tenant's failure to execute and deliver to Landlord the Commencement Date Memorandum within five (5) business days after Tenant's receipt of Landlord's second request for the Commencement Date Memorandum shall be conclusive upon Tenant as to the matters set forth in the Commencement Date Memorandum.

4. Rent.

4.1. Base Rent. For purposes of this Lease, the term "Rent" shall mean the Base Rent, Advanced Base Rent, all additional rent, and all of the other monetary obligations of Tenant under this Lease. Upon execution of this Lease, Tenant shall pay to Landlord the Advanced Base Rent set forth in the Basic Lease Information. Tenant shall pay to Landlord the Base Rent specified in the Basic Lease Information, in advance, on or before the first day of each and every successive calendar month following the Commencement Date. If the Term commences on a day other than the first day of a calendar month, the first payment of Base Rent shall be appropriately prorated on the basis of the number of days in such calendar month. Tenant's payment of any Advanced Base Rent shall be credited against Tenant's obligation to pay Base Rent beginning as of the Commencement Date. If the Term expires on other than the last day of a calendar month, the last payment of Base Rent shall be appropriately prorated based on the number of days in such calendar month.

4.2. Adjustments to Base Rent. The Base Rent shall be adjusted as provided in the Addendum attached hereto.

4.3. Additional Rent. Tenant shall pay, as additional rent, all amounts of money that Tenant is required to pay to Landlord under this Lease in addition to monthly Base Rent whether or not the same is designated "additional rent." Tenant shall pay to Landlord all additional rent upon Landlord's written request or otherwise as provided in this Lease.

4.4. Late Payment. Tenant acknowledges that late payment of Rent to Landlord will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Landlord by the terms of any trust deed covering the Premises. Accordingly, if any installment of Rent or any other sums due from Tenant shall not be received by Landlord when due, Tenant shall pay to Landlord a late charge in an amount equal to five percent (5%) of such overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall not constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. Notwithstanding anything to the contrary contained in this Lease, once in any twelve month period , Landlord shall waive such late payment fee if the required payment is made within five (5) days of Landlord's notice.

4.5. Interest. In addition to the imposition of a late payment charge pursuant to Section 4.4 above, any Rent that is not paid when due shall bear interest from the date of Landlord's notice until paid at the rate that is the lesser of six percent (6%) per annum (the "Interest Rate") or the maximum rate permitted by law. Payment of interest shall not excuse or cure any default hereunder by Tenant.

4.6. Payment. All payments due from Tenant to Landlord hereunder shall be made to Landlord without deduction or offset, in lawful money of the United States of America

at Landlord's address for notices hereunder, or to such other person or at such other place as Landlord may from time to time designate in writing to Tenant.

5. Taxes.

5.1. Tenant's Obligations. Commencing on the Commencement Date and on the first day of each calendar month thereafter during the term, Tenant shall pay to Landlord, as additional rent, one twelfth (1/12) of Landlord's estimate (subject to adjustment from time to time) of Tenant's Building Percentage Share of Taxes during each year of the Term (prorated for any partial year during the Term). Landlord shall have the right to allocate certain Taxes on the Project to one or more buildings in the Project to the extent Landlord determines that it is reasonable to do so.

5.2. Definition of Taxes; Proposition 13 Protection. The term "Taxes" shall include all transit charges, housing fund assessments, real estate taxes and all other taxes relating to the Premises, Building and Project of every kind and nature whatsoever, including any supplemental real estate taxes attributable to any period during the Term; all taxes which may be levied in lieu of real estate taxes; and all assessments, assessment bonds, levies, fees, penalties (if a result of Tenant's delinquency) and other governmental charges (including, but not limited to, charges for parking, traffic and any storm drainage/flood control facilities, studies and improvements, water and sewer service studies and improvements, and fire services studies and improvements); and all amounts necessary to be expended because of governmental orders, whether general or special, ordinary or extraordinary, unforeseen as well as foreseen, of any kind and nature for public improvements, services, benefits or any other purpose, which are assessed, based upon the use or occupancy of the Premises, Building and/or Project, or levied, confirmed, imposed or become a lien upon the Premises, Building and/or Project, or become payable during the Term, and which are attributable to any period within the Term. Notwithstanding anything to the contrary contained in this Lease, for the first three (3) years of the Term, fifty percent (50%) of all increases in Taxes resulting from the sale of the Building shall be paid by Landlord and shall not be passed through to Tenant. Thereafter, Tenant shall be responsible for Tenant's Building Percentage Share of all Taxes in accordance with this Section 5.

5.3. Limitation. Nothing contained in this Lease shall require Tenant to pay any franchise, estate, inheritance, succession or transfer tax of Landlord, or any income, profits or revenue tax or charge upon the net income of Landlord from all sources; provided, however, that if at any time during the Term under the laws of the United States Government or the State of California, or any political subdivision thereof, a tax or excise on rent, or any other tax however described, is levied or assessed by any such political body against Landlord on account of Rent, or any portion thereof, one hundred percent (100%) of any said tax or excise shall be included in the definition of Taxes and Tenant shall pay its proportionate share as additional rent.

5.4. Installment Election. In the case of any Taxes which may be evidenced by improvement or other bonds or which may be paid in annual or other periodic installments, Landlord shall elect to cause such bonds to be issued or such assessment to be paid in installments over the maximum period permitted by law.

5.5. Estimate of Tenant's Share of Taxes. Prior to the commencement of each calendar year during the Term, or as soon thereafter as reasonably practicable, Landlord shall notify Tenant in writing of Landlord's estimate of the amount of Taxes which will be payable by Tenant for the ensuing calendar year. On or before the first day of each month during the ensuing calendar year, Tenant shall pay to Landlord in advance, together with Base Rent, one-twelfth (1/12th) of the estimated amount; provided, however, if Landlord fails to notify Tenant of the estimated amount of Tenant's share of Taxes for the ensuing calendar year prior to the end of the current calendar year, Tenant shall be required to continue to pay to Landlord each month in advance Tenant's estimated share of Taxes on the basis of the amount due for the immediately prior month until ten (10) days after Landlord notifies Tenant of the estimated amount of Tenant's share of Taxes for the ensuing calendar year. If at any time it appears to Landlord that Tenant's share of Taxes payable for the current calendar year will vary from Landlord's estimate, Landlord may give notice to Tenant of Landlord's revised estimate for the year, and subsequent payments by Tenant for the year shall be based on the revised estimate.

5.6. Annual Adjustment. Within one hundred twenty (120) days after the close of each calendar year during the Term, or as soon after the one hundred twenty (120) day period

as reasonably practicable, Landlord shall deliver to Tenant a statement of the adjustment to the Taxes for the prior calendar year. If, on the basis of the statement, Tenant owes an amount that is less than the estimated payments for the prior calendar year previously made by Tenant, Landlord shall apply the excess to the next payment of Taxes due, or, if the Lease has ended, shall pay the excess to Tenant within thirty (30) days after such determination, which shall not be unreasonably delayed. If, on the basis of the statement, Tenant owes an amount that is more than the amount of the estimated payments made by Tenant for the prior calendar year, Tenant shall pay the deficiency to Landlord within thirty (30) days after delivery of the statement. The year-end statement shall be binding upon Tenant unless Tenant notifies Landlord in writing of any objection thereto within thirty (30) days after Tenant's receipt of the year end statement. In addition, if, after the end of any calendar year or any annual adjustment of Taxes for a calendar year, any Taxes are assessed or levied against the Premises, Building or Project that are attributable to any period within the Term (e.g., supplemental taxes or escaped taxes), Landlord shall notify Tenant of its share of such additional Taxes and Tenant shall pay such amount to Landlord within thirty (30) days after Landlord's written request therefor.

5.7. Personal Property Taxes. Tenant shall pay or cause to be paid, not less than ten (10) days prior to delinquency, any and all taxes and assessments levied upon all of Tenant's trade fixtures, inventories and other personal property in, on or about the Premises. When possible, Tenant shall cause Tenant's personal property to be assessed and billed separately from the real or personal property of Landlord. On request by Landlord, Tenant shall furnish Landlord with satisfactory evidence of payment of Tenant's business personal property taxes and deliver copies of such business personal property tax bills to Landlord.

5.8. Taxes on Tenant Improvements. Notwithstanding any other provision hereof, Tenant shall pay to Landlord the full amount of any increase in Taxes during the Term resulting from any and all alterations and tenant improvements of any kind whatsoever placed in, on or about or made to the Premises, Building or Project for the benefit of, at the request of, or by Tenant.

6. Operating Expenses.

6.1. Obligation to Pay Operating Expenses. Commencing on the Commencement Date and on the first day of each calendar month thereafter during the Term, Tenant shall pay to Landlord, as additional rent, one twelfth (1/12) of Landlord's estimate (subject to adjustment from time to time) of Tenant's Building Percentage Share of Operating Expenses attributable to the ownership, operation, repair and/or maintenance of the Building. Although most Operating Expenses for the Project shall be allocated among all Buildings in the Project on a pro rata basis, Landlord has the right to allocate certain Operating Expenses incurred in connection with the ownership, operation, repair and/or maintenance of the Project to one or more particular buildings within the Project to the extent that it is reasonable to do so based upon the nature of the expense.

6.2. Definition of Operating Expenses. The term "Operating Expenses" shall include all expenses and costs of every kind and nature which Landlord shall pay or become obligated to pay because of or in connection with the ownership, operation, repair and/or maintenance of the Building, Common Areas and/or Project and the supporting facilities, including, without limitation: (A) all maintenance, janitorial and security costs, (B) costs for all materials, supplies and equipment; (C) all costs of water, heat, gas power, electricity, refuse collection, parking lot sweeping, landscaping, and other utilities and services provided or allocated to the Building and the Common Areas; (D) all reasonable property management expenses not in excess of 3.5% of gross rents, including, without limitation, all property management fees and all expense and cost reimbursements, (E) all costs of alterations or improvements to the Building or Common Areas made to achieve compliance with federal, state and local law including, without limitation, the Americans with Disabilities Act (42 U.S.C. Section 12101 et seq.), or to reduce Operating Expenses or improve the operating efficiency of the Building or the Project, all of which costs will be amortized over the useful life of such alteration or improvement as reasonably determined by Landlord, together with interest upon the unamortized balance at the Interest Rate or such other higher rate as may have been paid by Landlord on funds borrowed for the purpose of making the alterations or improvements; (F) commercially reasonable premiums for insurance maintained by Landlord pursuant to this Lease or with respect to the Building and the Project; (G) costs for repairs, replacements, uninsured damage or commercially reasonable insurance deductibles and general maintenance of the

Building, Common Areas and Project, but excluding any repairs or replacements paid for out of insurance proceeds or by other parties; (H) all costs incurred by Landlord for making any capital improvements or structural repairs to the Building or the Common Areas, which costs will be amortized over the useful life of such improvement, repair or modification as reasonably determined by Landlord, together with interest upon the unamortized balance at the Interest Rate or such other higher rate as may have been paid by Landlord on funds borrowed for the purpose of constructing the improvements or making the improvements or repairs; (I) all costs of maintaining machinery, equipment and directional signage or other markers; and (J) the share allocable to the Building of dues and assessments payable under any reciprocal easement or common area maintenance agreements or declarations or by any owners associations affecting the Building or the Project. Notwithstanding anything to the contrary contained in this Lease, Operating Expenses shall not include Taxes, or any of the following:

- Any “tenant allowances”, “tenant concessions” and other costs or expenses incurred in fixturing, furnishing, renovating or otherwise improving, decorating or redecorating space for tenants or other occupants of the Project, or vacant leasable space in the Project.
- Depreciation; principal payments of mortgage and other non-operating debts of Landlord.
- Loan principal payments or interest expenses on long-term borrowings.
- Real estate brokerage and leasing commissions.
- Attorney’s fees and other expenses incurred in connection with negotiations or disputes with prospective tenants or tenants or other occupants of the Building.
- The cost or expense of any services or benefits provided generally to other tenants in the Building and not provided or available to Tenant.
- Advertising and promotional expenditures.
- The cost of any new item (not replacement or upgrading of an existing item) which, by generally accepted accounting principles, should be capitalized (except as expressly permitted above).
- All costs associated with the operation of the business of the entity which constitutes “Landlord” (as distinguished from the costs of operating, maintaining, repairing and managing the Building) including, but not limited to, Landlord’s or Landlord’s managing agent’s general corporate overhead and general administrative expenses.
- Any cost or expense related to removal, cleaning, abatement or remediation of Hazardous Materials existing as of the date of this Lease in or about the Building, Common Areas or Project except to the extent such removal, cleaning, abatement or remediation is related to the general repair and maintenance.
- Any expenses for which Landlord has received actual reimbursement (other than through Operating Expenses or Taxes).
- Brokerage commissions, origination fees, points, mortgage recording taxes, title charges and other costs or fees incurred in connection with the origination or closing of any financing or refinancing or transfer of the Building or Project.
- Costs incurred by Landlord for the repair of damage to the Building or Project, to the extent that Landlord is reimbursed for such costs by insurance proceeds, condemnation proceeds, contractor warranties, guarantees, judgments or other third party sources.
- Sums (other than management fees, it being agreed that the management fees included in Operating Expenses are as described in Section 6.2 above) paid to subsidiaries or other affiliates of Landlord for services on or to the Building and/or Premises, but only to the extent that the costs of such services exceed the competitive

cost for such services rendered by persons or entities of similar skill, competence and experience.

- Fines, costs or penalties incurred as a result and to the extent of a violation by Landlord of any applicable Regulations.
- The cost of operating any commercial concession which is operated by Landlord at the Building or Project.

6.3. Less Than Full Occupancy. If the Building or the Project are less than ninety-five percent (95%) occupied during any year of the Term, Operating Expenses for each such calendar year shall be adjusted to equal Landlord's reasonable estimate of Operating Expenses as though ninety-five percent (95%) of the total rentable area of the Building and/or the Project as applicable had been occupied.

6.4. Estimates of Operating Expenses. Tenant shall pay its share of Operating Expenses based on Landlord's estimate for the then-current calendar year. If at any time (but not more than twice in any given calendar year) it appears to Landlord that Tenant's share of Operating Expenses payable for the current calendar year will vary from Landlord's estimate, Landlord may give notice to Tenant of Landlord's revised estimate for the calendar year, and subsequent payments by Tenant for the calendar year shall be based on the revised estimate. Within one hundred twenty (120) days after the close of each calendar year, or as soon after such 120-day period as practicable, Landlord shall deliver to Tenant a statement in reasonable detail of the actual amount of Operating Expenses payable by Tenant for such calendar year. Landlord's failure to provide such statement to Tenant within the 120-day period shall not act as a waiver and shall not excuse Tenant or Landlord from making the adjustments to reflect actual costs as provided herein. If on the basis of such statement Tenant owes an amount that is less than the estimated payments for such calendar year previously made by Tenant, Landlord shall credit such excess against the next payment of Operating Expenses due, or refund such excess in cash within thirty (30) days of such determination, if the Lease has terminated. If on the basis of such statement Tenant owes an amount that is more than the estimated payments for such calendar year previously made by Tenant, Tenant shall pay the deficiency to Landlord within thirty (30) days after delivery of the statement. In addition, if, after the end of any calendar year or any annual adjustment of Operating Expenses for a calendar year, Operating Expenses are incurred or billed to Landlord that are attributable to any period within the Term (e.g., sewer district flow fees), Landlord shall notify Tenant of its share of such additional Operating Expenses and Tenant shall pay such amount to Landlord within thirty (30) days after Landlord's written request therefor. The obligations of Landlord and Tenant under this Section 6.4 with respect to the reconciliation between the estimated and actual amounts of Operating Expenses payable by Tenant for the last year of the Term shall survive the termination of this Lease.

6.5. Payment at End of Term. Any amount payable by Tenant which would not otherwise be due until after the termination of this Lease, shall, if the exact amount is uncertain at the time that this Lease terminates, be paid by Tenant to Landlord upon such termination in an amount to be estimated by Landlord with an adjustment to be made once the exact amount is known.

6.6. Right to Audit. Within 90 days after receipt of Landlord's statement, Tenant shall have the right to audit at Landlord's local offices, at Tenant's expense, Landlord's accounts and records relating to Taxes and Operating Expenses. Such audit shall be conducted by a certified public accountant paid on a non-contingent basis and approved by Landlord, which approval shall not be unreasonably withheld. If such audit reveals that Landlord has overcharged Tenant, the amount overcharged shall be paid to Tenant within thirty (30) days after the audit is concluded, together with interest thereon at the Interest Rate, from the date the statement was delivered to Tenant until payment of the overcharge is made to Tenant. In addition, if Tenant was overcharged by more than 5%, the cost of the audit shall be paid by Landlord.

7. Permitted Use.

7.1. Use and Compliance with Laws. The Premises shall be used and occupied by Tenant solely for the Permitted Use set forth in the Basic Lease Information. Tenant shall, at Tenant's expense, comply promptly with all applicable federal, state and local laws, regulations, ordinances, rules, orders, and requirements ("Laws") in effect during the Term relating to the condition, use or occupancy of the Premises; provided that nothing contained herein shall require Tenant, with respect to the Common Areas or the Premises, to comply with Laws which require structural alterations, capital improvements or the installation of new or additional mechanical, electrical, plumbing or life safety systems on a Building-wide basis without reference to the specific use of the Premises or Tenant's Alterations. Tenant shall not use or permit the use of the Premises in any manner that will tend to create waste or a nuisance, or that unreasonably disturbs other tenants of the Building or Project, nor shall Tenant place or maintain any signs, antennas, awnings, lighting or plumbing fixtures, loudspeakers, exterior decoration or similar devises on the Building or the Project or visible from the exterior of the Premises without Landlord's prior written consent, which consent may be withheld in Landlord's sole discretion. Tenant shall not use any corridors, sidewalks, stairs, elevators or other areas outside of the Premises for storage or any purpose other than access to the Premises. Tenant shall not use, keep or permit to be used or kept on the Premises any foul or noxious gas or substance, nor shall Tenant do or permit to be done anything in and about the Premises, either in connection with activities hereunder expressly permitted or otherwise, which would cause an increase in premiums for or a cancellation of any policy of insurance (including fire insurance) maintained by Landlord in connection with the Premises, Building or Project or which would violate the terms of any covenants, conditions or restrictions, the design guidelines, the sign guidelines affecting the Building or the land on which it is located, or the Rules (as the term is defined under Section 7.4.2 below).

7.2. Signs. Tenant shall not attach or install any sign to or on any part of the outside of the Premises, the Building or the Project, or in the halls, lobbies, windows or elevator banks of the Building without Landlord's prior written consent, which consent shall not be unreasonably withheld. Any signage approved by Landlord shall be subject to prior approval of and conformance with the requirements of the design review committee of the Project and the design review agency of the applicable city and/or county. Tenant, at its sole cost and expense, shall (i) maintain all permitted signage in good condition and repair, and (ii) remove such signage upon expiration or earlier termination of this Lease and restore the Building and the Project to their condition existing immediately prior to the placement or erection of said sign or signs in such a condition that no discoloration or other evidence of the prior sign appears on the Building where the sign previously was affixed. If Tenant fails to do so, Landlord may maintain, repair and/or remove such signage and restore the Building and or Project to its original condition without notice to Tenant and at Tenant's expense, the cost of which shall be payable by Tenant as additional rent. Landlord, at its sole cost and expense, shall install directory and monument placards on the existing signage directory and monuments serving the Building, identifying Tenant as the occupant of the Building. Notwithstanding the foregoing, Tenant shall have the right to install, at its sole cost and expense, one (1) exterior sign with its trade name on the façade of the Building. The design and specific location of the sign shall be subject to Landlord's prior written consent, which shall not be unreasonably withheld. Tenant shall obtain all required building permits and other authorizations from the City in which the Premises are located and all other agencies having jurisdiction over the Building. The sign shall comply with Landlord's signage program for the Building and any applicable codes, laws, ordinances, rules and regulations. Tenant shall maintain the sign in first class condition and repair, including repainting and replacing as reasonably necessary. Tenant shall remove the sign upon the expiration or earlier termination of the Lease, shall repair any damage to the Building in connection therewith, and shall return the Building to its condition prior the installation of the sign. Without limiting the foregoing, Tenant shall repaint the Building as necessary to eliminate any "ghosting" or visible outline of the sign's former location following its removal. Landlord shall bear no cost or expense in connection with Tenant's Façade sign, and Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord) and hold harmless Landlord from any and all claims, demands, liability, damages, judgments, costs and expenses (including reasonable attorneys' fees) that Landlord may suffer or incur as a result or arising out of or related to the installation, use, operation, maintenance, replacement and/or removal of the sign.

7.3. Suitability. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or Building with respect to the suitability or fitness of either for the conduct of Tenant's business or for any other purpose.

7.4. Use of Common Areas.

7.4.1. Right to Use Common Areas. Landlord gives Tenant and its authorized employees, agents, customers, representatives and invitees the nonexclusive right to use the Common Areas with others who are entitled to use the Common Areas, subject to Landlord's rights as set forth in this Section 7.4.

7.4.2. Rules. All Common Areas shall be subject to the exclusive control and management of Landlord and Landlord shall have the right to establish, modify, amend and enforce reasonable rules and regulations with respect to the Common Areas. Tenant acknowledges receipt of a copy of the current rules and regulations (the "Rules") attached hereto as Exhibit D, and agrees that they may, from time to time, be modified or amended by Landlord in a commercially reasonable manner. Tenant agrees to abide by and conform with the Rules; to cause its concessionaires and its and their employees and agents to abide by the Rules; and to use its best efforts to cause its customers, invitees and licensees to abide by the Rules. Notwithstanding anything to the contrary contained in this Lease or the Rules, in the event of a conflict in the provisions of this Lease and the Rules, the provisions of this Lease shall prevail.

7.4.3. Use. Provided that Landlord uses commercially reasonable efforts to minimize interference with Tenant's use, Landlord shall have the right to close temporarily any portion of the Common Areas for the purpose of discouraging use by parties who are not tenants or customers of tenants; to use portions of the Common Areas while engaged in making additional improvements or repairs or alterations to the Building or the Project; to use or permit the use of the Common Areas by others to whom Landlord may grant or have granted such rights; and to do and perform such acts in, to, and with respect to, the Common Areas as in the use of good business judgment Landlord shall determine to be appropriate for the Project.

7.4.4. Change in Common Areas. Landlord shall have the right to increase or reduce the Common Areas, provided the Project meets the parking requirement under Section 7.6 below.

7.4.5. Recycling. Tenant shall cooperate with Landlord and other tenants in the Project in recycling waste paper, cardboard or such other materials identified under any trash recycling program that may be established in order to reduce trash collection costs.

7.5. Environmental Matters.

7.5.1. Hazardous Materials. The term "Hazardous Materials" as used herein means any petroleum products, asbestos, polychlorinated biphenyls, P.C.B.'s, or chemicals, compounds, materials, mixtures or substances that are now or hereafter defined or listed in, or otherwise classified as a "hazardous substance", "hazardous material", "hazardous waste", "extremely hazardous waste", "infectious waste", "toxic substance", "toxic pollutant" or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity or toxicity pursuant to any federal, state or local environmental law, regulation, ordinance, resolution, order or decree relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, release, disposal or transportation of the same ("Hazardous Materials Laws").

7.5.2. Tenant's Covenants. Except for ordinary office supplies and janitorial cleaning materials which in common business practice are customarily and lawfully used, stored and disposed of in small quantities, Tenant shall not use, manufacture, store, release, dispose or transport any Hazardous Materials in, on, under or about the Premises, the Building or the Project without giving prior written notice to Landlord and obtaining Landlord's prior written consent, which consent Landlord may withhold in its sole discretion. Tenant shall at its own expense procure, maintain in effect, and comply with all conditions of any and all permits, licenses, and other governmental and regulatory approvals required in connection with Tenant's generation, use, storage, disposal and transportation of Hazardous Materials. Except as discharged into the sanitary sewer in strict accordance and conformity with all applicable Hazardous Materials Laws, Tenant shall cause any and all Hazardous Materials removed from the Premises to be removed and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such materials and wastes. Tenant shall not maintain or install in,

on, under or about the Premises, the Building or the Project any above or below ground storage tanks, clarifiers or sumps, nor any wells for the monitoring of ground water, soils or subsoils.

7.5.3. Notice. Tenant shall immediately notify Landlord in writing of: (a) any enforcement, cleanup, removal or other governmental or regulatory action instituted, completed or threatened pursuant to any Hazardous Materials Law; (b) any claim made or threatened by any person or entity against Tenant or the Premises relating to damage, contribution, cost, recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials; and (c) any reports, information, inquiries or demands made, ordered, or received by or on behalf of Tenant which arise out of or in connection with the existence or potential existence of any Hazardous Materials in, on, under or about the Premises, the Building or the Project, including, without limitation, any complaints, notices, warnings, asserted violations, or mandatory or voluntary informational filings with any governmental agency in connection therewith, and immediately supply Landlord with copies thereof.

7.5.4. Indemnity. Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord), protect and hold harmless Landlord, and each of Landlord's officers, directors, partners, employees, affiliates, joint venturers, members, trustees, owners, shareholders, principals, agents, representatives, lenders, successors and assigns, from and against any and all claims, liabilities, damages, fines, penalties, forfeitures, losses, cleanup and remediation costs or expenses (including attorneys' fees) or death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by (i) the use, analysis, generation, manufacture, storage, release, disposal, or transportation of Hazardous Materials by Tenant and Tenant's agents, employees, contractors, licensees or invitees to, in, on, under, about or from the Premises, the Building or the Project, or (ii) Tenant's failure to comply with any Hazardous Materials Law. Tenant's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary repair, cleanup, detoxification or decontamination of the Premises, the Building, or the Project and the preparation and implementation of any closure, remedial action or other required plans in connection therewith, and shall survive the expiration or earlier termination of this Lease.

7.5.5. Landlord's Rights. Landlord shall have the right to enter the Premises at all times upon reasonable prior notice of not less than twenty four (24) hours for the purposes of ascertaining compliance by Tenant with all applicable Hazardous Materials Laws; provided, however, that in the instance of an emergency no notice shall be required. If Tenant fails to comply with any of the provisions under this Section 7.5, Landlord shall have the right (but not the obligation) to remove or otherwise cleanup any Hazardous Materials from the Premises, the Building or the Project. In such case, the costs of any Hazardous Materials investigation, removal or other cleanup (including, without limitation, transportation, storage, disposal and attorneys' fees and costs) will be additional rent due under this Lease, whether or not a court has ordered the cleanup, and will become due and payable on demand by Landlord.

7.6. Parking. Landlord grants to Tenant and Tenant's customers, suppliers, employees and invitees during the Term the right to use in the parking areas designated on Exhibit A-2 the number of parking spaces stated in the Basic Lease Information on a non-exclusive basis for the use of motor vehicles, subject to rights reserved to Landlord as specified in this Section 7.6. Landlord reserves the right to grant similar nonexclusive rights to other tenants so long as Tenant's minimum parking ratio is maintained; to promulgate rules and regulations relating to the use of the including parking area; to make changes in the parking layout from time to time; and to do and perform any other acts in and to these areas and improvements as Landlord determines to be advisable, provided Landlord uses commercially reasonable efforts to minimize interference with Tenant's use. Tenant agrees not to overburden the parking facilities and to abide by and conform with the rules and regulations and to cause its employees and agents to abide by and conform to the rules and regulations. Upon request, Tenant shall use reasonable efforts (i) to provide Landlord with license plate numbers of all vehicles driven by its employees and (ii) to cause Tenant's employees to park only in spaces specifically designated for tenant parking. Landlord shall have the unqualified right to rearrange or reduce the number of parking spaces; provided, however, the ratio of the number of parking spaces available to Tenant will be no less than 5.0 spaces per 1,000 rentable square feet of the Premises.

8. Services.

8.1. Utilities and Services. Landlord, at its sole cost and expense, shall separately meter the Premises for electricity, including HVAC service. Tenant shall be responsible, at its sole cost and expense and by direct contract with the applicable service provider, for all utilities, including without limitation water, electrical, telephone, data, and janitorial service in or serving the Premises, including, without limitation, the Building Common Areas.

8.2. No Liability. Landlord shall not be in default hereunder or be liable for any damages or personal injuries to any person directly or indirectly resulting from, nor shall there be any Rent abatement by reason of, any interruption or curtailment whatsoever in utility services, unless Tenant's use or occupancy of the Premises is substantially impaired by an interruption or curtailment caused by Landlord for a period of more than five (5) consecutive business days, in which event Rent shall abate until such substantial impairment ceases.

9. Maintenance and Repairs.

9.1. Tenant's Repairs and Maintenance. Tenant shall, at Tenant's expense, maintain the Premises in good order, condition and repair, including without limitation, (i) all interior surfaces, ceilings, walls, door frames, window frames, floors, carpets, draperies, window coverings and fixtures, (ii) all Building Common Areas, excluding elevators and fire/life safety systems, (iii) all windows, doors, locks and closing devices, entrances, plate glass, and signs, (iv) all phone lines, electrical system including wiring, equipment, switches, outlets and light bulbs, (iv) all of Tenant's personal property, improvements and alterations, and (v) all other fixtures and special items installed by or for the benefit of, or at the expense of Tenant. Tenant, at its expense, shall maintain in good operating condition and repair, all heating, ventilating, and air conditioning equipment serving the Premises, and the plumbing system. Tenant shall keep in force a preventive maintenance contract with a qualified maintenance company acceptable to Landlord covering all heating, ventilating and air conditioning equipment and shall annually provide Landlord with a copy of this contract. Tenant shall not enter onto the roof area of the Building, except for the purpose of installing, and maintaining the heating, ventilating, and air conditioning equipment and solar panels permitted under the terms of this Lease. Tenant shall repair any damage to the roof area caused by its entry.

9.2. Landlord's Repairs and Maintenance. Landlord shall keep in good condition and repair the foundation, roof structure, exterior walls and other structural parts of the Building, and the Building elevators and fire/life safety systems. Tenant expressly waives the benefits of any statute, including Civil Code Sections 1941 and 1942, which would afford Tenant the right to make repairs at Landlord's expense or to terminate this Lease due to Landlord's failure to keep the Building in good order, condition and repair. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant as the result of Landlord performing any such maintenance and repair work, provided Landlord shall use commercially reasonable efforts to minimize interference with Tenant's use.

9.3. Failure to Repair or Maintain. In the event Tenant fails to perform Tenant's obligations under this Section 9, Landlord may, but shall not be required to, give Tenant notice to do such acts as are reasonably required to so maintain the Premises. If Tenant shall fail to commence such work and diligently prosecute it to completion, then Landlord shall have the right (but not the obligation) to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amounts so expended by Landlord will be additional rent due under this Lease, and such amounts will become due and payable on demand by Landlord. Landlord shall have no liability to Tenant for any such damages, inconvenience or interference with the use of the Premises by Tenant as a result of performing such work.

9.4. Surrender of Premises. Upon the expiration or earlier termination of this Lease, Tenant shall surrender the Premises to Landlord in good condition and repair, ordinary wear and tear excepted. The term "ordinary wear and tear" as used herein shall mean wear and tear which manifests itself solely through normal intensity of use and passage of time consistent with the employment of commercially prudent measures to protect finishes and components from damage and excessive wear, the application of regular and appropriate preventative maintenance practices and procedures, routine cleaning and servicing, waxing, polishing, adjusting, repair, refurbishment and replacement at a standard of appearance and utility and as often as appropriate for Class A corporate and professional office occupancies in the Petaluma office market. The

term “ordinary wear and tear” would thus encompass the natural fading of painted surfaces, fabric and materials over time, and carpet wear caused by normal foot traffic. To the extent that such wear and tear exceeds the normal Class A office occupancy standards of the Petaluma office market, such would be considered items of deferred maintenance indicative of a degradation of the improvements. The term “ordinary wear and tear” shall not include any damage or deterioration that could have been prevented by Tenant’s employment of ordinary prudence, care and diligence in the occupancy and use of the Premises and the performance of all of its obligations under this Lease. Items not considered reasonable wear and tear hereunder include the following for which Tenant shall bear the obligation for repair and restoration (except to the extent caused by the negligence or willful misconduct of Landlord or its employees or agents) (i) excessively soiled, stained, worn or marked surfaces or finishes; (ii) damage, including holes in building surfaces (e.g., cabinets, doors, walls, ceilings and floors) caused by the installation or removal of Tenant’s trade fixtures, furnishings, decorations, equipment, alterations, utility installations, security systems, communications systems (including cabling, wiring and conduits), displays and signs; and (iii) damage to any component, fixture, hardware, system or component part thereof within the Premises, and any such damage to the Building or Project, caused by Tenant or its agents, contractors or employees, and not fully recovered by Landlord from insurance proceeds. Tenant, at its sole cost and expense, agrees to repair any damages to the Premises caused by or in connection with the removal of any articles of personal property, business or trade fixtures, signs, machinery, equipment, cabinetwork, furniture, moveable partitions or permanent improvements or additions, including without limitation thereto, repairing the floor and patching and painting the walls where required by Landlord to Landlord’s reasonable satisfaction. Tenant shall indemnify Landlord against any loss or liability resulting from delay by Tenant in so surrendering the Premises, including without limitation, any claims made by any succeeding tenant resulting from such delay.

10. Alterations.

10.1. Consent Required. Tenant shall not make any alterations, improvements or additions (each, an “Alteration”) in, on or about the Premises without Landlord’s prior written consent, which consent may be withheld by Landlord in its sole and absolute discretion. Notwithstanding the foregoing, Tenant may make Alterations without Landlord’s prior written consent where (i) the reasonably estimated cost of the Alteration and together with the cost of any other Alteration made during the immediately preceding twelve (12) months does not exceed $25,000, and (ii) such Alterations do not affect or involve the structural integrity, roof membrane, exterior areas, building systems or water-tight nature of the Premises, Building or Project. In requesting Landlord’s consent, Tenant shall, at Tenant’s sole cost, submit to Landlord complete drawings and specifications describing the Alteration and the identity of the proposed contractor.

10.2. Conditions.

10.2.1. Notice. Before commencing any work relating to Alterations, Tenant shall notify Landlord of the expected date of commencement thereof and of the anticipated cost thereof. Landlord shall then have the right at any time and from time to time to post and maintain on the Premises such notices as Landlord reasonably deems necessary to protect the Premises and Landlord from mechanics’ liens or any other liens.

10.2.2. Liens. Tenant shall pay when due all claims for labor or materials furnished to Tenant for use in the Premises. Tenant shall not permit any mechanics’ liens or any other liens to be levied against the Premises for any labor or materials furnished to Tenant in connection with work performed on the Premises by or at the direction of Tenant. Tenant shall indemnify, hold harmless and defend Landlord (by counsel reasonably satisfactory to Landlord) from any liens and encumbrances arising out of any work performed or materials furnished by or at the direction of Tenant. In the event that Tenant shall not, within twenty (20) days following the imposition of any such lien, cause such lien to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein by law, the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses incurred by it in connection therewith, including attorneys’ fees and costs, shall be payable to Landlord by Tenant on demand with interest at the Interest Rate.

10.2.3. Compliance with Laws. All Alterations in or about the Premises performed by or on behalf of Tenant shall be done in a first-class, workmanlike manner, shall not unreasonably lessen the value of leasehold improvements in the Premises, and shall be completed in compliance with all applicable laws, ordinances, regulations and orders of any governmental authority having jurisdiction thereover, as well as the requirements of insurers of the Premises and the Building.

10.2.4. Labor Disputes. Upon Landlord's request, Tenant shall remove any contractor, subcontractor or material supplier from the Premises and the Building if the work or presence of such person or entity results in labor disputes in or about the Building or Project or damage to the Premises, Building or Project.

10.2.5. Americans with Disabilities Act. Landlord, at Landlord's sole discretion, may refuse to grant Tenant permission for Alterations that require, because of application of Americans with Disabilities Act or other laws, substantial improvements or alterations to be made to the Common Areas, unless Tenant agrees to pay the cost thereof.

10.2.6. End of Term. Landlord, by written notice given concurrently with the grant of Landlord's consent to installation, may require that Tenant, at Tenant's expense, remove any Alterations prior to or upon the expiration of this Lease, and restore the Premises to their condition prior to such Alterations. Unless Landlord requires their removal, as provided above, all Alterations made to the Premises shall become the property of Landlord and remain upon and be surrendered with the Premises upon the expiration of this Lease; provided, however, that Tenant's machinery, equipment and trade fixtures, other than any which may be affixed to the Premises so that they cannot be removed without material damage to the Premises, shall remain the property of Tenant and may be removed by Tenant subject to the provisions of Section 9.4 above.

11. Insurance and Indemnity.

11.1. Insurance. Tenant shall obtain and maintain during the Term the following insurance:

11.1.1. Commercial General Liability Insurance. Commercial general liability insurance (occurrence form) having a combined single limit of not less than $2,000,000 per occurrence and $2,000,000 aggregate, providing coverage for, among other things, blanket contractual liability, premises, product/completed operations and personal injury coverage (in a form, with a deductible amount, and with carriers reasonably acceptable to Landlord).

11.1.2. Automobile Liability Insurance. Comprehensive automobile liability insurance having a combined single limit of not less than Two Million Dollars ($2,000,000) per occurrence, and insuring Tenant against liability for claims arising out of ownership, maintenance or use of any owned, hired, borrowed or non-owned automobiles;

11.1.3. Workers' Compensation and Employer's Liability Insurance. Workers' compensation insurance having limits not less than those required by state statute and federal statute, if applicable, and covering all persons employed by Tenant in the conduct of its operations on the Premises (including the all states endorsement and, if applicable, the volunteers endorsement), together with employer's liability insurance coverage in the amount of at least Two Million Dollars ($2,000,000);

11.1.4. Property Insurance. "Special Form" property insurance (or its equivalent if "Special Form" property insurance is not available), including vandalism and malicious mischief, boiler and machinery comprehensive form, if applicable, and endorsement for earthquake sprinkler damage, each covering damage to or loss of Tenant's personal property, fixtures and equipment, including electronic data processing equipment ("EDP Equipment"), media and extra expense, and all alterations, additions and improvements made by or at the request of Tenant to the Premises other than those tenant improvements owned by Landlord (and coverage for the full replacement cost thereof). EDP Equipment, media and extra expense shall be covered for perils insured against in the so-called "EDP Form". If the property of Tenant's invitees is to be kept in the Premises, warehouser's legal liability or bailee customers insurance for the full replacement cost of such property; and

11.1.5. Additional Insurance. Any such other insurance as Landlord or Landlord's lender may reasonably require.

11.2. General. The insurance carrier shall be authorized to do business in the State of California, with a policyholders and financial rating of at least A:IX Class status as rated in the most recent edition of Best's Key-Rating guide. Tenant's commercial general liability insurance policy shall be endorsed to provide that (i) Landlord is designated as an additional insured, and (ii) such insurance is primary with respect to Landlord and that any other insurance maintained by Landlord is excess and noncontributing with such insurance. If, in the opinion of Landlord's lender or in the commercially reasonable opinion of Landlord's insurance adviser, the specified amounts of coverage are no longer adequate, such coverage shall, within thirty (30) days' written notice to Tenant (but in no event sooner than the next policy renewal), be appropriately increased. Prior to the commencement of the Term, Tenant shall deliver to Landlord a duplicate of such policy or a certificate thereof to Landlord for retention by it with endorsements. Within fourteen (14) days following the policy renewal date, Tenant shall deliver to Landlord a replacement or renewal binder, followed by a certificate of insurance and copies of endorsements within a reasonable time thereafter. If Tenant fails to obtain such insurance or to furnish Landlord any such duplicate policy or certificate as herein required, Landlord may, at its election, with at least ten (10) days prior written notice to Tenant and without any obligation to do so, procure and maintain such coverage and Tenant shall reimburse Landlord on demand as additional rent for any premium so paid by Landlord.

11.3. Waiver of Claims. Landlord waives all claims against Tenant and Tenant's officers, directors, partners, employees, agents and representatives for loss or damage to the extent that such loss or damage is insured against under any valid and collectable insurance policy insuring Landlord or would have been insured against but for any deductible amount under any such policy. Tenant waives all claims against Landlord and Landlord's officers, directors, partners, employees, affiliates, joint venturers, members, trustees, owners, shareholders, principals, agents, representatives, successors and assigns, for loss or damage to the extent such loss or damage is insured against under any valid and collectable insurance policy insuring Tenant or required to be maintained by Tenant under this Lease, or would have been insured against but for any deductible amount under any such policy. The insuring party shall, upon obtaining the policies of insurance required under this Lease, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease. Tenant agrees that in the event of a sale, assignment or transfer of the Premises by Landlord, this waiver of subrogation shall continue in favor of the original Landlord and any subsequent Landlord.

11.4. Landlord's Insurance. During the Term, Landlord shall keep the Building insured against loss or damage by fire, with extended coverage and vandalism, malicious mischief and special extended perils (all risk) endorsements or their equivalents, in amounts not less than one hundred percent (100%) of the replacement cost of the Building and structures insured. Landlord may maintain rent insurance, for the benefit of Landlord, equal to at least one year's Base Rent hereunder. If this Lease is terminated as a result of damage by fire, casualty or earthquake, all insurance proceeds shall be paid to and retained by Landlord, subject to the rights of any authorized encumbrancer of Landlord.

11.5. Earthquake and Flood. Tenant acknowledges that Landlord does not, at the time of the signing of this Lease, insure the Building for earthquake or flood damage. Landlord may, when Landlord deems the premiums to be reasonable, insure the Building fully or partially for earthquake and/or flood damage. At such time, the premium for earthquake and/or flood insurance will be added to the Operating Expenses for purposes of determining additional rent.

11.6. Indemnity. Tenant waives all claims against Landlord for any injury to Tenant's business or loss of income there from, damage to any property or injury to or death of any person in, on, or about the Premises, the Building, or any other portion of the Project arising at any time and from any cause, unless caused by the negligence or willful misconduct of Landlord or its agents, employees or contractors. Tenant shall indemnify, defend (by counsel reasonably satisfactory to Landlord) and hold harmless Landlord, and Landlord's officers, directors, partners, employees, affiliates, joint venturers, members, trustees, owners, shareholders, principals, agents, representatives, successors and assigns, from and against all claims, costs, damages, actions, indebtedness and liabilities (except such as may arise from the negligence or willful misconduct of Landlord, and Landlord's officers, directors, partners,

employees, affiliates, joint venturers, members, trustees, owners, shareholders, principals, agents, representatives, successors and assigns) arising by reason of any death, bodily injury, personal injury, property damage or any other injury or damage in connection with (i) Tenant's use or occupancy of the Premises, (ii) any condition or occurrence in or about or resulting from any condition or occurrence in or about the Premises during the Term, or (iii) any act or omission of Tenant, or Tenant's agents, representatives, officers, directors, shareholders, partners, employees, successors and assigns, wherever it occurs. Landlord shall protect, indemnify and hold Tenant harmless from and against any and all loss, claims, liability or costs (including court costs and attorney's fees) incurred by reason of any damage to any property (including but not limited to property of Tenant) or any injury (including but not limited to death) to any person occurring in, on or about the Project to the extent that such injury or damage shall be caused by or arise from the gross negligence or willful misconduct of Landlord or any of Landlord's agents or employees. The foregoing indemnity obligations shall include reasonable attorneys' fees, and all other reasonable costs and expenses incurred by the indemnified party from the first notice that any claim or demand is to be made. The provisions of this Section 11.6 shall survive the termination or expiration of this Lease with respect to any damage, injury, or death occurring prior to such expiration or termination.

12. Damage or Destruction.

12.1. Landlord's Obligation to Rebuild. Subject to the provisions of Sections 12.2, 12.3 and 12.4 below, if, during the Term, the Premises are totally or partially destroyed from any insured casualty, Landlord shall, within ninety (90) days after the destruction, commence to restore the Premises to substantially the same condition as they were in immediately before the destruction and prosecute the same diligently to completion. Such destruction shall not terminate this Lease. Landlord's obligation shall not include repair or replacement of Tenant's alterations or Tenant's equipment, furnishings, fixtures and personal property. If the existing laws do not permit the Premises to be restored to substantially the same condition as they were in immediately before destruction, and Landlord is unable to get a variance to such laws to permit the commencement of restoration of the Premises within the 90-day period, then either party may terminate this Lease by giving written notice to the other party within thirty (30) days after expiration of the 90-day period.

12.2. Right to Terminate. Landlord shall have the option to terminate this Lease if the Premises or the Building is destroyed or damaged by fire or other casualty, regardless of whether the casualty is insured against under this Lease, if Landlord reasonably determines that (i) there are insufficient insurance proceeds made available to Landlord to pay all of the costs of the repair or restoration or (ii) the repair or restoration of the Premises or the Building cannot be completed within two hundred seventy (270) days after the date of the casualty. If Landlord elects to exercise the right to terminate this Lease as a result of a casualty, Landlord shall exercise the right by giving Tenant written notice of its election to terminate this Lease within forty-five (45) days after the date of the casualty, in which event this Lease shall terminate fifteen (15) days after the date of the notice. If Landlord does not exercise its right to terminate this Lease, Landlord shall promptly commence the process of obtaining all of the necessary permits and approvals for the repair or restoration of the Premises or the Building as soon as practicable and thereafter prosecute the repair or restoration of the Premises or the Building diligently to completion and this Lease shall continue in full force and effect. Tenant shall have the option to terminate this Lease if the Premises or the Building is destroyed or damaged by fire or other casualty, regardless of whether the casualty is insured against under this Lease, if Landlord notifies Tenant that Landlord has determined that the repair or restoration of the Premises or the Building cannot be completed within one hundred eighty (180) days after the date of the casualty.

12.3. Last Year of Term. In addition to rights to terminate this Lease under Section 12.2, either party shall have the right to terminate this Lease upon thirty (30) days' prior written notice to the other if the Premises or Building is substantially destroyed or damaged during the last twelve (12) months of the Term. The terminating party shall notify the other party in writing of its election to terminate this Lease under this Section 12.3, if at all, within forty-five (45) days after the Premises or Building has been substantially destroyed. If neither party elects to terminate this Lease, the repair of the Premises or Building shall be governed by Sections 12.1, 12.2 and 12.4.

12.4. Uninsured Casualty. If the Premises are damaged from any uninsured casualty to any extent whatsoever, Landlord may within ninety (90) days following the date of such damage: (i) commence to restore the Premises to substantially the same condition as they were in immediately before the destruction and prosecute the same diligently to completion, in which event this Lease shall continue in full force and effect; or (ii) within the 90-day period Landlord may elect not to so restore the Premises, in which event this Lease shall cease and terminate. In either such event, Landlord shall give Tenant written notice of its intention within the 90-day period.

12.5. Abatement of Rent. In the event of destruction or damage to the Premises which materially interferes with Tenant's use of the Premises, if this Lease is not terminated as above provided, there shall be an abatement or reduction of Rent between the date of destruction and the date Landlord substantially completes its reconstruction obligations, based upon the extent to which the destruction materially interferes with Tenant's use of the Premises. All other obligations of Tenant under this Lease shall remain in full force and effect. Except for abatement of Rent, Tenant shall have no claim against Landlord for any loss suffered by Tenant due to damage or destruction of the Premises or any work of repair undertaken as herein provided.

12.6. Waiver. The provisions of California Civil Code Sections 1932(2) and 1933(4), and any successor statutes, are inapplicable with respect to any destruction of the Premises, such sections providing that a lease terminates upon the destruction of the Premises unless otherwise agreed between the parties to the contrary.

13. Eminent Domain.

13.1. Condemnation. If all or any part of the Premises shall be taken as a result of the exercise of the power of eminent domain or sold in lieu of condemnation ("Condemned"), this Lease shall terminate as to the part so taken as of the date of title vesting in such proceeding. In the case of a partial condemnation of greater than fifty percent (50%) of the rentable area of the Premises, either Landlord or Tenant shall have the right to terminate this Lease as to the balance of the Premises by notice to the other within thirty (30) days after the date of title vesting in such proceeding. In the event of a partial condemnation of the Premises which does not result in a termination of this Lease, the monthly Base Rent thereafter to be paid shall be equitably reduced on a rentable square footage basis. If the continued occupancy of Tenant is materially interfered with for any time during the partial taking, notwithstanding the partial taking does not terminate this Lease as to the part not so taken, the Base Rent shall proportionately abate so long as Tenant is not able to continuously occupy the part remaining and not so taken.

13.2. Award. If the Premises are wholly or partially Condemned, Landlord shall be entitled to the entire award paid in connection with such condemnation, and Tenant waives any right or claim to any part thereof from Landlord or the condemning authority. Tenant shall have the right to claim and recover from the condemning authority, but not from Landlord, such compensation as may be separately awarded or recoverable by Tenant in Tenant's own right on account of any and all costs which Tenant might incur in moving Tenant's merchandise, furniture, fixtures, leasehold improvements and equipment to a new location.

14. Assignment and Subletting.

14.1. Assignment and Subletting; Prohibition. Except in connection with a "Permitted Transfer" (defined below), Tenant shall not assign, mortgage, pledge or otherwise transfer this Lease, in whole or in part (each hereinafter referred to as an "assignment"), nor sublet or permit occupancy by any party other than Tenant of all or any part of the Premises (each hereinafter referred to as a "sublet" or "subletting"), without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld, conditioned or delayed. No assignment or subletting by Tenant shall relieve Tenant of any obligation under this Lease, including Tenant's obligation to pay Base Rent and additional rent hereunder. Any purported assignment or subletting contrary to the provisions of this Lease without Landlord's prior written consent shall be void. The consent by Landlord to any assignment or subletting shall not constitute a waiver of the necessity for obtaining Landlord's consent to any subsequent assignment or subletting. Landlord may consent to any subsequent assignment or subletting, or any amendment to or modification of this Lease with the assignees of Tenant, without notifying Tenant or any successor of Tenant, and without obtaining its or their consent thereto, and such

action shall not relieve Tenant or any successor of Tenant of any liability under this Lease. As additional rent hereunder, Tenant shall reimburse Landlord for all reasonable legal fees and other expenses incurred by Landlord in connection with any request by Tenant for consent to an assignment or subletting.

14.2. Information to be Furnished. If Tenant desires at any time to assign its interest in this Lease or sublet the Premises, other than in connection with a Permitted Transfer, Tenant shall first notify Landlord of its desire to do so and shall submit in writing to Landlord: (i) the name of the proposed assignee or subtenant; (ii) the nature of the proposed assignee's or subtenant's business to be conducted in the Premises; (iii) the terms and provisions of the proposed assignment or sublease, including the date upon which the assignment shall be effective or the commencement date of the sublease (hereinafter referred to as the "Transfer Effective Date") and a copy of the proposed form of assignment or sublease; and (iv) such financial information, including financial statements, and other information as Landlord may reasonably request concerning the proposed assignee or subtenant.

14.3. Landlord's Election. At any time within ten (10) days after Landlord's receipt of the information specified in Section 14.2, Landlord may, by written notice to Tenant, elect to (i) terminate this Lease as to the space in the Premises that Tenant proposes to sublet for the remainder of the Term; (ii) terminate this Lease as to the entire Premises (available only if Tenant proposes to assign all of its interest in this Lease or the total amount of rentable square feet of space that Tenant proposes to sublease for the remainder of the Term, together with the aggregate amount of rentable square feet of space in the Premises previously subleased by Tenant for the remainder of the Term or recaptured by Landlord pursuant to this Section, is one hundred percent (100%) of the original Premises), (iii) consent to the proposed assignment or subletting by Tenant.

14.4. Termination. If Landlord elects to terminate this Lease with respect to all or a portion of the Premises pursuant to Section 14.3(i) or (ii) above, this Lease shall terminate effective as of the earlier of (a) the one hundred twentieth (120th) day after Landlord notifies Tenant in writing of its election to terminate this Lease or (b) the Transfer Effective Date. If Landlord terminates this Lease with respect to less than all of the Premises, Landlord shall bear and pay all costs incurred by Landlord in partitioning the Premises to provide the occupants of each premises commercially reasonable and secured access to their respective premises, legal fire exits, access to bathrooms and utility rooms and loading facilities, and in separately metering all utility services (including heating and air conditioning zoning) servicing each premises, including all design, permitting and construction costs.

14.5. Withholding Consent. Without limiting other situations in which it may be reasonable for Landlord to withhold its consent to any proposed assignment or sublease, Landlord and Tenant agree that it shall be reasonable for Landlord to withhold its consent in any one (1) or more of the following situations: (1) in Landlord's reasonable judgment, the proposed subtenant or assignee or the proposed use of the Premises would detract from the status of the Building as a first-class office building, generate vehicle or foot traffic, parking or occupancy density materially in excess of the amount customarily used by Tenant or result in a materially greater use of the elevator, janitorial, security or other Building services (e.g., HVAC, trash disposal and sanitary sewer flows) than was customary for the Tenant; (2) in Landlord's reasonable judgment, the creditworthiness of the proposed subtenant or assignee does not meet the credit standards applied by Landlord in considering other tenants for the lease of space in the Project on comparable terms, or Tenant has failed to provide Landlord with reasonable proof of the creditworthiness of the proposed subtenant or assignee; (3) in Landlord's reasonable judgment, the business history, experience or reputation in the community of the proposed subtenant or assignee does not meet the standards applied by Landlord in considering other tenants for occupancy in the Project; (4) the proposed assignee or subtenant is a governmental entity, agency or department or the United States Post Office; or (5) the proposed subtenant or assignee is a then existing or prospective tenant of the Project, provided Landlord at that time has space available for lease in the Project comparable to that being offered by Tenant. If Landlord fails to elect any of the alternatives within the ten (10) day period referenced in Section 14.3, it shall be deemed that Landlord has granted its consent to the proposed assignment or sublease.

14.6. Bonus Rental. If, in connection with any assignment or sublease other than a Permitted Transfer, Tenant receives rent or other consideration, either initially or over the term of the assignment or sublease, in excess of the Rent called for hereunder, or in case of the

sublease of a portion of the Premises, in excess of such Rent fairly allocable to such portion, Tenant shall pay to Landlord, as additional rent hereunder, fifty percent (50%) of the excess of each such payment of Rent or other consideration received by Tenant (after deducting the costs incurred by Tenant for brokerage commissions, attorneys' fees, tenant improvement allowances and other incentives offered to the transferee) promptly after Tenant's receipt of such Rent or other consideration. To the extent that a subtenant or assignee purchases goods or services from sublandlord or an affiliate of sublandlord for an amount in excess of the fair market value for such goods or services, such costs incurred or amounts expended shall be deemed to be "other consideration" for purposes of calculating excess Rent due to Landlord hereunder.

14.7. Scope. The prohibition against assigning or subletting contained in this Section 14 shall be construed to include a prohibition against any assignment or subletting by operation of law, except as otherwise expressly set forth in this Lease. If this Lease is assigned, or if the underlying beneficial interest of Tenant is transferred, or if the Premises or any part thereof is sublet or occupied by anybody other than Tenant, Landlord may collect rent from the assignee, subtenant or occupant and apply the net amount collected to the Rent due herein and apportion any excess rent so collected in accordance with the terms of Section 14.6, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of the provisions regarding assignment and subletting, or the acceptance of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. No assignment or subletting shall affect the continuing primary liability of Tenant (which, following assignment, shall be joint and several with the assignee), and Tenant shall not be released from performing any of the terms, covenants and conditions of this Lease.

14.8. Executed Counterparts. No sublease or assignment shall be valid, nor shall any subtenant or assignee take possession of the Premises, until a copy of a fully executed counterpart of the sublease or assignment has been delivered to Landlord and Landlord, Tenant and the applicable assignee or subtenant have entered into a consent to assignment or sublease in a form acceptable to Landlord, in its commercially reasonable discretion.

14.9. Permitted Transfers. Tenant may assign this Lease or sublet the Premises, or any portion thereof, without Landlord's consent, to any entity which controls, is controlled by, or is under common control with Tenant; to any entity which results from a merger of, reincorporation of, reorganization of, or consolidation with Tenant; or to any entity which acquires substantially all of the memberships, interests, stock or assets of Tenant, as a going concern, with respect to the business that is being conducted in the Premises (hereinafter each a "Permitted Transfer"). In addition, a sale or transfer of the memberships, interests or stock of Tenant shall be deemed a Permitted Transfer if (1) such sale or transfer occurs in connection with any *bona fide* financing or capitalization for the benefit of Tenant, or (2) Tenant is, or in connection with the proposed transfer becomes, a publicly traded entity. Landlord shall have no right to terminate the Lease in connection with, and shall have no right to any sums or other economic consideration resulting from, any Permitted Transfer.

15. Default by Tenant.

15.1. Events of Default. The occurrence of any of the following events shall constitute an event of default on the part of Tenant under this Lease:

15.1.1. Payment. A failure by Tenant to pay Rent within five (5) days after written notice that such payment is due;

15.1.2. Bankruptcy. The bankruptcy or insolvency of Tenant, any transfer by Tenant to defraud creditors, any assignment by Tenant for the benefit of creditors, or the commencement of any proceedings of any kind by or against Tenant under any provision of the Federal Bankruptcy Act or under any other insolvency, bankruptcy or reorganization act unless, in the event any such proceedings are involuntary, Tenant is discharged from the same within sixty (60) days thereafter; the appointment of a receiver for a substantial part of the assets of Tenant; or the levy upon this Lease or any estate of Tenant hereunder by any attachment or execution;

15.1.3. Abandonment. The abandonment of the Premises;

15.1.4. Performance of Lease Terms. Tenant's failure to perform any of the terms, covenants, agreements or conditions of this Lease to be observed or performed by Tenant (excluding any event of default under Section 15.1.1 above), which default has not been cured within thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within the 30-day period, Tenant shall not be deemed to be in default if within such period Tenant shall commence such cure and thereafter diligently prosecute the same to completion; and

15.1.5. Failure to Comply. Tenant's failure to comply with the provisions contained in Sections 18 and 19.

Any notice required to be given by Landlord under this Lease shall be in lieu of, and not in addition to, any notice required under Section 1161 of the California Civil Code of Procedure. Tenant shall pay to Landlord the amount of Two Hundred Fifty Dollars ($250.00) for each notice of default given to Tenant under this Lease, which amount is the amount the parties reasonably estimate will compensate Landlord for the cost of giving such notice of default.

15.2. Remedies. In the event of any default or breach by Tenant, Landlord may at any time thereafter, without limiting Landlord in the exercise of any right or remedy at law or in equity which Landlord may have by reason of such default or breach:

15.2.1. Continue Lease. Pursue the remedy described in California Civil Code Section 1951.4 whereby Landlord may continue this Lease in full force and effect after Tenant's breach and recover the Rent and any other monetary charges as they become due, without terminating Tenant's right to sublet or assign this Lease, subject only to reasonable limitations as herein provided. During the period Tenant is in default, Landlord shall have the right to do all acts necessary to preserve and maintain the Premises as Landlord deems reasonable and necessary, including removal of all persons and property from the Premises, and Landlord can enter the Premises and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable immediately to Landlord for all costs Landlord incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises required by the reletting, and like costs. Reletting can be for a period shorter or longer than the remaining Term.

15.2.2. Perform. Pay or perform such obligation due (but shall not be obligated to do so), if Tenant fails to pay or perform any obligations when due under this Lease within the time permitted for their payment or performance. In such case, the costs incurred by Landlord in connection with the performance of any such obligation will be additional rent due under this Lease and will become due and payable on demand by Landlord.

15.2.3. Terminate. Terminate Tenant's rights to possession by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including, without limitation, the following: (A) the worth at the time of award of any unpaid Rent which had been earned at the time of such termination; plus (B) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such Rent loss that is proved could have been reasonably avoided; plus (C) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such Rent loss that is proved could be reasonably avoided; plus (D) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of events would be likely to result therefrom; plus (E) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable State law. In addition, Landlord shall be entitled to recover from Tenant the unamortized portion of any tenant improvement allowance, free rent or other allowance provided by Landlord to Tenant and any brokerage commission or finders fee paid or incurred by Landlord in connection with this Lease (amortized with interest at the Interest Rate on a straight line-basis over the original term of this Lease.) Upon any such termination of Tenant's possessory interest in and to the Premises, Tenant (and at Landlord's sole election, Tenant's sublessees) shall no longer have any interest in the Premises, and Landlord shall have the right to make any reasonable repairs, alterations or modifications to the Premises which Landlord in its sole discretion deems reasonable and necessary. The "worth at the time of

award" of the amounts referred to in subparagraphs (A) and (B) above is computed by allowing interest at the maximum rate an individual is permitted by law to charge. The worth at the time of award of the amount referred to in subparagraph (C) above is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

15.2.4. Additional Remedies. Pursue any other legal or equitable remedy available to Landlord. Unpaid installments of Rent and other unpaid monetary obligations of Tenant under the terms of this Lease shall bear interest from the date due at the rate of ten percent (10%) per annum.

15.3. Waiver of Right of Redemption. In the event Tenant is evicted or Landlord takes possession of the Premises by reason of any default by Tenant hereunder, Tenant hereby waives any right of redemption or relief from forfeiture as provided by law.

15.4. Continue. Even though Tenant has breached this Lease and abandoned the Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all its rights and remedies under this Lease, including the right to recover Rent as it becomes due under this Lease. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver upon initiative of Landlord to protect Landlord's interest under this Lease, shall not constitute a termination of Tenant's right to possession.

15.5. Tenant's Exercise Rights. In the event Tenant is in default under any provision of this Lease beyond any applicable notice and cure period, then, at Landlord's sole election: (i) Tenant shall not have the right to exercise any available right, option or election under this Lease ("Tenant's Exercise Rights"), (ii) Tenant shall not have the right to consummate any transaction or event triggered by the exercise of any of Tenant's Exercise Rights, and (iii) Landlord shall not be obligated to give Tenant any required notices or information relating to the exercise of any of Tenant's Exercise Rights hereunder.

16. Default by Landlord. Landlord shall not be in default under this Lease unless Landlord, or the holder of any mortgage, deed of trust or ground lease covering the Premises, fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord certified mail, postage prepaid, and to the holder of any first mortgage, deed of trust or ground lease covering the Premises whose name and address shall have been furnished to Tenant in writing, specifying wherein Landlord has failed to perform such obligations; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord or the holder of any such mortgage, deed of trust or ground lease commences performance within such 30-day period and thereafter diligently prosecutes the same to completion. In no event shall Tenant be entitled to terminate this Lease by reason of Landlord's default, and Tenant's remedies shall be limited to an action for monetary damages at law.

17. Intentionally Omitted.

18. Estoppel Certificate.

18.1. Obligation to Execute Estoppel. Tenant shall within ten (10) business days after notice from Landlord, execute, acknowledge and deliver to Landlord a statement certifying (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect), (ii) the amount of the Rent and the Security Deposit, (iii) the date to which the Rent has been paid, (iv) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults, if any are claimed, and (v) such other matters as may reasonably be requested by Landlord. Any such statement may be conclusively relied upon by Landlord and any prospective purchaser or encumbrancer of the Building.

18.2. Failure to Execute Estoppel. Tenant's failure to deliver such statement within three (3) business days of Landlord's second request shall be conclusive upon Tenant that (i) this Lease is in full force and effect, without modification except as may be represented by

Landlord, (ii) there are no uncured defaults in Landlord's performance, and (iii) not more than one month's Base Rent has been paid in advance.

18.3. Financial Statements. If Landlord desires to sell all or any portion of its interest in the Building or the Project or to finance or refinance the Building or the Project, Tenant agrees to deliver to Landlord and any lender or prospective purchaser designated by Landlord such financial statements of Tenant as may be reasonably required by Landlord or such lender or prospective purchaser. All such financial statements shall be received and kept by Landlord in confidence and shall be used for the purposes herein set forth. In addition, within seven (7) days after Landlord's written request, Tenant shall deliver to Landlord Tenant's most current quarterly and annual financial statements audited by Tenant's certified public accountant. If audited financial statements are not available, Tenant shall deliver to Landlord Tenant's financial statements certified to be true and correct by Tenant's chief financial officer. Tenant's annual financial statements shall not be dated more than twelve (12) months prior to the date of Landlord's request.

19. Subordination. Conditioned upon Tenant's receipt of a non-disturbance agreement in form and substance satisfactory to Tenant in its commercially reasonable discretion, this Lease, at Landlord's sole option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation for security now or hereafter placed upon the Building and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements, refinancings and extensions thereof. Notwithstanding such subordination, Tenant's right to quiet possession of the Premises shall not be disturbed if Tenant is not in default beyond any applicable notice and cure period and so long as Tenant shall pay the Rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee or ground lessor shall elect to have this Lease prior to the lien of its mortgage, deed of trust or ground lease, and shall give notice thereof to Tenant, this Lease shall be deemed prior to such mortgage, deed of trust, or ground lease, whether this Lease is dated prior to or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof. If any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, Tenant shall attorn to the purchaser at the foreclosure sale or to the grantee under the deed in lieu of foreclosure; if any ground lease to which this Lease is subordinate is terminated, Tenant shall attorn to the ground lessor. Tenant agrees to execute any documents required to effectuate such subordination or to make this Lease prior to the lien of any mortgage, deed of trust or ground lease, as the case may be, or to evidence such attornment, conditioned upon Tenant's receipt of a non-disturbance agreement in form and substance satisfactory to Tenant in its commercially reasonable discretion. Any such document of attornment shall also provide that the successor shall not disturb Tenant in its use of the Premises in accordance with this Lease.

20. Attorneys' Fees. If Landlord uses the services of an attorney in order to secure Tenant's compliance with the terms of this Lease, Tenant shall reimburse Landlord upon demand for any and all reasonable attorneys' fees and expenses incurred by Landlord, whether or not formal legal proceedings are instituted by Landlord. In any action or proceeding which Landlord or Tenant brings against the other party in order to enforce its respective rights hereunder or by reason of the other party failing to comply with all of its obligations hereunder, whether for declaratory or other relief, the unsuccessful party therein agrees to pay all costs incurred by the prevailing party therein, including reasonable attorneys' fees, to be fixed by the court, and said costs and attorneys' fees shall be made a part of the judgment in said action. A party shall be deemed to have prevailed in any action (without limiting the definition of prevailing party) if such action is dismissed upon the payment by the other party of the amounts allegedly due or the performance of obligations which were allegedly not performed, or if such party obtains substantially the relief sought by such party in the action, regardless or whether such action is prosecuted to judgment

21. Notices. All notices, consents, demands, and other communications from one party to the other given pursuant to the terms of this Lease shall be in writing and shall be personally delivered, delivered by courier service, delivered by national overnight delivery service (e.g., Federal Express, Airborne Express and UPS), sent via facsimile (confirmation receipt required), or deposited in the United States mail, certified or registered, postage prepaid, and addressed as follows: To Tenant at the address specified in the Basic Lease Information or to such other place as Tenant may from time to time designate in a notice to Landlord; to

Landlord at the address specified in the Basic Lease Information, or to such other place and to such other parties as Landlord may from time to time designate in a notice to Tenant. All notices shall be effective upon delivery or refusal of delivery.

22. General Provisions.

22.1. Applicable Law. This Lease shall be governed by and construed in accordance with the internal laws of the State of California, notwithstanding any choice of law statutes, regulations, provisions or requirements to the contrary.

22.2. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

22.3. Waiver. No waiver of any provision hereof by either party shall be deemed by the other party to be a waiver of any other provision, or of any subsequent breach of the same provision. Landlord's or Tenant's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Landlord's or Tenant's consent to, or approval of, any subsequent act by the other party.

22.4. Holdover. Should Tenant, or any of its successors in interest, hold over in the Premises, or any part thereof, after the expiration of the Term unless otherwise agreed to in writing, such holding over shall constitute and be construed as tenancy from month-to-month only, at a monthly rent equal to 150% of the Base Rent owed during the final year of the Term, as the same may have been extended, together with the additional rent due under this Lease. The inclusion of the preceding sentence shall not be construed as Landlord's permission for Tenant to hold over. In addition, Tenant shall indemnify, protect, defend and hold harmless Landlord for all losses, expenses and damages, including any consequential damages incurred by Landlord, as a result of Tenant failing to surrender the Premises to Landlord and vacate the Premises by the end of the Term.

22.5. Entry. Upon reasonable prior notice to Tenant of not less than twenty-four (24) hours (which notice shall not be required in the event of an emergency), Landlord and Landlord's representatives and agents shall have the right to enter the Premises during regular business hours for the purpose of inspecting the same, showing the same to prospective purchasers or lenders, and making such alterations, repairs, improvements, or additions to the Premises, the Building or the Common Areas as Landlord may deem necessary or desirable. Landlord may at any time during the last nine (9) months of the Term place on or about the Premises any ordinary "For Lease" sign. Landlord may at any time place on or about the Premises any ordinary "For Sale" sign.

22.6. Subleases. The voluntary or other surrender of this Lease by Tenant, the mutual cancellation thereof or the termination of this Lease by Landlord as a result of Tenant's default shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

22.7. Limitation of Liability. In the event that Landlord or any successor owner of the Building sells or conveys the Building, then all liabilities and obligations of Landlord or the successor owner under this Lease accruing after the sale or conveyance shall terminate and become binding on the new owner, and Tenant shall release Landlord from all liability under this Lease (including, without limitation, the Security Deposit), except for acts or omissions of Landlord occurring prior to such sale or conveyance. Tenant expressly agrees that (i) the obligations of Landlord shall not constitute personal obligations of the officers, directors, partners, employees, affiliates, joint venturers, members, trustees, owners, shareholders, or other principals, agents or representatives of Landlord ("Member of Landlord"), and (ii) Tenant shall have recourse only to Landlord's interest in the Building of which the Premises are a part for the satisfaction of such obligations and not against the other assets of Landlord. In this regard, Tenant agrees that in the event of any actual or alleged failure, breach or default by Landlord of its obligations under this Lease, that (i) no Member of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of Landlord), (ii) no judgment will be taken against any Member of Landlord, and any judgment taken against any Member of Landlord may be vacated and set aside at any time without hearing, (iii) no writ of

execution will ever be levied against the assets of any Member of Landlord, and (iv) these agreements by Tenant are enforceable both by Landlord and by any Member of Landlord.

22.8. Authority. If either party to this Lease is a corporation, limited liability company or partnership, each such party represents and warrants to the other party that each individual executing this Lease on behalf of such party is duly authorized to execute and deliver this Lease on behalf of the corporation, company or partnership in accordance with, where applicable, a duly adopted resolution of the board of directors of the corporation, the vote of the members of the limited liability company or the vote of the partners within the partnership, and that this Lease is binding upon the corporation, company or partnership in accordance with its respective articles of incorporation and bylaws, operating agreement or partnership agreement.

22.9. Time. Time is expressly declared to be of the essence of this Lease and of each and every covenant, term, condition, and provision hereof.

22.10. Joint and Several Liability. If there is more than one party comprising Tenant, the obligations imposed on Tenant shall be joint and several.

22.11. Construction. The language in all parts of this Lease shall be in all cases construed as a whole according to its fair meaning and not strictly for nor against either Landlord or Tenant.

22.12. Definitions. As used in this Lease and whenever required by the context thereof, each number, both singular and plural, shall include all numbers and in each gender shall include all genders. Landlord and Tenant, as used in this Lease or in any other instrument referred to in or made a part of this Lease, shall likewise include both the singular and the plural, a corporation, limited liability company, partnership, individual or person acting in any fiduciary capacity as executor, administrator, trustee or in any other representative capacity.

22.13. Exhibits. The Basic Lease Information, Exhibits and Addendum attached to this Lease and incorporated herein by reference thereto.

22.14. Force Majeure. Any delay in construction, repairs, or rebuilding any building, improvement or other structure herein shall be excused and the time limit extended to the extent that the delay is occasioned by reason of acts of God, labor troubles, laws or regulations of general applicability, acts of Tenant or Tenant Delays (as the term is defined in the Work Letter Agreement), or other occurrences beyond the reasonable control of Landlord. Accordingly, Landlord's obligation to perform shall be excused for the period of the delay and the period for performance shall be extended for a period equal to the period of such delay.

22.15. Broker's Fee. Each party represents that it has not had dealings with any real estate broker, finder or other person, with respect to this Lease in any manner. Each party shall hold harmless the other party from all damages resulting from any claim that may be asserted against the other party by any broker, finder, or other person with whom the other party has or purportedly has dealt. Landlord shall pay any commissions or fees that are payable to the broker or finder specified in the Basic Lease Information, with respect to this Lease in accordance with the provisions of a separate commission contract.

22.16. Entire Agreement. This Lease, including attached Exhibits, Addendum, and Basic Lease Information, contains all agreements and understandings of the parties and supersedes and cancels any and all prior or contemporaneous written or oral agreements, instruments, understandings, and communications of the parties with respect to the subject matter herein. This Lease, including the attached Exhibits, Addendum, and Basic Lease Information, may be modified only in a writing signed by each of the parties. The Exhibits, Addendum and Basic Lease Information attached to this Lease are incorporated herein by reference.

22.17. Owners Association. Portions of the common areas in the Project may be owned and/or operated by an owners association (the "Owners Association") or by operators of other portions of the Project pursuant to the by-laws of the Owners Association. Tenant hereby agrees to comply with all covenants, conditions and restrictions which may now or hereafter encumber the Project.

22.18. Addendum. The Addendum attached hereto is incorporated herein by reference.

IN WITNESS WHEREOF, the parties have executed this Lease on the date first mentioned above.

"LANDLORD"

SEQUOIA CENTER LLC,
a California limited liability company

By: G&W Ventures, LLC,
a California limited liability company,
its Manager

By: /s/ Matthew T. White
Matthew T. White, Manager

"TENANT"

ENPHASE ENERGY, INC.,
a Delaware corporation

By: /s/ Paul Nahi
Name: Paul Nahi
Its: President/CEO

ADDENDUM

23. Base Rent. The monthly Base Rent during the Term shall be as follows:

Period	Rate	Monthly Base Rent
Year 1	$1.00	$ 72,000.00
Year 2	$1.00	$ 72,000.00
Year 3	$1.00	$ 72,000.00
Year 4	$1.10	$ 79,200.00
Year 5	$1.13	$ 81,360.00
Year 6	$1.17	$ 84,240.00
Year 7	$1.20	$ 86,400.00
Year 8	$1.24	$ 89,280.00
Year 9	$1.28	$ 92,160.00
Year 10	$1.31	$ 94,320.00

24. Right of First Offer. So long as no Event of Default has occurred and is then continuing, Tenant shall have a right of first offer to lease any additional space in the Project that becomes available for lease from time to time. As such space becomes available to lease, Landlord shall notify Tenant in writing thereof and offer such space to Tenant for lease. Tenant shall have fourteen (14) days in which to notify Landlord in writing of its intention to lease such space. Landlord and Tenant are free to agree on the rent, term and interior improvements for such additional space and shall not be bound by the terms of this Lease. If Landlord and Tenant cannot agree on the terms for such a lease within fourteen (14) days following Landlord's receipt of Tenant's notice of intent to lease such space, Landlord shall be free to lease the space to a third party.

25. Solar Panels on Roof. Tenant shall have the right during the Term (but only to the extent permitted by the City and/or County in which the Premises is located and governmental authorities having jurisdiction thereof), at Tenant's sole cost and expense, to install and operate solar panels and related equipment (the "Solar Panels") with any necessary cables and wiring ("Cables") on a portion of the roof on the Building to be designated by Landlord (the "Roof Space"). The location and size of the Solar Panels and the Cables (hereinafter collectively referred to as the "Equipment") shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. All of the Equipment and any modification thereto or placement thereof shall be (i) at Tenant's sole cost and expense, (ii) contained visually within the roof screen, (iii) installed and operated to Landlord's reasonable specifications, and (iv) installed, maintained, operated and removed in accordance with this Lease and all applicable laws. The Equipment shall remain the property of Tenant and Tenant shall remove the Equipment upon the expiration or earlier termination of this Lease. At the end of the Term, Tenant shall restore the Roof Space and any other portion of the Building affected by the Equipment to its original condition, excepting ordinary wear and tear and/or damage or destruction due to fire or other casualty not caused directly or indirectly by Tenant or its agents, employees or contractor. Tenant may not assign, lease, rent, sublet or otherwise transfer any of its interest in the Roof Space or the Equipment, or the right to use the Equipment, except together with the remainder of all of the Premises as more particularly set forth in this Lease. All of the provisions of this Lease shall be applicable to the Equipment and use of the Roof Space by Tenant. The Equipment shall comply with all non-interference rules of the Federal Communications Commission. Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord) and hold harmless Landlord from any and all claims, demands, liability, damages, judgments, costs and expenses (including reasonable attorneys' fees) that Landlord may suffer or incur as a result or arising out of or related to the installation, use, operation, maintenance, replacement and/or removal of the Equipment or any portion thereof.

26. Landlord Upgrades. Prior to the Commencement Date and at Landlord's sole cost and expense, Landlord shall (i) upgrade the exterior landscaping of the Project to a Class A standard, (ii) repaint the exterior of all three buildings in the Project, and (iii) add and/or reconfigure the handicap parking stalls serving the Building to meet the requirements of the Americans with Disabilities Act. Landlord and Tenant shall collaborate in selecting the exterior Building colors, with Landlord making the final selection in its sole discretion.

27. Condition Precedent. Tenant acknowledges and understands that as of the execution of this Lease Landlord is not the owner of the Building. Accordingly, Landlord's purchase of the Building is a condition precedent to the effectiveness of this Lease. If Landlord has not acquired title to the Building on or before July 30, 2011, then either party may terminate this Lease by written notice to the other party given after July 30, 2011 and prior to the date Landlord acquires the Building. Tenant further acknowledges that Landlord is under no obligation to purchase the Building, that Landlord may elect to forego the purchase of the Building for any reason, and that Landlord shall have no liability whatsoever to Tenant in the event Landlord does not acquire the Building.

FIRST AMENDMENT TO LEASE

(1420 N. McDowell Blvd.)

THIS FIRST AMENDMENT TO LEASE (this "Amendment") dated as of January 12, 2012, is entered into between SEQUOIA CENTER LLC, a California limited liability company ("Landlord") and ENPHASE ENERGY, INC., a Delaware corporation ("Tenant").

THE PARTIES ENTER INTO THIS AMENDMENT based upon the following facts, understandings and intentions:

A. Landlord and Tenant previously entered into that certain Redwood Business Park NNN Lease dated as of June 3, 2011 (together with all exhibits thereto, the "Lease") pursuant to which Tenant leases from Landlord the entire building commonly known as 1420 N. McDowell Boulevard, Petaluma, California. Capitalized terms used herein and not defined herein shall have the meanings set forth in the Lease (including the Work Letter Agreement attached as Exhibit B thereto) in connection therewith.

B. Landlord and Tenant desire to make certain changes to the Lease as further provided herein.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and promises of the parties, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Estimated Commencement Date. The Estimated Commencement Date is hereby extended to (i) February 15, 2012 with respect to the second and third floors of the Building, and (ii) April 10, 2012 with respect to the first floor of the Building. Tenant acknowledges that Landlord may deliver the Premises to Tenant in the condition required by the Lease prior to the Estimated Commencement Date, and that in such event the Commencement Date shall occur prior to the Estimated Commencement Date on the date the Premises are Substantially Completed as defined in Section 13 of the Work Letter Agreement.

2. Approved Working Drawings. Landlord and Tenant hereby agree that the Working Drawings listed on Schedule 1 attached hereto shall be deemed the "Approved Working Drawings" under Section 2 of the Work Letter Agreement. Tenant shall either (a) modify the Approved Working Drawings to restore the roof access that would be eliminated per the Approved Working Drawings, or (b) install roof walking pads as reasonably determined by Landlord to allow full roof access from other access points, with such changes constituting a Tenant requested Change Order at Tenant's sole cost. Landlord shall have the right to direct changes to the

Approved Working Drawings to effectuate the Change Order Requests listed on Exhibit C (the "COR's"). Such changes shall be subject to Tenant's approval, which shall not be unreasonably withheld, conditioned or delayed. Such changes directed by Landlord shall not constitute Tenant requested Change Orders. By way of example, Landlord shall specify the mesh material contemplated in COR No. 31, and Tenant may suggest alternative materials but may not require a material that does not result in the savings contemplated in COR No. 31.

3. Approved Budget. Section 3 of the Work Letter Agreement is hereby deleted. Landlord's project manager shall be Matt Sherrill ("Project Manager"). Tenant hereby approves the Tenant Improvement Summary attached hereto as Exhibit A (the "Approved Budget"), which is based on the Proposal from Vila Construction dated November 16, 2011 attached hereto as Exhibit B and the Approved Working Drawings referenced therein, as modified by the COR's (as so modified, the "Contractor Proposal"). In no event shall Tenant's Contribution (defined below) be increased because the Tenant Improvement Summary attached hereto as Exhibit A failed to include an item expressly and unambiguously required in the Approved Working Drawings, as modified by the COR's. For the purposes of clarity, the parties hereby agree that the Approved Working Drawings did not expressly and unambiguously require a water proofing membrane on the concrete slab on the first floor. The Approved Budget applies to the Premises as well as an additional 24,000 square feet of space located in the adjacent building having an address of 1400 N. McDowell Boulevard, Petaluma, California.

4. Tenant Payment for Tenant Improvements. Section 6 of the Work Letter Agreement is hereby deleted in its entirety and replaced with the following: Tenant shall pay to Landlord $1,145,521.66, which represents Tenant's contribution to the portion of the Tenant Improvements described in the Approved Working Drawings and the COR's applicable to the Premises (i.e., 75% X $1,527,362.21) as more particularly set forth in the Approved Budget ("Tenant's Contribution"). Tenant shall pay such amount on the following schedule: 50% upon the mutual execution and delivery of this Amendment, 25% within ten (10) days following the delivery of the second and third floors of the Building to Tenant in the condition required by the Lease, and 25% within ten (10) days following the delivery of the first floor of the Building to Tenant in the condition required by the Lease. Notwithstanding anything to the contrary contained in the Work Letter Agreement, Landlord shall be responsible for any and all costs to perform such work in excess of Tenant's Contribution; provided (a) that (i) any changes by Tenant to the Approved Working Drawings or the COR's listed in Exhibit C, including without limitation changes contemplated in change order requests previously approved by Tenant but not included in the COR's listed in Exhibit C, and (ii) any additional costs resulting from errors or omissions in the Approved Working Drawings, shall constitute Change Orders per Section 8 of the Work Letter Agreement, and (b) that Tenant shall be solely responsible for the cost of procuring and installing any trade fixtures, equipment, appliances, furniture, furnishings, telephone or computer equipment or wiring or other personal property. As provided in Section 9 of the Work Letter

Agreement, all delays in Substantial Completion of the Tenant Improvements beyond the Estimated Commencement Date caused by Tenant requested Change Orders (including Change Orders resulting from errors or omissions in the Approved Working Drawings) shall constitute Tenant Delays. Notwithstanding the foregoing, Landlord shall be responsible for delays and costs resulting from an error or omission in the Approved Working Drawings that both (A) would not have been avoided by a licensed architect applying the standard of care customary in the industry, and (B) Vila Construction, applying the standard of care customary in the industry, should have nonetheless taken into account when preparing the estimate reflected in the Approved Budget. As an example, the following omission in the COR's would be the responsibility of Landlord: COR No. 12 calls for the removal of perimeter column drywall encasements, which resulted in exposure of the window side of the columns to daylight. Due to the opaque quality of glass and the original condition of the drywall encasement having a dark paint finish, this condition was not contemplated by Axia as warranting application of finish paint to that side of the columns despite Axia exercising customary care in the industry with respect to such encasement removal. When direct daylight is applied, however, the columns are somewhat apparent from the exterior, and Vila Construction, exercising customary care in estimating the cost of COR No. 12, should have included (and did include) the painting of the backside of the columns. Haley Recio, Matt Rudie, Russ Sweeney and Paul Nahi shall have authority to approve Change Orders and any Change Order approved in writing or by email by any such representative shall be binding upon Tenant. As an accommodation to Tenant, Landlord shall require payment for Change Orders for which Tenant is responsible within five (5) days following Tenant's notice to proceed with a Change Order rather than requiring prepayment as previously required by the Work Letter Agreement.

5. Special Circumstances. Notwithstanding the allocation of responsibilities for costs set forth in Section 4 above, Landlord and Tenant have allocated certain costs as follows:

5.1. Toilet Partitions. So long as Tenant does not make any improvements or other modifications to the restrooms serving the Premises, Landlord shall be responsible, at its sole cost, for all work in the restrooms required by the City of Petaluma to comply with the Americans with Disabilities Act (the "ADA"). If Tenant elects to make any improvements or other modifications to the restrooms that trigger any work to comply with ADA, such work shall constitute a Change Order at Tenant's sole cost.

5.2. Stairway. The Contractor Proposal contemplates granite slab segmented treads with granite slab risers for the internal lobby stairway. Any structural upgrades to the stairway required as a direct result of the granite treads and risers that are not included in the Contractor Proposal shall be at Landlord's sole cost. Any additional structural upgrades required to accommodate stairway components or details different from those in the Contractor Proposal shall constitute Tenant requested Change Orders at Tenant's sole cost.

6. Additional Drawings. On December 15, 2011, Tenant delivered to Landlord drawings and specifications dated December 13, 2011 prepared by Axia Architects (the "December 13 Drawings"), subject to review and approval by Landlord in accordance with Section 2 of the Work Letter Agreement. Tenant acknowledges that, subject to Landlord's timely compliance with the provisions of the Work Letter Agreement requiring Landlord to respond to drawings and specifications submitted for approval, any delays in Substantial Completion of the Tenant Improvements beyond the Estimated Commencement Date caused by any changes from the Approved Working Drawings or COR's that are required in the December 13 Drawings or caused by errors or omissions in either the Approved Working Drawings or the December 13 Drawings shall constitute Tenant requested Change Orders as more fully set forth in Section 4 above.

7. Tenant Payment for Delay. Landlord and Tenant disagree as to who is responsible for the delay in the Estimated Commencement Date referenced in Section 1 above. Without either party admitting fault or liability, the parties have agreed to resolve such disagreement by Tenant paying to Landlord $184,824.99 concurrently with the execution and delivery of this Amendment. Such amount represents fifty percent (50%) of the rent that would have been payable under the Lease had the Commencement Date occurred on the original Estimated Commencement Date of November 1, 2012 rather than on the revised Estimated Commencement Date. Such calculation is set forth in Exhibit D. Tenant acknowledges that such payment is a fixed amount and shall not be subject to change if Landlord delivers the Premises to Tenant prior to the Estimated Commencement Date.

8. Tenant Payment of Advanced Base Rent. Tenant was required under Section 4.1 of the Lease to pay $72,000 in Advanced Base Rent concurrently with the mutual execution and delivery of the Lease, but through an oversight did not pay such Advanced Base Rent to Landlord until January 6, 2012, and Landlord hereby accepts such payment and waives any default in connection with such late payment.

9. Phased Termination of 201 1st Street Lease. At the time the Lease was executed, the parties anticipated Tenant relocating from its premises at 201 First Street in Petaluma, California (the "201 First Street Premises") to the Premises all at one time. With the staggered delivery of the Premises now anticipated as further described in Section 1 above, the parties now anticipate Tenant moving from the 201 First Street Premises in two phases. Accordingly, Landlord shall, if requested by Tenant, deliver the termination agreement described in Section 3.1 of the Lease with respect to discrete portions of the 201 First Street Premises rather than the entire 201 First Street Premises. Portions of the 201 First Street Premises requested for termination shall be readily leasable to third parties with direct access to the common areas of the 201 First Street building and without the need for any demising walls. In the event that Landlord shall delay delivery of a fully executed termination agreement, Landlord shall pay Tenant's rent for the applicable portion

of the 201 First Street Premises directly to the owner of such Premises on a day for day basis for each day Landlord's failure to deliver the termination agreement continues.

10. Condition Precedent. Tenant making the payments required upon execution of this Amendment in Sections 4 and 7 above is a condition precedent to the effectiveness of this Amendment, and this Amendment shall be of no force or effect if such payments are not delivered by Tenant concurrently with Landlord's delivery to Tenant of a fully executed original of this Amendment.

11. Entire Agreement. This Amendment represents the entire understanding between Landlord and Tenant concerning the subject matter hereof, and there are no understandings or agreements between them relating to the Lease or the Premises not set forth in writing and signed by the parties hereto. No party hereto has relied upon any representation, warranty or understanding not set forth herein, either oral or written, as an inducement to enter into this Amendment.

12. Continuing Obligations. Except as expressly set forth to the contrary in this Amendment, the Lease remains unmodified and in full force and effect. To the extent of any conflict between the terms of this Amendment and the terms of the Lease, the terms of this Amendment shall control.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

"LANDLORD"

SEQUOIA CENTER LLC,
a California limited liability company

By: G&W Ventures, LLC,
a California limited liability company,
its Manager

By: /s/ Matthew T. White
Matthew T. White, Manager

"TENANT"

ENPHASE ENERGY, INC.,
a Delaware corporation

By: /s/ Paul Nahi
Name: Paul Nahi
Its: President/CEO

SCHEDULE 1

LIST OF APPROVED WORKING DRAWINGS

1. The following sheets by Axia dated September 7, 2011:

   T1, T2, T3, T4; A1.1, A1.2, A2.0.1A, A2.0.2A, A2.1 A, A2.2 A, A2.3 A, A4.1 A, A5.1 A, A2.0.1B, A2.0.2B, A2.0.3B, A2.0.4B, A2.0.5B, A2.0.6B, A2.0.7B, A2.1 B, A2.2 B, A2.3 B, A2.4 B, A2.5 B, A2.6 B, A2.7 B, A2.8 B, A2.9 B, A3.1 B, A3.2 B, A3.3 B, A3.4 B, A3.5 B, A4.1 B, A4.2 B, A4.3 B, A4.4 B, A4.5 B, A4.6 B, A4.7 B, A4.8 B, A4.9 B, A5.1 B, A5.2 B, A5.3 B, A5.4 B, A8.1, A9.1, A9.2, A9.3, A9.4, A9.5

2. The following sheets by ATM Engineering dated August 31, 2011:

   S1.1, S2.1, S3.1, S3.2

3. The following sheets by Indoor Environmental Services dated August 31, 2011:

   M0.1, M0.2, M0.3, M0.4, M1.1A, M1.1B, M1.2A, M1.2B, M1.3A, M1.3B, M1.4A, M1.4B, M2.1

4. The following sheets by O'Rourke Electric Inc. dated August 10 2011:

   E0.1, E2.1, E3.1, E6.1, E6.3, E6.4, E.6.5, E6.6, E6.7, E2.2, E2.3, E2.4, E3.2, E3.3, E3.4, E6.2, E6.8, E6.11

5. Responses to Requests for Information Nos. 1-10

EXHIBIT A

BASIS STREET

12.15.11

Tenant Improvement Summary

Enphase
1400, 1420 N. McDowell Blvd.
Petaluma, CA 94954

Square Foot 96,000

Description	Tl Expansion Costs		Cost
Tenant Improvements Per Vila's 11.16.11 Bid Letter			$ 6,001,417.00
Reductions for Approved COR's:			
COR's #: 6, 8, 9, 12, 19, 21, 22, 23, 24, 26, 28, 31, 37, 38, 39, 40, 41, 43, 44, 45, 48, 59, 62, 63			–$ 457,387.00
Addition of "Code Only" Fire Alarm Work per Alternate:			$ 4,260.00
Total Contract Amount			$ 5,548,290.00
Less Overlaps from Prior Approvals:			
Ceiling Tile Removal			–$ 5,000.00
Demolition Costs			–$ 113,203.00
Other Adjustments, BSP to Pay:			
Power during construction; BSP to cover expense			–$ 7,500.00
Temporary toilets; BSP to cover expense			–$ 2,400.00
Code only Fire alarm Work			–$ 4,260.00
Other:			
BSP to perform landscape screening at transformers on balcony and one exterior condensing unit (note: this cost is NOT included in Bid Letter; no adjustment req'd)			$ 0.00
EMON system work to be performed as part of future Tl's, 2nd and 3rd floor of 1400 as req'd (Note: this cost is not included in Bid Letter; no adjustment req'd)			$ 0.00
Building Permit Fee - (Assumes no Impact Fees)			by Tenant
CM Fee			waived
1400 Handicap Parking Improvements - to be charged to 2nd, 3rd Flr. Tl Allowance			$ 0.00
Structural Engineering Re-Design Proposal - Chiller			$ 2,700.00
Total Costs, This Summary			$ 5,418,627.00
Prior Authorizations:			
10.20.11 1400 Demo, excl. Ceiling Tile Removal Direct Costs			$ 40,863.00
Plan Check Fee			$ 16,766.74
Furniture Mock Up Costs			$ 1,158.00
7.19.11 Ceiling Tile Removal/Slab Moisture Tests			$ 6,000.00
7.15.11 MEP Coordinator & Structural Engineer			$ 33,850.00
7.28.11 Demo for 1420, excluding Ceil Tile Removal Costs Approved Separately			$ 72,340.00
7.28.11 Demo Permit costs, w/o Mark up			$ 1,216.47
Total Tl Costs Approved to Date:			$ 5,590,821.21
Tenant Improvement Allowance:		$40/sf	$ 3,840,000.00
Amount Over Tenant Improvement Allowance			$ 1,750,821.21
Agreed Cost Sharing By BSP			–$ 223,459.00
Total Construction and Other Costs Payable:			$ 1,527,362.21

EXHIBIT B

VILA PROPOSAL - 11/16/11

[attached]

Exhibit B

Vila Construction Co.

Office Phone
(510) 236-9111

GENERAL CONTRACTORS
590 South 33rd Street Richmond, California 94804

Contractor's
Lic. No. 300454

FAX
(510) 236-4979

www.vilaconstruction.com

November 16, 2011

Basin Street Properties
1383 North McDowell Blvd., Suite 200
Petaluma, CA 94954
Attn: Matt Sherrill

RE: Enphase Tenant Improvement
1400 / 1420 North McDowell
Petlauma, CA

Matt,

The following is Our Cost Breakdown for the Enphase Tenant Improvement at 1400/1420 North McDowell Blvd., Petaluma. The costs are based on the Construction Documents from AXIA Architects, dated September 7, 2011.

1.	General Conditions	$173,600.00	
2.	Demo Work	118,203.00	
3.	Concrete Work	5,940.00	
4.	Pre Cast Concrete Countertops	65,112.00	* see Line Item 34
5.	Structural Steel / Metal Fabrications	164,814.00	
6.	Carpentry	90,000.00	
7.	Millwork	77,085.00	
8.	Wood Veneer Paneling	47,522.00	
9.	Roof Patching (allowance)	20,000.00	
10.	Doors, Frames, Hardware	132,768.00	
11.	Glass / Glazing	264,000.00	
12.	Glass/Stainless Steel Railings	80,360.00	
13.	Accordian Door	19,930.00	
14.	Gypsum Board	587,917.00	
15.	Ceramic Tile	65,049.00	
16.	Acoustical Ceilings	58,995.00	
17.	Floor Covering	490,385.00	
18.	Painting	163,652.00	
19.	Whiteboards (backing only)	2,850.00	
20.	Toilet Partitions/Accessories	29,060.00	
21.	Projector Mounts	21,688.00	
22.	Access Floor Repair	20,130.00	
23.	Signage	by tenant	

24.	Interior Blinds/Mortorized Shades	33,599.00	
25.	Roof Hatches/Ships Ladders	24,114.00	
26.	Elevator Upgrades	5,940.00	
27.	Fire Sprinklers	65,308.00	
28.	HVAC	981,776.00	
29.	Hydronic Piping	18,590.00	
30.	Plumbing	59,205.00	
31.	Electric	1,534,862.00	
32.	Fire Alarm System	41,095.00	
33.	Wire Mesh Ceiling	120,248.00	
34.	Granite Stone, Lobbies & Stairs 1 & 2	51,336.00	
	Sub Total	$5,635,133.00	
	OH & P	366,284.00	
	TOTAL LINE ITEMS	$6,001,417.00	
34.	COR #6	2,205.00	
35.	COR #8	2,327.00	
36.	COR #9	7,326.00	
37.	COR #12	(7,743.00)	
38.	COR #19	145.00	
39.	COR #21	—	pending engineering
40.	COR #22	—	pending re-design
41.	COR #23	3,972.00	
42.	COR #24	817.00	
43.	COR #26	(4,350.00)	
44.	COR #28	(134,519.00)	
45.	COR #37	(8,288.00)	
46.	COR #38	(34,340.00)	
47.	COT #39	(18,813.00)	
48.	COR #40	(14,377.00)	
49.	COR #41	(69,522.00)	
50.	COR#43	(35,770.00)	
51.	COR #44	(2,455.00)	
52.	COR #45	(5,242.00)	
53.	COR #48	(25,246.00)	
53.	COR#59	deducted $12,100 from the electric line item (both bldgs)	
54.	COR #63 (allowance)	4,000.00	
	Sub Total	$ (339,873.00)	
	OH & P	included	
	TOTAL COR’s	$ (339,873.00)	
	GRAND TOTAL	$5,661,544.00	

Clarifications & Alternates

1. We do not include any permit, architectural, or utility company fees.

2. The alternates listed below are just a few obvious ones. We can review all VE options in our meeting.

3. Alternate #1; Per the specification, Install R-11 insulation above the acoustical ceiling; ADD $6,805.00

4. Alternate #2; Provide and install a FM 200 Fire System in the Server Room; ADD $37,625.00

5. We have not Included changing the wall texture in the exterior stairwells.

6. Electrical Items not included in above costs, without GC markup;

1. Restroom Lighting over sinks, 1420, allowance	$ 2,600.00
2. Traning Room Upgrades	$ 8,000.00
3. Fire alarm system boxes, conduit, & cabling	$55,000.00

7. Cleaning of the existing mini blinds on the exterior windows is NIC.

8. Alternate #3; Fire alarm check, if required: Add $4,260.00

Respectfully Submitted

VILA CONSTRUCTION COMPANY

/s/ Robert P. Vila
Robert P. Vila
Vice President

EXHIBIT C

LIST OF CHANGE ORDER REQUESTS

[attached]

Exhibit C

Change Order Request (“COR”) list

Vila Bid Letter Line #	Accepted CORs #	Description	COR Cost	
34	6	move sprinkler valves in lobby	2,205.00	
35	8	expose steel beam @ Stairs 3 and 4	2,327.00	remove sheet rock from steel beam and paint steel
36	9	sheet rock over small windows at Stair #4	7,326.00	
37	12	Remove sheet rock from exterior columns	(7,743.00)	
38	19	remove sheet rock from inter. Column @ wnd floor stair #2	145.00	
39	21	increase air flow at relocated board room	—	pending engineering
40	22	rotate sodering area and move against Row A	—	pending re-design
41	23	change wall at gridline C @ gridline 2-5 to full height wall	3,972.00	
42	24	Add 230V/50Hz outlet in Engineering Chambers	817.00	
43	26	Remove sheet rock from interior columns	(4,350.00)	
44	28	delate new toilet partitions and tile work	(134,519.00)	This will delete new toilet partitions, replacement of plumbing fixtures and new tile work. ADA shower work will remain
	31	*Delete steel mesh ceiling and install grid mesh*	*(73,748.00)*	*this will delete the custom metal mesh ceiling and add metal mesh panels in t-bar grid; new means to support glass wall is required*
45	37	change roof hatch to manual	(8,288.00)	this changes the roof hatch door (1 only) to a manual operation in lieu of having an electric motor and switch
46	38	Change precast concrete counters to p-lam	(34,340.00)	this will delete the precast concrete countertops at restrooms replace them with P-lam
47	39	change door hardware to Dorma	(18,813.00)	
48	40	Delete fry reglet and use L metal at sheet rock	(14,377.00)	this will delete the decorative trim at sheet rock locations
49	41	delete steel canopy at Entry	(69,522.00)	
50	43	Delete drywall trim detail at steel bm and metal kickers at exterior walls; run drywall straight up wall behind beam	(35,770.00)	this will delete work shown on Axia SK-1 at perimeter walls
51	44	Paint corridor walls above metal ceiling and eliminate patching of corridor walls	(2,455.00)	this will eliminate patching of fire caulking and penetrations
52	45	change motorized shades to manual	(5,242.00)	this will change the motorized shades at the Training room to manually operated
53	48	delete 1 roof hatch and ships ladder at 1400	(25,246.00)	this will delete roof access at 1400
53	59	cable tray	n/a	deducted $12,100 from the electric line item (both bldgs)
	62	Change fire alarm scope to code minimums	(43,766.00)	
54	63	Add structural steel to roof for chiller	4,000.00	Allowance; add structural steel to roof for chiller plant
	Sub Total		(457,387.00)	$—
	OH & P		included	
	TOTAL COR’s		$(457,387.00)	

EXHIBIT D

Base Rent and CAM

Office - 102 day delay/2 = 51 days

Bldg	Sq.ft	Base Rent	CAM	Rent + Cam per day	Office Base Rent and CAM Owed Now
1420	48,000	$ 1.00	$0.28	$ 2,019.95	$ 103,017.21

Labs on Ground Floor - 162 day delay/2=81 days

Bldg	Sq.ft	Base Rent	CAM	Rent + Cam per day	Office Base Rent and CAM Owed Now
1420	24,000	$ 1.00	$0.28	$ 1,009.97	$ 81,807.78
			Total Rent and CAM Owed		**$ 184,824.99**

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AS AMENDED. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Cooperation Agreement
“AC cabling system for solar micro-inverter”

between

Phoenix Contact GmbH & Co. KG
Flachsmarktstraße 8
32825 Blomberg
Germany

as well as

Phoenix Contact USA, Inc.
586 Fulling Mill Road
Middletown, PA 17057
HARRISBUG, PA. 17111-0100
USA

-hereinafter “Phoenix Contact”-

and

Enphase Energy Inc.
201 1st Street Suite 11
Petaluma, CA 94952 USA

-hereinafter “ENPHASE”-

-hereinafter singly or jointly referred to as “CONTRACTUAL PARTIES”-

on

the development of an AC cabling system for solar micro-inverter
as well as the tools needed for the manufacture of products and the supply of the developed products

Content

Article 1 - Preamble

Phoenix Contact is a company with worldwide operations in the field of electrical connection technology, automation, surge voltage protection and electronic interface systems. ENPHASE is a company specializing in design, manufacturing, and distribution of solar micro-inverter and associated products.

The CONTRACTUAL PARTIES agree to work together to develop and produce unique connectors and cable assemblies to create an AC cabling system for use by ENPHASE for its solar micro-inverter products. In addition the CONTRACTUAL PARTIES agree that ENPHASE shall be generally free to appoint any third parties as supplier for AC cabling systems for use in solar micro-inverter products in terms of a second source supply chain.

Article 2 - Definitions

2.1 “SUBJECT MATTER OF THE AGREEMENT” and/or any activities and development work to be realized by Phoenix Contact in connection with its creation to fulfill this Agreement are specified and/or defined in detail in **Annex 1** attached to this Agreement as integral part of the Agreement and mutually agreed between the CONTRACTUAL PARTIES (based on concepts and specifications provided by ENPHASE); the specification shall include details regarding the prototypes and detailed test requirements. These requirements may be added by a detailed specification of the pre serial products.

2.2 “RESULT” are the SUBJECT MATTER OF THE AGREEMENT as well as any working and development results, ideas, know-how, findings and experiences, protectable and non-protectable, in any form as well as all corresponding documents that are created during the realization of the development work on the SUBJECT MATTER OF THE AGREEMENT.

2.3 “INFORMATION” is findings and experiences, protectable and non-protectable, in the field of the SUBJECT MATTER OF THE AGREEMENT, which existed at ENPHASE or at Phoenix Contact before the coming into effect of this Agreement or is created outside the realization of the development work on the “SUBJECT MATTER OF THE AGREEMENT”.

2.4 “CONTRACTUAL PRODUCTS” are the products that are delivered by Phoenix Contact to ENPHASE in series after the acceptance of the SUBJECT MATTER OF THE AGREEMENT by ENPHASE.

2.5 “PREPRODUCTION PROTOTYPES” means parts which will only be used for testing by Phoenix, by ENPHASE, or by independent approval laboratories. The details of the use of the prototypes and what kind of prototypes Phoenix Contact shall deliver to ENPHASE are set forth in Annex 7.

Article 3 - Cooperation between the CONTRACTUAL PARTIES

3.1 Phoenix Contact shall perform the development work on the SUBJECT MATTER OF THE AGREEMENT in accordance with the time schedule listed in Annex 2 as well as by observing any possible roadmap also laid down there.

Should any deviations from the time schedule and/or the roadmap become apparent, Phoenix Contact shall notify ENPHASE promptly by Email or other written communication.

The development work to be performed on the SUBJECT MATTER OF THE AGREEMENT may be assigned to third parties by Phoenix Contact. Phoenix Contact shall bind the third parties to secrecy to an extent that corresponds to the requirements of Article 7. Phoenix Contact shall remain fully responsible to ENPHASE under the terms set forth in this Agreement. Phoenix Contact shall be fully responsible to ENPHASE for any acts of such third parties in violation of the terms of this Agreement.

3.2 ENPHASE shall provide Phoenix Contact with INFORMATION, which from ENPHASE’s point of view is necessary for the development of the SUBJECT MATTER OF THE AGREEMENT and not accessible to Phoenix Contact in any other way, for the duration and the purposes of the development work. The provision of the aforementioned INFORMATION shall be free of charge. Phoenix Contact shall notify ENPHASE in time and in writing if it considers the provided INFORMATION for the performance of the development work on SUBJECT MATTER OF THE AGREEMENT as not sufficient and when which INFORMATION is needed at Phoenix Contact.

3.3 ENPHASE will be entitled to receive all product design information except details of the internal design which is not related to the connector interface in combination with the latching mechanism of the CONTRACTUAL PRODUCT/RESULT and the manufacturing methods used to produce the CONTRACTUAL PRODUCT/RESULT except as provided in section 3.3.4 below. This product design information according to sentence 1 of 3.3 shall specifically include:

3.3.1 A customer drawing that describes the overall features and dimensions of the cable assemblies to be purchased by ENPHASE.

3.3.2 3D models of the external features and dimensions (the envelope) of the trunk cable splice box and of the drop cable connector, in such detail that ENPHASE will be able to import these models into their own design software to do assembly designs and analysis.

3.3.3 2D drawings and 3D models of both connector interfaces, including the contact in combination with the latching mechanism, with basic dimensions and tolerances in sufficient detail that ENPHASE can analyze the connector design for reliability and such that ENPHASE could have another supplier produce connectors that interface with the Phoenix supplied products.

3.3.4 A list of materials used in the construction of the CONTRACTUAL PRODUCTS in such detail, and for the sole purposes of enabling ENPHASE to determine the reliability of the CONTRACTUAL PRODUCTS and to obtain certification of the CONTRACTUAL PRODUCTS from regulatory and approval agencies. ENPHASE shall share all knowledge and experience on materials with Phoenix Contact.

3.4 Phoenix Contact shall provide all information as required by regulatory agencies e.g. CSA.

3.5 The requirements on the SUBJECT MATTER OF THE AGREEMENT can only be modified by mutual agreement of the CONTRACTUAL PARTIES. Any resulting changes in deadlines, milestones and/or remuneration shall also be mutually agreed. Agreements pursuant to this article 3.5 shall be in writing.

3.6 Upon request, Phoenix Contact shall inform ENPHASE of the status of the development work on the SUBJECT MATTER OF THE AGREEMENT and enable an exchange of information with its operators of the SUBJECT MATTER OF THE AGREEMENT at a place to be arranged.

Phoenix Contact shall undertake to explain the RESULT verbally – upon request of ENPHASE also once at ENPHASE site.

When creating the SUBJECT MATTER OF THE AGREEMENT, Phoenix Contact shall apply state of the art science and technology. ENPHASE shall not be entitled to issue instructions to the employees of Phoenix Contact.

3.7 ENPHASE shall execute the acceptance of the RESULT after presentation of the RESULTS by Phoenix Contact in accordance with the Handover and Acceptance Protocol enclosed as **Annex 3.**

3.8 The CONTRACTUAL PARTIES shall appoint the following persons that will be the contact person for the other CONTRACTUAL PARTY during the performance of the development work on the SUBJECT MATTER OF THE AGREEMENT:

for Phoenix Contact: **Ansgar Engel**
Phoenix Contact GmbH & Co. KG
Flachsmarktstr. 8
32825 Blomberg
Germany

for ENPHASE: **Jack Powell**
Enphase Energy, Inc.
201 1st Street, Suite 300
Petaluma, California 94952
USA

If the contact person of either CONTRACTUAL PARTY changes, it shall inform the other CONTRACTUAL PARTY in writing.

All queries, reports, etc. shall be directed by one CONTRACTUAL PARTY to the other through the respective contact persons.

Article 4 - Development costs

For performing the development work on the SUBJECT MATTER OF THE AGREEMENT, Phoenix Contact shall pay for all design, tooling and production equipment expenses, except as such expenses may be recovered by Phoenix Contact through the remuneration provision in section 8.3.

Article 5 - Changes

5.1 If ENPHASE or Phoenix Contact requires changes to the CONTRACTUAL PRODUCT or the SUBJECT MATTER OF THE AGREEMENT including costs, prices and time schedule, these changes shall be mutually agreed between the CONTRACTUAL PARTIES in writing.

5.2 If Phoenix Contact believes that requirements of ENPHASE or other circumstances, for which ENPHASE is responsible, lead to increased work and have effects on the agreed deadlines and/or the roadmap and/or the remuneration, Phoenix Contact shall notify ENPHASE. If Phoenix Contact requires such an adjustment, the CONTRACTUAL PARTIES shall then agree on adequate adjustment of the remuneration and/or an adjustment of the deadlines and/or the roadmap in writing, if any.

Article 6 - Rights to RESULT

6.1 For knowledge including property rights and copyrights that already were available at ENPHASE before the beginning of the development, and that are needed for the performance of the development, ENPHASE shall grant Phoenix Contact a non exclusive, irrevocable, cost-free right of use. This right of use shall only be for the design and manufacturing of CONTRACTUAL PRODUCTS for ENPHASE.

6.2 Upon its creation, namely during the development or planning in the respective processing stage, the non-protectable inventions or ideas that are contained in the RESULT in its embodied form and the corresponding documents shall become the property of Phoenix Contact with the right to any worldwide use and exploitation. If the RESULT is embodied in drawings, models, reports, data carriers, samples and any other objects, these shall pass into the sole and unlimited ownership of Phoenix Contact upon their creation, namely in the respective processing state. The foregoing shall apply for all of the non-protectable inventions or ideas except the non-protectable inventions or ideas that are contained in the design connector interface in combination with the latching mechanism according to Annex 8 and the trunk and drop wiring design according to Annex 8. The CONTRACTUAL PARTIES agree that the overall wiring concept according to Annex 8 shall be available in any case for both CONTRACTUAL PARTIES without any limitations.

Phoenix Contact may not make the design connector interface according to Annex 8 available to any customer other than ENPHASE.

For this aforementioned non-protectable inventions or ideas (design connector interface in combination with the latching mechanism according to Annex 8 and the trunk and drop wiring design according to Annex 8) ENPHASE shall have all ownership rights, including the right to any worldwide use and exploitation. If this is embodied in drawings, models, reports, data carriers, samples and any other objects, these shall pass into the sole and unlimited ownership of ENPHASE upon their creation, namely in the respective processing state.

6.3 If the RESULT is protected by copyrights or any other non-transferable property rights of ENPHASE or third party the real author of ENPHASE or the third party shall irrevocably grant Phoenix Contact the exclusive right upon creation of the RESULT, solely to be assigned by Phoenix Contact and unlimited in time, context and location, to use and exploit the RESULT itself in unchanged or changed form in all known kinds of use and without any territorial restrictions. This right shall especially include the rights of use to copy the RESULT itself. This right shall only be for the design, manufacturing and selling of CONTRACTUAL PRODUCTS to ENPHASE.

6.4 As far as protectable inventions or ideas are contained in the RESULT, Phoenix Contact shall be entitled to apply for property rights at its own discretion and in its name - by mentioning the inventor of ENPHASE in accordance with the respectively effective statutory provisions - in any countries, to maintain them or to abandon them at any time - except the protectable inventions or ideas that are contained in the design connector interface in combination with the latching mechanism according to Annex 8 and the trunk and drop wiring design according to Annex 8 and the overall wiring concept. For this aforementioned protectable inventions or ideas (design connector interface and the trunk and drop wiring design according to Annex 8 and the overall wiring concept according to Annex 8) that are contained in the RESULT ENPHASE shall be entitled to apply for property rights at its own discretion and in its name - by mentioning the inventor of Phoenix Contact in accordance with the respectively effective statutory provisions - in any countries, to maintain them or to abandon them at any time. The CONTRACTUAL PARTIES shall promptly inform each other of an invention created in connection with the realization of the development work on the SUBJECT MATTER OF THE AGREEMENT. As far as one of the CONTRACTUAL PARTIES needs explanations, documents or any other support from the other party for the application, processing and protection of property rights due to such inventions, the respective CONTRACTUAL PARTY shall promptly provide them and/or grant them to the other party upon request. Each CONTRACTUAL PARTY shall bear its own costs and expenses in this case.

6.5 As far as Phoenix Contact and/or a partner of Phoenix Contact necessarily makes use of INFORMATION or protectable or non-protectable inventions or ideas of ENPHASE when using and exploiting (including manufacture and sale) the RESULT, ENPHASE shall herewith grant Phoenix Contact a cost-free right of use, unlimited in time and location, to the corresponding INFORMATION to the extent necessary for the use of the RESULT as well as for the manufacture and delivery of CONTRACTUAL PRODUCTS for ENPHASE. Part of the INFORMATION are in particular comprehensive rights of use to already generated property rights of third parties, which are needed by Phoenix Contact within this project and which have to be granted by ENPHASE. This right of use contains the right to grant sublicenses for the INFORMATION. This right of use shall only be for the design, manufacturing and selling of CONTRACTUAL PRODUCTS for ENPHASE.

6.6 The CONTRACTUAL PARTIES shall duly take care that it acquires the rights to the inventions or ideas of its employees contained in the RESULT as far as necessary pursuant to the provisions that apply to respective CONTRACTUAL PARTY, and to assign them to the respective CONTRACTUAL PARTY.

6.7 Furthermore, the respective CONTRACTUAL PARTY shall ensure through corresponding contractual provisions with its employees that the rights to the RESULT in accordance with Article 6 exclusively and unlimited in location, context and time and without any additional costs pertain to the respective CONTRACTUAL PARTY, and that these rights will not be affected by the termination of agreements between the respective CONTRACTUAL PARTY and its employee.

6.8 The use of any Intellectual Property (including but not limited to Patents or design patents) of Phoenix Contact to create the RESULT or to produce the CONTRACTUAL PRODUCTS shall not constitute any kind of license or right of use to ENPHASE except to the extent necessary for ENPHASE to make use of the CONTRACTUAL PRODUCTS.

Article 7 - Tools

7.1 ENPHASE and Phoenix Contact agree that Phoenix Contact directly retains sole ownership of the manufactured tools and production equipment upon their creation, namely in the respective processing state.

7.2 Phoenix Contact agrees that it shall never use ENPHASE tooling or specialized equipment to manufacture products similar to the CONTRACTUAL PRODUCTS for any other customer. Any usage of ENPHASE tooling or specialized equipment by Phoenix Contact to manufacture any products for any customer other than ENPHASE shall constitute a material breach of this Agreement and will entitle ENPHASE to terminate this Agreement without the payment of any remuneration to Phoenix Contact and without incurring any other liability.

Article 8 - Delivery/Purchase quantities, Pricing and Delivery Schedule

8.1 After acceptance of the development, Phoenix Contact shall provide ENPHASE with the CONTRACTUAL PRODUCTS.

8.2 The series delivery of CONTRACTUAL PRODUCTS is effected pursuant to the provisions of this Agreement according to the provisions for RESULTS and SUBJECT MATTERS OF THE AGREEMENT (especially Article 11, 12, 13). The CONTRACTUAL PARTIES agree that no General Business Terms will be applied.

8.3 The prices for the CONTRACTUAL PRODUCTS as well as the delivery conditions are defined in **Annex 6.** Price changes shall be according to the provisions in **Annex 6.** The CONTRACTUAL PARTIES agree on a minimum purchase quantity of **[***]** connectors and **[***]** splice boxes during 5 years after acceptance of the RESULT. If the minimum purchase quantity is not purchased by ENPHASE within such time, then Phoenix Contact shall be entitled to claim for the following remuneration not purchased:

[***] (US $**[***]**) for **[*]** to **[***]** pieces (connector and splice box) per part.

[***] (US $**[***]**) for **[***]** to **[***]** pieces (connector and splice box) per part.

ENPHASE shall inform Phoenix Contact promptly of its intent to cease purchasing under this Agreement. In such case, ENPHASE shall additionally purchase finished or semi finished CONTRACTUAL PRODUCTS and raw material to use up any raw material purchased for ENPHASE CONTRACTUAL PRODUCTS. This shall not exceed three (3) months of forecasted quantities, if not otherwise agreed between the CONTRACTUAL PARTIES.

8.4 The CONTRACTUAL PARTIES agree herewith on a specific price for PREPRODUCTION PROTOTYPES including the costs of prototype tools as agreed by the parties as stipulated in **Annex 7.**

8.5 The CONTRACTUAL PARTIES have agreed on a schedule that includes dates for specification definition, design, design approval, prototype design, prototype construction, production tooling, and approval for production and which is attached as **Annex 2.**

8.6 Phoenix Contact agrees that the prices which Phoenix Contact charges ENPHASE shall always be no greater than those which Phoenix Contact charges any other customer for similar products.

Article 9 - Secrecy

The non-disclosure agreement (**Annex 5**) between the CONTRACTUAL PARTIES effective as of 16 April 2010 is an integral part of this Agreement. Notwithstanding the term set forth in the non-disclosure agreement, the CONTRACTUAL PARTIES agree that it shall remain valid until the end of five (5) years after termination or expiration of this Agreement. Secrecy obligation will be applicable in particular to INFORMATION and product design information.

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Article 10 - Promotion

With the prior written approval of ENPHASE, Phoenix Contact shall be entitled to advertise the CONTRACTUAL PRODUCT as customer-specific product in all areas after the series release (flyer, press release, catalogs, brochures, exhibition panels, etc.) as well as exhibit the CONTRACTUAL PRODUCT at trade fairs, amongst others. In addition, with the prior written approval of ENPHASE, Phoenix Contact shall be entitled to promote this cooperation.

Article 11 - Quality defects

11.1 Phoenix Contact warrants that the CONTRACTUAL PRODUCTS shall be free of any quality defects in design, materials and workmanship for a period of **[***]** months. The warranty period shall begin with the acceptance and/or, in case of the CONTRACTUAL PRODUCTS, with the transfer of risk. Phoenix Contact shall not be held liable regarding the PREPRODUCTION PROTOTYPES and pre serial products for Quality defects. This limitation of liability shall not apply, if Phoenix Contact acts with intent and for especially agreed quality guarantees as well as for damages to the body or material damages to privately used objects in accordance with the Product Liability Act.

11.2 If quality defects appear during the period of limitation, Phoenix Contact shall at its discretion either remedy them or re-deliver the RESULT free of defects (subsequent performance). If in this connection quality defects are again detected, ENPHASE shall be entitled to

first, demand another remedy of defects or re-delivery from Phoenix Contact at its discretion and only after a renewed unsuccessful remedy of defects or re-delivery

(i) withdraw from the Agreement or

(ii) reasonably reduce the remuneration agreed in accordance with Article 4 or

(iii) effect the remedy of defects itself or have it effected or

(iv) demand compensation for damages.

Any further or other claims or rights of ENPHASE due to quality defects do not exist.

11.3 The CONTRACTUAL PARTIES agree on a Quality assurance Agreement as set forth in **Annex 4.**

11.4 Epidemic Failure: In the event that CONTRACTUAL PRODUCTS under warranty have the same or similar functional defect during a time period of three (3) months and the number of defected CONTRACTUAL PRODUCTS exceed **[***]** of the quantity delivered within this time period, this

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shall be an “Epidemic Failure” as mentioned in the following. The term “Epidemic Failure” shall exclusively apply to delivered CONTRACTUAL PRODUCTS with a number of pieces of more than ten thousand (>10.000) during three (3) months. If either CONTRACTUAL PARTY learns of the existence or likely existence of an Epidemic Failure, then such CONTRACTUAL PARTY will inform the other CONTRACTUAL PARTY as soon as possible. The CONTRACTUAL PARTIES shall then work together to jointly devise a containment action plan. As soon thereafter as reasonably possible, the CONTRACTUAL PARTIES will develop a corrective action plan to remedy the Epidemic Failure. Phoenix Contact shall use its best efforts to implement such remedy as quickly as possible at Phoenix Contact’s own expense, which efforts shall include receiving all shipments of affected Product back (freight collect), repairing or replacing all such affected Products in accordance with the agreed remedy devised by the Parties, shipping the repaired or replaced Products back to ENPHASE at Phoenix Contact’s expense, and implementing the agreed remedy in all newly manufactured Products. Phoenix Contact shall be responsible for the reasonable following costs and expenses actually incurred and substantiated as a result of all aspects of implementing the agreed remedy on the affected Products: reasonable costs of the retrieval, packing, shipping and transportation of such Products, and the re-deployment of repaired or replacement Products (including all labor, consulting, contractor and the like charges, incurred by ENPHASE, only if Phoenix Contact has agreed in writing that ENPHASE is allowed to do the aforementioned activities). For the avoidance of doubt all damages defined in Article 11.4 shall be direct damages and shall be subject to Article 14.2.

Article 12 - Material Breach

In the event of any material breach of its obligations hereunder committed by either of the CONTRACTUAL PARTIES, the other CONTRACTUAL PARTY shall promptly provide written notice to breaching CONTRACTUAL PARTY as to the existence and nature of such material breach. If the breaching CONTRACTUAL PARTY fails to remedy the material breach within sixty (60) days following its receipt of such notice from the other CONTRACTUAL PARTY (or fails to reasonably commence such remedy within sixty (60) days in the event that a complete remediation during such time is not possible), then the other CONTRACTUAL PARTY may immediately terminate this Agreement without any further liability to the other CONTRACTUAL PARTY, including but not limited to ENPHASE’s obligation to purchase the minimum purchase quantities as noted herein, in the event of a material breach by Phoenix Contact.

Article 13 - Deficiencies in title

Phoenix Contact warrants that the RESULT developed by it as well as the CONTRACTUAL PRODUCTS are free of any rights of third parties and that the use of the CONTRACTUAL PRODUCTS as well as the RESULT and/or the information of Phoenix Contact does not infringe rights of third parties, especially property rights. Phoenix Contact shall, at its own expense, defend, indemnify, and hold ENPHASE, its employees and agents harmless against all claims, actions and suits for all reasonable and verifiable losses, costs, expenses, damages (including reasonable and verifiable costs and expenses incurred by ENPHASE subcontractors and customers of ENPHASE, to the extent that ENPHASE is responsible for such amounts), claims, demands and/or liabilities (including but not limited to reasonable attorneys' fees) that result from any actual or alleged (i) infringement or misappropriation of any patent, trademark, copyright, trade secret or other proprietary right by the CONTRACTUAL PRODUCT. For the sake of clarification any costs, expenses and damages that are assessed by a court of law shall be deemed reasonable. For the sake of clarification Phoenix Contact shall have sole authority to retain counsel and defend against such claim, except in the event that ENPHASE subcontractors or customers require legal representation and Phoenix Contact does not agree to counsel and defend such parties. If the use of such CONTRACTUAL PRODUCT is (or in Phoenix Contact's opinion, is reasonably likely to be) enjoined or otherwise encumbered by such claim, then Phoenix Contact shall at its own discretion either: (a) procure for ENPHASE the right to use such CONTRACTUAL PRODUCT; which allows ENPHASE the right to sell the CONTRACTUAL PRODUCTS to its customers, or, (b) modify such CONTRACTUAL PRODUCT in a manner mutually agreed between the CONTRACTUAL PARTIES so as to avoid any claim of infringement; or, if neither of the foregoing options (a) or (b) is available after using best efforts, then (c) replace such CONTRACTUAL PRODUCT with an equally suitable replacement that is acceptable to ENPHASE and that is free of any infringement. If none of the foregoing options (a), (b) or (c) is available after using best efforts, then Phoenix Contact shall refund to ENPHASE all amounts paid by ENPHASE for such CONTRACTUAL PRODUCTS. The foregoing remedies are nonexclusive.

Phoenix Contact will have no obligation to indemnify ENPHASE, its employees and agents for claims under Sections 11 or 13 to the extent such claims arise due to: (i) ENPHASE's combination of CONTRACTUAL PRODUCTS or Services with other products; or (ii) the application of the CONTRACTUAL PRODUCT itself, or (iii) ENPHASE's unauthorized modification of the CONTRACTUAL PRODUCTS; or (iv) ENPHASE's usage of the CONTRACTUAL PRODUCT in other than the mutually intended use.

Article 14 - Limitation of Liability

14.1 WITH THE EXCEPTION OF ANY BREACH OF ITS SECRECY OBLIGATIONS HEREUNDER, NEITHER OF THE CONTRACTUAL PARTIES SHALL BE LIABLE FOR ANY INCIDENTAL, CONSEQUENTIAL, PUNITIVE, INDIRECT, OR SPECIAL DAMAGES OR LIABILITIES OF ANY KIND, INCLUDING BUT NOT LIMITED TO BUSINESS INTERRUPTION, LOST PROFITS, LOSS OF USE, LOSS OF OPPORTUNITIES OR LOSS OF DATA, UNDER ANY THEORY OF LIABILITY AND EVEN IF SUCH PARTY WERE ADVISED OF THE LIKELIHOOD OF SUCH DAMAGES OR LIABILITIES.

14.2 PHOENIX CONTACT'S LIABILITY FOR DAMAGES RELATING TO INDEMNIFICATION, INCLUDING THAT OF DEFICIENCIES IN TITLE, SHALL BE LIMITED TO THE MAXIMUM AMOUNT OF FIVE MILLION UNITED STATES DOLLARS (US $5,000,000.00) PER CALENDAR YEAR.

PHOENIX CONTACT'S LIABILITY FOR DAMAGES RELATING TO EPIDEMIC FAILURE SHALL BE LIMITED TO THE MAXIMUM AMOUNT OF ONE MILLION UNITED STATES DOLLARS (US $1,000,000.00) PER CALENDAR YEAR.

FOR ALL OTHER DAMAGES, ESPECIALLY BUT NOT LIMITED TO DAMAGES DUE TO QUALITY DEFECTS AND DELAY, EACH CONTRACTUAL PARTY'S AGGREGATE LIABILITY UNDER THIS AGREEMENT IS LIMITED TO THE AMOUNT OF FIVE HUNDRED THOUSAND UNITED STATES DOLLARS (US $500,000.00) PER DAMAGE CASE, UP TO A MAXIMUM AMOUNT OF ONE MILLION UNITED STATES DOLLARS (US $1,000,000.00) PER CALENDAR YEAR.

THIS SECTION DOES NOT LIMIT EITHER CONTRACTUAL PARTY'S LIABILITY FOR BODILY INJURY OF A PERSON, DEATH, PHYSICAL DAMAGE TO PROPERTY, INTENTIONAL ACTS AND CLAIMS ACCORDING TO THE PRODUCT LIABILITY ACT.

14.3 AS FAR AS THE LIABILITY OF EACH CONTRACTUAL PARTY IS EXCLUDED OR LIMITED, THE PROVISIONS OF THIS ARTICLE 14 SHALL ALSO APPLY TO EMPLOYEES, WORKERS, REPRESENTATIVES AND PERFORMING AGENTS OF EACH CONTRACTUAL PARTY.

Article 15 - Force Majeure

15.1 Neither party shall be liable for the non-fulfillment of one of its contractual duties to the extent that the non-fulfillment is based on a circumstance beyond its control, including but not limited to one of the following reasons:

operational disruptions, strikes, lockouts, official regulations, shortages of raw materials, difficulties in energy supply, mobilization, riots, etc, even if they occur at suppliers of Phoenix Contact or their sub-suppliers.

15.2 In case of an event of force majeure as described in Section 15.1, the CONTRACTUAL PARTIES are entitled to postpone the delivery and/or the performance by the duration of the obstruction plus an adequate start-up time, if necessary and they shall resume performance as soon as possible. If the CONTRACTUAL PARTIES are not be able to resume performance during one hundred (100) days after the occurrence of the force majeure event, either of the CONTRACTUAL PARTIES may terminate the Agreement fully or partly due to the not yet performed part.

Article 16 - Coming into effect, duration, other

16.1 This Agreement shall come into effect upon its signature and be effective for five (5) years. It shall then always be extended for an additional year if it is not cancelled by written notice provided not less than three (3) months prior to the end of the then current term of the Agreement.

16.2 This Agreement can be terminated by either CONTRACTUAL PARTY without prior notice by registered letter if a composition proceeding, bankruptcy or insolvency proceeding is brought by or against the other CONTRACTUAL PARTY, if such proceedings are not dismissed within sixty (60) days.

16.3 The provisions in Article 6, 7, 8 (except volume commitment), 9, 10, 11, 13 and 14 shall continue to be effective even after the expiration or termination of this Agreement regardless of the cause of such expiration or termination.

16.4 Any modifications, supplements, amendments and termination notices in respect to this Agreement shall be in writing. The obligation of a written form can only be renounced in writing.

16.5 As far as an explication according to 16.4 has to be made “in writing” or “in written form” pursuant to this Agreement, this explication must be signed by the person or persons authorized for the due and proper representation of the respective CONTRACTUAL PARTY by his own hand in his own name or by notarially certified initials or notarized and be transmitted to the other CONTRACTUAL PARTY as original as pdf-scan or fax. Any other explication, that has to be in writing in respect to this Agreement, may be made also in electronic form e.g. Email.

16.6 If a provision of this Agreement is or becomes invalid, it shall not affect the validity of the other provisions of this Agreement. The provision shall rather be replaced by a regulation that is permitted by law and comes closest to the original provision in its economic content.

Article 17 - Applicable Law/Place of Jurisdiction

17.1 For this Agreement, the laws of Switzerland shall apply exclusively. The provisions of the Vienna UN Convention for Contracts on International Sale of Goods of 11 April 1980 (UN Purchase Law) are excluded.

17.2 All disputes arising from or in connection with this Agreement, including all questions regarding its creation, its validity and its termination, shall be finally decided according to the rules of arbitration of the International Chamber of Commerce (ICC) by three (3) arbitrators pursuant to the mediation and arbitration body of the ICC. Each party shall appoint an arbitrator for confirmation at the organisation in charge according to the applicable rules (appointment authority). The two appointed arbitrators shall appoint the third arbitrator within 30 days. In the event the two arbitrators cannot agree on a third arbitrator within this period, the organisation shall appoint him. If several defendants are involved in the legal dispute, the appointment of an arbitrator through the defendants has to be coordinated among the defendants. In the event the defendants cannot agree on such a common appointment within the period determined by the organisation, the legal proceedings against them shall be separated. The place of jurisdiction shall be Harrisburg, Pennsylvania, USA. Court language shall be English.

Phoenix Contact GmbH & Co. KG

Blomberg, 19.10.2010

ppa. H. Friedrich

Helmut Friedrich
Vice President Head of Business Unit Device Connection Technology

Phoenix Contact USA, Inc.

Harrisburg, 26-10-2010

Jack Nehlig
President

Enphase Energy Inc.

Petaluma, 7 Dec 10

Paul Nahi
CEO

Specification (annex 1)

Enphase AC Wiring System

This technical Specification includes the Enphase ERD Rev 16 and CSA-Testplan Rev 0.7

Change Historie PxC:

Name	Historie / Comments	Version	Date
Ansgar Engel	Start with ERD Rev12 / CSA Testplan Rev 0.7	V01	29.07.2010
Ansgar Engel	New ERD EE Rev 13	V02	29.07.2010
Ansgar Engel	New ERD EE Rev 16; Canncel EE cost target in this document.	V03	19.10.2010
Ansgar Engel	Chapter 4.3 Add. Information for primarily shipping cap Chapter 4.8 Add. Information for SpliceKit	V04	21.10.2010

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Table of Figures

Revision History EE ERD

Version	Date	Author	Comments
1.0	1/7/10	Martin Fornage	Original Draft
1.1	2/18/10	Mark Baldassari	Updated per review
1.2	2/23/10	Mark Baldassari	Updated vendor distribution
1.3	4/18/10	Mark Baldassari	Synchronize revision with Knowledge Tree
1.4	4/18/10	Mark Baldassari	Update following discussions with Phoenix Contact
1.5	4/27/10	Mark Baldassari	Update UL version numbers, removing all references to press-fit, correct creepage/clearance specification, change mW to milliohms, and remove references to strain relief boots.
1.6	5/3/10	Mark Baldassari	Update voltage descriptions in Table 2, updated Drop Cable length specification, updated HiPot requirements in Section 4.2, added date code spec to Section 4.3.2, updated CSA Test Elements to agree with PV document.
1.7	5/10/10	Mark Baldassari	Added UL 2238. Table 2; changed voltage rating to 480 V, deleted “future”. Updated 4.1.2, 4.1.4, 4.2, 4.3, 4.5. Added 4.2.1
1.8	5/19/10	Mark Baldassari	2.2.1 Removed UL 498, kept UL 1703. 2.2.2 Removed IEC61730. Updated 4.2 UL 1977 Type 1A and Type 2, left pull test alone pending discussion with CSA. Keeping Galvanic index, need input from PxC on actual number. Updated 4.2.1 resistances. Left figure 8 unchanged. Kept 4.7.1. Deleted quantity requirement in section 5. Updated connector dimensions
1.9	6/4/10	Mark Baldassari	3.2.1 - Removed 277/480 V 3-Phase from first row. Changed rated voltage to 600 V. 4.2 - Increased HiPot test voltages in compliance with 600 V rated voltage.
1.10	6/9/10	Mark Baldassari	Added more Internal Reference Documents. Updated section 6 to match CSA test plan. Updated 4.3 include different pitch dimensions, added cable tie specs, added biodegradable IP54 sealing cap.
1.11	7/7/10	Mark Baldassari	Updated Table 3. Added section 4.4.1 Racking Systems. Added Figure 6. Section 4.3 updated cable tie dimensions. Added requirement for Biodegradable Material. Updated CSA and Enphase Test Elements to match PV/CSA test plan
1.12	7/22/10	Mark Baldassari	Removed Tie-Wrap requirements under 4.3. Added more requirements for Biodegradable sealing cap. Option to add vendor logo to splice box, drop connector, and splice kit. Section 6.3 added IEC 61215 paragraph 10.13.

Continued Next Table

Table 1 - Revision History

Revision History, Continued

Version	Date	Author	Comments
1.13	7/28/10	Mark Baldassari	Section 4.2 only one HiPot Voltage/Time combination needs to be tested. Added Figure 12 Drop Cable Dimensions to Section 4.6. Removed full load requirement for IEC61215 Sect. 10.13. Clarify 155.7 N on cables, 89 N on connectors. Removed Country of Origin requirement. Added tests for the terminator and splice kit
1.14	10/06/10	Mark Baldassari	Modified the following sections; 3.2.1, Table 2, all the figures is section 3.2.1, section 3.2.2, section 4.3, section 4.3.1, section 4.4, section 4.4.1, section 4.5, section 4.6, section 4.6.1, section 4.7.2, section 4.7.2.1, section 4.8, section 6. Added insertion/extraction forces to section 4.4
1.15	10/15/10	Mark Baldassari	Updated Table 3, Removed requirement for text or picture on how to disconnect Drop from Splice, Simplified cable labeling requirements in section 4.6.1.
1.16	10/18/10	Mark Baldassari	Updated Section 4.4, changed insertion force requirement. Changed “shall” to “should”. Found corrupted link for “Drop Cable Drawing.” Recreated graphic.

Table 2 - Revision History, Continued

1 Premise

The AC wiring system is required to connect AC modules or Microinverters (single or TwinPacks) to the grid. This document provides requirements for this cable system.

2 References

2.1 Internal

Marketing Requirements Document (MRD) for the Enphase Trunk and Drop Cabling
Link to Knowledge Tree; SystemAC Wiring System MRD.doc

This Document: ETD Enphase Trunk and Drop AC wiring system ERD
Link to Knowledge Tree; EnphaseAcWiringSystemErd.doc

Product Verification Team, CSA Test plan
Link to Knowledge Tree; ETD CSA Testplan.doc

Hardware Engineering Test Plan
Link to Knowledge Tree; EtdHwTestPlan.doc

2.2 External

2.2.1 US standards

NEC 2008	ANSI/ NFPA 70 National Electric Code
UL 94	Tests for Flammability of Plastic Materials for Parts in Devices and Appliances
UL 486, A, B, 1st Edition	Standard for Wire Connectors and Soldering Lugs for Use with Copper Conductors
UL 514 B, C, 3rd Edition	Non Metallic Outlet Boxes, Flush Device Boxes, and Covers
UL746 A	Polymeric Materials - Short Term Property Evaluations
UL746 B	Polymeric Materials - Long Term Property Evaluations
UL746 C	Polymeric Materials - Used in Electrical Equipment Evaluations
UL746 D	Polymeric Materials - Fabricated Parts
UL 1703, 3rd Edition	Flat Plate Photovoltaic Modules and Panels
UL 1741, 2nd Edition	Inverters, Converters, Controllers and Interconnection System Equipment for Use with Distributed Energy Resources
UL 1977, 2nd Edition	Component Connectors for use in Data, Signal, Control and Power Applications
UL 1277, Nov 14, 2001	Standard for Electrical Power and Control Tray Cables with Optional Optical-Fiber Members
UL 2238	Cable Assemblies and Fitting for Industrial control and Signal Distribution
UL 6703	Connectors for use in Photovoltaic Systems

2.2.2 EN/IEC Standards

IEC 60529, Edition 2.1	International Standard, Degree of Protection Provided by Enclosures
IEC 60664-1	Insulation coordination for equipment within low-voltage systems
IEC 61215	Crystalline silicon terrestrial photovoltaic (PV) modules - Design qualification and type approval
IEC 61727	Terrestrial Photovoltaic [PV] Power Generation Systems - General and Guide
EN 62109	Safety of Power Converters for use in Photovoltaic Power Systems

2.2.3 Other

Annex 4 Quality Test Plan

3 Application

3.1 Overview

The AC wiring system is used to connect PCUs or ACMs to branch circuit wiring. This 3rd generation wiring system works on a ‘trunk and drop’ system. This system contrasts with the previous ‘in-line’ cabling in that the AC flow for a branch no longer flows through each PCU, but instead is connected via a separate inverter cable which is then ‘tee’d’ to the branch.

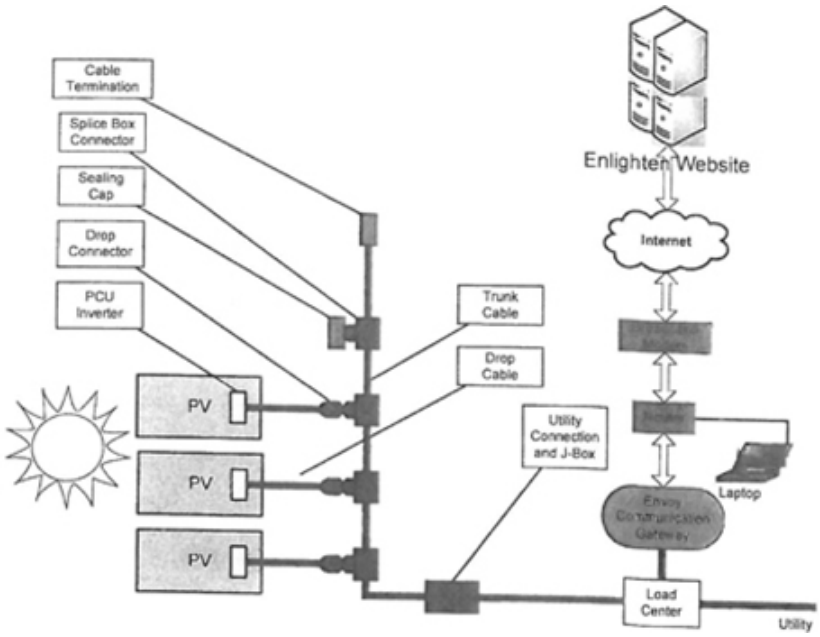

Figure 1 - Enphase Energy System

In addition to Neutral and Ground, trunks carry one, two or three phases depending upon the application. Trunk sections will be built using a long ‘reel’ of trunk cabling – this will be a cable with drop connectors installed at regular intervals. This will allow an installer to simply cut a length of trunking cable to the appropriate length for the installation.

The trunk is ultimately connected to a junction box at the upstream side by cutting back the exterior insulator, stripping the wires bare for field termination, and running them through a strain relief and into a junction box for termination.

The last element to the AC wiring system is the cable terminator, which provides a means to safely, reliably and easily terminate a cut length of trunk cable in the outdoor environment.

3.2 Product line up

3.2.1 Trunk Cable Assemblies

The product range is described below:

			Trunk		Drop		
Application	**Market**	**Connections**	Current Rating	Voltage Rating	Current Rating	Voltage Rating	Connector Keying
120/208 V 3-Phase	NA	Figure 2	**[***]**	**[***]**	**[***]**	600 V	**[***]**
120/240 V Split Phase 120/208 V 3-Phase	NA	Figure 3	**[***]**	**[***]**	**[***]**	600 V	**[***]**
230 V Single Phase Trunk and Drop	EU	Figure 4	**[***]**	**[***]**	**[***]**	600 V	**[***]**
230/400 V 3-Phase Trunk, Single Phase Drop	EU	Figure 5	**[***]**	**[***]**	**[***]**	600 V	**[***]**

Table 3 - Trunk Cable Configuration

Notes:

- NA is North America, EU is Europe
- The compatibility levels show compatibility of different connectors

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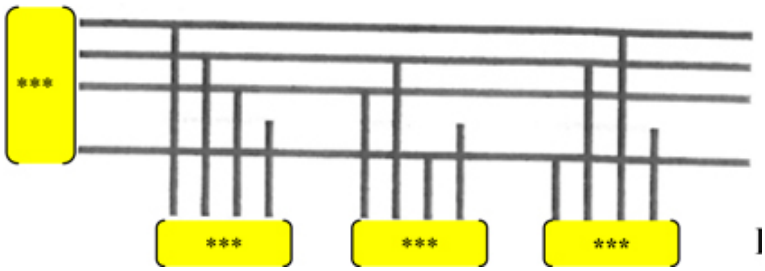

Figure 2 - Rotating Phase Application

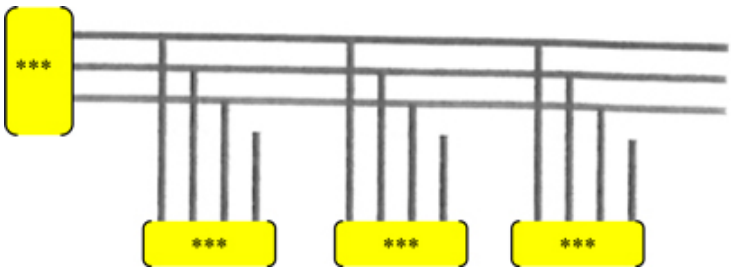

Figure 3 - Non-Rotating Phase Application

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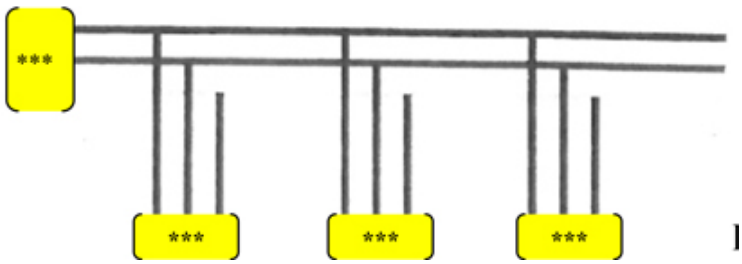

Figure 4 - Single Phase Trunk and Drop Application

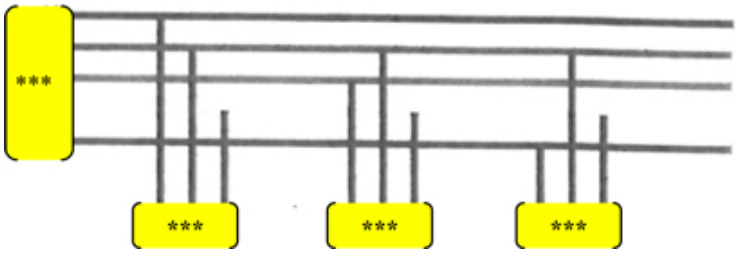

Figure 5 - Three Phase Trunk, Single Phase Drop Application

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3.2.2 Drop Cable Assembly

The drop cable assemblies are attached to the inverter. The length of the Drop Cable can vary from 400 mm to 1050 mm depending on the application. For a Microinverter application, the length is 400 mm long. For the ACM application the length is 1050 mm long. The assembly includes a Drop Connector, Drop Cable, Chassis penetration Overmold, and PCB solder pins or wires. The wires shall be prepared solder tinned. Stripped or semi-stripped is not acceptable. The length of the PCB solder pins, or wires, may vary in length depending on the application.

4 Specifications

4.1 Generic Requirements, High Level Goals

4.1.1 Lifetime expectancy

The product shall be designed for a 25 year, targeted lifetime.

4.1.2 Environmental Conditions

The product will be used in an outdoor situation, subjected to direct UV radiation, wide temperature ranges, humidity, wind driven rain, salt fog, and other tests as defined in the Test Plan

- The temperature range is from -40 C to +65 C.
- All cable shall be rated to +90 C dry and +75 C wet
- All externally exposed components shall be rated for direct UV exposure as specified under UL 746 C, F1 Rating
- The mated connector pairs and splice box with sealing cap shall be rated to IEC 60529, protection class, IP 67.

4.1.3 RoHS

All components and material shall be RoHS compliant.

4.1.4 Defect rate

See Quality Plan – Annex 4 as part of the contract

4.2 Common Requirements for Splice Box and Drop Connectors

- The connector shall be locking
- A tool shall be required for disconnection.
- A single handed release is required
- Connectors shall be polarized
- The Protective Earth contact shall be “make first, break last.”
- Connectors of different circuits shall not be capable of being mated (keyed.)
- The connectors shall meet the relevant touch safe requirement per UL 1977, Section 10.2
- The connectors shall meet the creepage/clearance distances per UL 1977, Type 1A for interface between the Splice Box and Drop Connector. And Type 2 for the Splice Box.
- The connectors shall meet the creepage/clearance distances per IEC 60664-1, Overvoltage Category III, Rated Impulse Voltage 4 kV, and Pollution Degree II.
- The connector pins shall be numbers or pin 1 indicated with a unique, visible marking
- The connectors shall be water proof per IEC 60529 IP67 when mated and during the pull tests at any angle
- The connector shall pass the IEC 61215 tests paragraphs 10.11, 10.12 and 10.13
  - IEC 61215 paragraph 10.11, Thermal Cycling Test, may be substituted with TC200
  - IEC 61215 paragraph 10.12, Humidity Freeze Test, may be substituted with HF10
  - IEC 61215 paragraph 10.13, Damp Heat Test, shall be performed
- The connector shall pass the HiPot testing from each wire to each wire per Enphase Energy requirements, based on 600 V working volts, plus 10%. All four test voltage and time below are equivalent. Therefore, only one test voltage/time combination needs to be validated.

600V*(1.1)*2+1000 =	2320 VAC for 60 seconds
(600V*(1.1)*2+1000)*sqrt (2) =	3281 VDC for 60 seconds
(600V*(1.1)*2+1000)*1.2 =	2784 VAC for 1 second
(600V*(1.1)*2+1000)*sqrt (2)*1.2 =	3937 VDC for 1 second

- The connectors shall be constructed with materials that meet the flammability requirements UL 94 V0.
- The connectors shall be rated for “disconnect under load” per UL 1977, Section 15, using Enphase Energy inverters for a minimum of 250 cycles.
- The wires shall be connected permanently to the contacts with a welded, crimped or insulation displacement non reversible method
- The contact resistances between the Splice Box and Drop Connector shall be less than 5 milliohms at the maximum rated current and temperature
- The galvanic index of metal to metal interfaces shall be less than 0.15V
- All cables shall be protected by strain relief features

4.2.1 Splice Box, Trunk Welds, and Drop Connector Contact Resistance

- The contact resistance shall be measured across various points in the circuit. Refer to Figure 6.
- The resistance shall be less than **[***]** milliohms from A to B
- The resistance shall be less than **[***]** milliohms from C to D, from C to B, or from D to B
- The resistance shall be less than **[***]** milliohms from A to D or from A to C

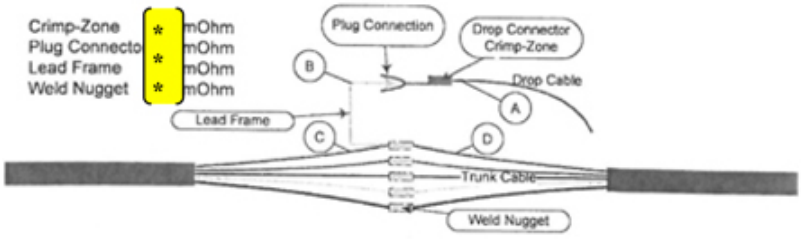

Figure 6 - Contract Resistance Schematic

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4.3 Splice Box Connector

- The maximum Splice Box Connector dimension shall be 118 mm long x 60 mm tall x 20 mm thick. Including the IP67 Sealing Cap, 32 mm thick.

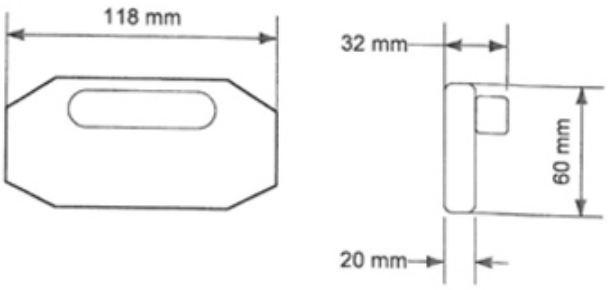

Figure 7 - Splice Box Dimensions

- The pitch between Splice Box Connectors shall be made for the following applications; 300 mm pitch, 1025 mm pitch, and 1700 mm pitch.

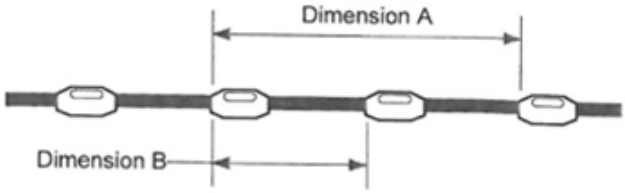

Figure 8 - Splice Box Pitch Along Trunk Cable

Pitch Type	Typical Application	Dimension A	Dimension B
300 mm	Manufacturing Test	600 mm +/- 30 mm	300 mm +/- 30 mm
1025 mm	ACM or PCU	2050 mm +/- 45 mm	1025 mm +/- 45 mm
1700 mm	Dually	3400 mm +/- 45 mm	1700 mm +/- 45 mm

Table 4 - Splice Box Pitch dimensions

- The Cable running through the Splice box shall meet a mechanical stress (pull test) with **[***].**
- On some cables there shall be a periodic built-in phase rotation to the drop. See Table 3 - Trunk Cable Configuration
- An IP67 Sealing Cap shall be provided for the Splice Box Connector.
- A Shipping Cap shall also be provided and be made out of Biodegradable materials. Series Production in 2011 shall start with a primalery shipping cap until the Biodegradable Cap is complete for the Series Production beginning 2012.
    - The material shall be usable for up to one year, as installed, in a high humidity environment, up to **[***]** to **[***]**, out of direct contact with water.
- Series Production in 2011 shall start with a primarily shipping cap until the development of a Biodegradable Shipping Cap is completed. This development requires extensive materials investigation as well as prototyping and design approval from ENPHASE. Therefore, it is not possible to determine a definite date that the biodegradable solution will be ready for series production. After design approval from ENPHASE, test pre-production samples would be available in 12 calendar weeks.

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4.3.1 Splice Box Marking, Molded into Splice Box, Visible from Outside

- Text: IP67
- Enphase Energy logo, CSA US Logo, and CE Mark. No color is required.

- Optionally, vendor logo is permitted.
- Text: “WARNING: Use only with Enphase Energy products in accordance with Enphase Energy Installation Manual”
- Date Code indicating when connector was made; YYMM
- Tool identification number for injection mold
- Text or a unique symbol shall be present to indicate pin one.
- The housing shall display a mark indicating the material type used. This information will be used to indicate how to recycle the material.

4.3.2 Splice Box Labeling

- Date code for when the assembly was built, year and week, YYWW
- Full Enphase Part number, base number plus revision, xxx-xxxxx-xx.
- For rotating phase applications, i.e. 120/208 V three phase, the connector shall have a three distinct letter marking for each phase connection; A, B, and C.
- For non-rotating phase application, i.e. 120/240V split phase, a distinctive letter mark is not required. If one is provided, the letter shall be the same.
- Voltage rating for the cable shall be marked, either;
    - (1) 120/208 and 277/480 V 3-Phase
    - (2) 120/240 V Split Phase
    - (3) 230/400 V 3-Phase

4.3.3 Splice Box Sealing Cap Labeling, Molded into Sealing Cap

The following labels shall be molded into the housing and visible when mated to the Splice Connector.

- Enphase Energy Logo. No color is required.

The following labels shall be molded into the housing. It is not required to be visible when mated to the Spice Connector

- Date Code indicating when the part was created
- Tool identification number for injection mold
- The housing shall display a mark indicating the material type used. This information will be used to indicate how to recycle the material.

4.4 Drop Connector Requirements

- The insertion and extraction forces of the drop connector, while mating and un-mating the splice box should be less than **[***]**.
- The maximum Drop Connector dimension shall be 61 mm deep x 62 mm wide x 20 mm thick including the connector and the drop cable.

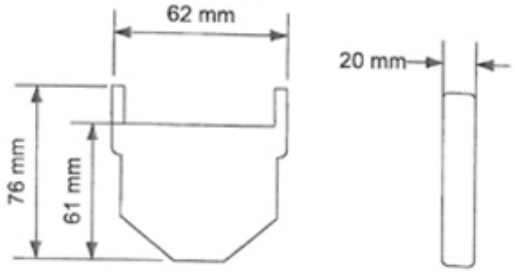


Figure 9 - Drop Connector Dimensions

[***] = CERTAIN INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

4.4.1 Racking System Compatibility

The cabling system shall be easily mounted in rack systems that the Enphase Microinverter is compatible with. Please reference the racking compatibility list at http://www.enphaseenergy.com/downloads/EnphaseAppNote RackingCompatibility.pdf

4.4.2 Drop Connector Labeling

- The following labels shall be molded into the housing and visible when mated to the Splice Connector.
- Text: IP67
- Enphase Energy logo, CSA US Logo, and CE Mark. No color is required.

- Optionally, vendor logo is permitted.
- Tool identification number for injection mold
- Text or a unique symbol shall be present to indicate pin one.
- The housing shall display a mark indicating the material type used. This information will be used to indicate how to recycle the material.

4.5 Drop Cable Assembly, Chassis Penetration Overmold

- The Overmold shall provide a seal to the chassis to eliminate potting compound from leaking during the assembly process.
- Overmold size and shape may vary depending on the final application.
- The Drop Connector when mated to the Splice Box shall meet the mechanical stress (pull test) requirements per UL 1741
- The Cable connected to the Drop Connector and Chassis Penetration Overmold shall meet a mechanical stress (pull test) with 155.7 N.
- The length of the Drop Cable shall vary from 400 mm to 1050 mm depending on the application. For a Microinverter application, the length is 400 mm long. For the ACM application the length is 1050 mm long.

Figure 10 - Drop Cable Dimensions

- The Chassis Penetration Overmold shall support the PCB connections or wire leads to be soldered into the board.
- The Drop Cable shall make an electrical connection to the PCB using solder techniques.

4.6 Cable requirements

- The cables shall comply with the relevant standard and bear the relevant rating such as TC-ER for the North American version.
- The trunk cable conductors shall be color coded appropriately:

Market	L1	L2	L3	N	PE
US	Black	Red	Blue	White	Green or Green/Yellow
EU	Brown	Black	Grey	Blue	Green/Yellow

Table 5 - NA and EU Color Code

- The Drop cable can optionally use the same color code as the Trunk cable. If uniform color is used, such as all black, markings shall be added to identify the conductor number
- The cable shall be flexible. The minimum bend radius shall be 10 times the cable outside diameter.
- The wire arrangement shall be as such:

Wire position	1	2	3	4
4 conductor (future)	L1	PE	L2	N
3 conductor (future)	—	PE	L2	N

Table 6 - Splice Box and Drop Connector Pin Assignment

- Minimum wire gauges shall be 12 AWG and 18 AWG for the trunk and drop wires respectively.

4.6.1 Trunk and Drop Cable Jacket Labeling

- The following is an example of the text that shall be present on the cable jacket. Label is per UL and CSA requirements.

4.7 Accessories

4.7.1 Cord Grip

An off-the-shelf cord grip is required to provide IEC60529 IP67 protection at the user provided junction box.

4.7.2 Trunk Cable Termination

A device to terminate a cut length of trunk cable is required which will meet electrical, environmental and lifespan requirements for the system. This device must be installable without use of specialized or power tools (i.e. screwdriver, wrench is acceptable, custom crimp tool or power drill is not).

The Trunk Cable Terminator must meet the same test levels as the Splice Box for the timve pertinent specifications listed below.

- Mechanical Stress Test (pull test) of 155.7 N.
- 445 N Crush Test
- HiPot
- Cold Impact
- IP67

4.7.2.1 Trunk Cable Termination Connector Labeling

- Text shall be molded into Cable Termination body
- Enphase Energy logo, CSA US Logo, and CE Mark. No color is required

- Optionally, vendor logo is permitted.
- Other descriptive labeling may be provide on the packaging.

4.8 Splice Kit

A device or system to splice the trunk cable in the event of damage or provide length extension shall be provided. The spliced cable will still meet relevant standards and code. The trunk cable will be cut to fit and installed into a customer site, and it will not be acceptable to remove the whole cable in the event of damage.

In addition, it is highly desired that the repair device/system provide the capability to connect two lengths of trunk and drop cable while still adhering to relevant standards and code.

The Splice Kit must meet the same test levels as the Splice Box for the five pertinent specifications listed below.

- Mechanical Stress Test (pull test) **[***]**
- **[***]**
- HiPot
- Cold Impact
- IP67

Splice Kit concepts utilizing two different termination methods were provided by PHOENIX CONTACT and are being evaluated by ENPHASE. One method utilizes screw termination and the second design uses a spring contact. After design approval from ENPHASE, testable pre-production samples would be available according the following estimated schedules

Splice Kit with screw contacts requires **[***]** calendar weeks for first pre-production parts (series grade tooling but not fully tested by the PHOENIX test labs)

Splice Kit with spring contacts requires **[***]** calendar weeks for first pre-production parts (series grade tooling but not fully tested by the PHOENIX test labs)

[***] = CERTAIN INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

5 Cost

See the Prices in the Annex 6 Document “Annex 6 Products, Pricing and Delivery Conditions”

6 CSA Test Elements

Below is an example of the test elements, and is for reference only. The actual test requirements are specified in the following document;

6.1 CSA Test Elements and Standards

See the CSA Testplan Rev 0.7

6.2 Required Enphase Test Cases

Tests Conducted by Enphase	Standard/Requirement	Notes
Leakage Current Test	UL 1703 Sec 21	Splice, connectors
Bonding Path Resistance Test	UL 1703 Sec 25	Splice, connectors
IP 67 Environmental tests	IP 67	Splice, connectors
IEC 61215, Damp Heat	IEC 61215, Section 10.13, Damp Heat Test, +85 °C, 85% RH, 1000 Hrs.	Splice, connectors

Table 7 - Required Enphase Test Cases

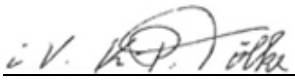
6.3 Acronyms

AC	Alternating Current
ACM	AC module
AVG	Average
CEC	California Energy Commission
CSA	Canadian Standards Association
DC	Direct Current
EFT	Electric Fast Transient
EMI	Electro Magnetic Interference
ERD	Engineering Requirements Document
ESD	Electro Static Discharge
ESR	Equivalent Series Resistance
ETD	Enphase Trunk and Drop Cabling System
EU	Europe
L1	Line 1
L2	Line 2
L3	Line 3
MRD	Marketing Requirements Document
MPPT	Maximum Power Point Tracking
N	Neutral
N	Newtons
NA	North America
NRTL	Nationally Recognized Testing Laboratory
PCB	Printed Circuit Board
PCU	Power Conversion Unit
PE	Protective Earth
PV	Photo-Voltaic
PV	Product Verification
PV Module	Photo Voltaic Module (colloquially, a ‘solar panel’)
RMS	Root Mean Square
RoHS	Restriction of Hazardous Substances
STC	Standard Test Conditions
TBD	to Be Determined

7 Signatures PxC and EE

Phoenix Contact GmbH & Co. KG

Blomberg, 2010-10-29

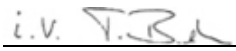


Karl-Paul Tölke

Chief Spezialist Laboratory Quality and Process Technology Business Unit Device Connection Technology

Phoenix Contact GmbH & Co. KG

Blomberg, 2010-11-02

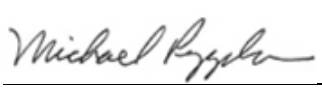


Dr. Thomas Beier

Head of DCT Development Department

Phoenix Contact ..

Harrisburg, Oct. 26, 2010

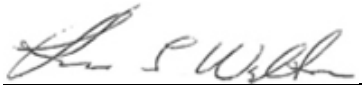


Name Michael Peppler

Function Business Unit Director

Phoenix Contact ...

Harrisburg, Oct. 26, 2010

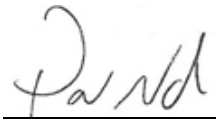


Name

Function

Enphase Energy Inc.

Petaluma, 7 Dec 10



Name Paul Nahi

Function President & CEO

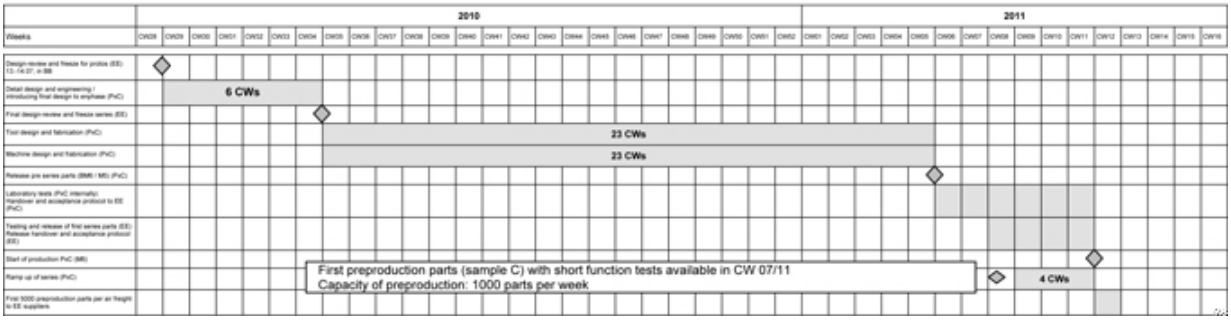
Enphase Energy Inc.

Petaluma,

Name

Function

PxC Project Schedule “AC wiring system”



Comments:

EE order and EE design freeze series is completed in KW34
UL-listing be done by enphase
shipping time per air freight = 1 week
shipping time per container: Flex USA = 39 days and Flex China = 45 days
Detailed descriptions for preproduction parts in the contract annex 6 and PP-slide “20100719_suncal_description pre production”
ramp up of series production will start in CW12/2011
project schedule is updated with EE team in design review meeting (13.07.2010)
Enphase acknowledges schedule, but schedule does not meet needs.
Enphase needs first series parts by no later than CW01/11 (1/7/2011)
Enphase needs CSA ready prototypes by no later than CW38/10 (9/23/2010)

Description of preproduction parts (Sample C)

Functionality and safety of parts is tested
An additional label on each part with “Sample C” and “manufacture date”
Trunk cable with four and five conductors possible
Cables will be shipped in series packaging

Following exceptions are possible:

Products will not be fully qualified per CSA testplan by PxC. Note: full tested prototypes require additional 5 weeks of test time
Production processes are not fully validated per process capability studies.
Deviations of the specification are possible

Phoenix Contact GmbH & Co. KG

Blomberg, 19.10.2010

/s/ Helmut Friedrich

Helmut Friedrich
Vice President Head of Business Unit Device Connetion Technology

Enphase Energy Inc.

Petaluma, 7 Dec 10

/s/ Paul Nahi

Paul Nahi
CEO

EE = Enphase
PxC = Phoenix Contact

Phoenix Contact GmbH Co. KG
DCT. projects. A. Engel

Annex 4

Quality Assurance Agreement

I. Scope of Agreement

1. This Agreement shall apply exclusively to the CONTRACTUAL PRODUCTS outlined in the Cooperation Agreement (Annex 6), which are delivered by Phoenix Contact on the basis of the orders Phoenix Contact receives and accepts from ENPHASE during the term of this Agreement.
2. The products shall be in compliance with the mutually agreed descriptions (specifications, Supplier data sheets, drawings).

II. Quality Assurance and Environmental Management

1. Phoenix Contact shall maintain a quality management system which meets ISO 9001 and ISO 14001. Phoenix Contact shall also manufacture and test the products in accordance with the stipulations of such quality management system.
2. If Phoenix Contact receives production or test equipment, software, services, materials or other supplies from third parties for the manufacture or quality assurance of its products, Phoenix Contact shall ensure that these are in compliance with its quality management system, whether it be by contract with these parties or through carrying out itself such tests as are necessary to assure compliance with its quality management system.
3. Phoenix Contact shall keep records of aforementioned quality assurance procedures and especially those relating to measured values and test results. Phoenix Contact shall maintain these records in an appropriate manner and for a period of not less than three (3) years. Phoenix Contact shall allow ENPHASE, upon request, to inspect the records and product samples for the CONTRACTUAL PRODUCTS.
4. Phoenix Contact shall mark all CONTRACTUAL PRODUCT with a date code label and version number. Additionally, Phoenix Contact shall mark each plastic component with the date code of manufacture.
5. The CONTRACTUAL PRODUCTS shall exhibit a FIT’s rate not to exceed that which is calculated in accordance with SR-332 or equivalent industry standard. Phoenix Contact shall perform a reliability analysis and submit calculated results to ENPHASE within 60 days of design completion.
6. Product DPPM shall not exceed the following agreed-upon targets during all phases of the product lifecycle including inspection, installation, deployment and operation. The quality targets are listed in Annex A.
7. Materials, Processes, and Design shall be selected to support the service life of at least **[***]**, and Phoenix Contact acknowledges that it must be able to demonstrate empirical data that validates this requirement, upon request. This requirement is met by performing a product-specific quality inspection and test plan agreed upon with ENPHASE.

[***] = CERTAIN INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Annex 4

III. Phoenix Contact's Obligation to Provide Proof and Information to ENPHASE

1. Phoenix Contact shall, upon reasonable request, allow ENPHASE to inspect and verify its compliance with the quality assurance measures set forth in Section II above. Phoenix Contact shall therefore, after prior agreement of the Parties on the date of such an inspection, grant ENPHASE reasonable access to its business premises of the CONTRACTUAL PRODUCTS and shall make available a member of its staff for the duration of the inspection visit. Phoenix Contact may deny access to and inspection of classified manufacturing methods and other industrial secrets.
2. Phoenix Contact shall make no changes to the CONTRACTUAL PRODUCTS, Specifications, manufacturing process, or testing procedures or criteria used in manufacturing of the CONTRACTUAL PRODUCTS, if such changes would affect, or would likely affect, the CONTRACTUAL PRODUCT'S form, fit, or function, unless ENPHASE has provided its prior written approval of such change, with such approval not to be unreasonably withheld or delayed.
3. Should Phoenix Contact note an increase in deviations in the real quality of CONTRACTUAL PRODUCTS already delivered or in the process of being delivered from the mutually agreed specifications (i.e. a reduction in quality), Phoenix Contact shall immediately notify ENPHASE thereof and of the measures Phoenix Contact plans to take to remedy such a problem.
4. Phoenix Contact shall ensure, whether by identification of the CONTRACTUAL PRODUCTS, or, if such is impossible or impractical, by other suitable means, that, in case defects are detected in a CONTRACTUAL PRODUCT, Phoenix Contact can readily determine whether any other CONTRACTUAL PRODUCTS have been affected and identify them. Phoenix Contact shall inform ENPHASE about its identification system or other measures which it has taken in order to enable the latter to carry out its own investigations, if necessary. In doing so, the traceability can only be ensured if ENPHASE provides the corresponding information as regards the material number, order, delivery slip number and/or the corresponding batch and/or serial number. ENPHASE is obliged to provide these data. If these details cannot be provided Phoenix Contact shall be released from its duty for traceability.

IV. Receiving Inspection by ENPHASE

1. Upon delivery of the CONTRACTUAL PRODUCTS, ENPHASE or its representative shall promptly confirm that they accurately correspond to the purchase order quantity and type and whether there is any apparent damage resulting from their transport or any other visible defect.
2. If, during such inspection, ENPHASE or its representative notes any apparent damage or defect or any non-conformity with the ordered quantity and type, it shall promptly notify Phoenix Contact thereof. If ENPHASE or Buyer's representative notes some damage or defect at a later date, it shall also promptly report this to Phoenix Contact. Upon receiving notice of such damage, defect or non-conformity, Phoenix Contact shall promptly remedy such.

Annex 4

3. No failure by ENPHASE to detect any defect or damage to the CONTRACTUAL PRODUCTS and notify Phoenix Contact as described in this Section IV shall serve to release Phoenix Contact from its warranty obligations as set forth in this Agreement.

V. Quality Assurance Representative

Each of the CONTRACTUAL PARTIES hereby designates its quality assurance representative below, who shall represent it on quality assurance matters related to this Agreement. This representative shall make any decisions relating to such quality assurance issues. Should either of the CONTRACTUAL PARTIES replace its quality assurance representative, it shall promptly notify the other CONTRACTUAL PARTY of such replacement in writing. The quality assurance representatives are listed in Annex A.

Phoenix Contact GmbH & Co. KG

Blomberg, 25.10.2010

i.V. K.P. Tölke

Karl-Paul Tölke
Chief Spezialist Laboratory Quality and Process Technology Business Unit Device Connection Technology

Phoenix Contact GmbH & Co. KG

Blomberg, 2010-10-19

i.V. Dirk Drühe

Dirk Drühe
Head of QW-PI

Enphase Energy Inc.

Petaluma, 7 Dec 10

Paul Nahi
CEO

Annex 4

Annex A

1. DPPM Targets

2011 – **[***]**

2012 – **[***]**

2013 – **[***]**

2014 – **[***]**

2. Quality Assurance Representatives

		Buyer		Seller
Quality agreement	Name	Don Cassity	Name	Dirk Drühe
	Department:		Department:	Head of QW-PI
	Telefon:	(707) 763-4784 x-7108	Telefon:	+49-5235 / 3-41860
	Telefax:		Telefax:	+49-5235 / 3-41829
	E-Mail:	dcassity@enphaseenergy.com	E-Mail:	ddruehe@phoenixcontact.com
Complaint management	Name	Don Cassity	Name	Bernd Hoppe
	Department:		Department:	Head of QW-BM
	Telefon:	(707) 763-4784 x-7108	Telefon:	+49-5235 / 3-41674
	Telefax:		Telefax:	+49-5235 / 3-40541
	E-Mail:	dcassity@enphaseenergy.com	E-Mail:	bhoppe@phoenixcontact.com
BU Technician	Name	Don Cassity	Name	Karl-Paul Tölke
	Department:		Department:	Department: Director Quality Assurance BU DCT
	Telefon:	(707) 763-4784 x-7108	Telefon:	+49-5235 / 3-41314
	Telefax:		Telefax:	+ 49-5235 / 3-40002
	E-Mail:	dcassity@enphaseenergy.com	E-Mail:	kptoelke@phoenixcontact.com

[***] = CERTAIN INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Annex 4

Phoenix Contact GmbH & Co. KG

Blomberg, 2010-10-25

Karl-Paul Tölke
Chief Spezialist Laboratory Quality and Process Technology Business Unit Device Connection Technology

Phoenix Contact GmbH & Co. KG

Blomberg, 2010-10-19

Dirk Drühe
Head of QW-PI

Enphase Energy Inc.

Petaluma, 7 Dec 10

Paul Nahi
CEO

Annex 5 SAP-Dokumenten-Nr.

NON-DISCLOSURE AGREEMENT

Between

Enphase Energy
201 1st Street
Petaluma, CA 94952
United States of America

*- hereinafter referred to as **"Enphase "**-*

and

Phoenix Contact GmbH & Co. KG
Flachsmarktstraße 8
32825 Blomberg
Germany

Phoenix Contact Holdings, Inc.
586 Fulling Mill Road
Middletown, PA 17057
HARRISBURG, PA. 17111-0100
United States of America

*- both hereinafter referred to as **"Phoenix Contact"**-*

- hereinafter singly or jointly referred to as "Contractual Partners" -

the following Agreement is concluded:

Preamble

The Phoenix Contact Group develops, produces and sells innovative products and systems of electrical connection and automation technology worldwide.

The company has long-term and comprehensive process know-how for in-house development and manufacturing.

In connection with talks on the project "Enphase AC wiring system ERD" ("Purpose"), the contractual partners shall provide each other with information.

Within this Purpose it is necessary that Phoenix Contact and/or an affiliated company as well as/or subsidiaries of Phoenix Contact and Enphase pass on information to the other contractual partner. To guarantee an open cooperation within this Purpose the following shall be agreed as regards the imparted information:

1. Confidential are all information, documents, data and/or knowledge, especially technical and/or economic information, construction documents, specifications, drawings, samples, prototypes, test results and/or any other know how (hereinafter "*Confidential Information*") that is made available by one contractual partner to the other contractual partner within the aforementioned Purpose and that refer to former, present or future activities of the contractual partner or any affiliated company in the area of research, development, production methods, procedures, technologies, products, company management and trade for this purpose. *Confidential Information* can be conveyed or provided for inspection verbally or in writing; as sample, prototype, electronic or visual data formats of any kind or in any other embodiment. *Confidential Information* comprise also all copies, all material generated by themselves and summaries made hereof.

The disclosing contractual partner is not obligated to confidentiality as regards his own *Confidential Information* imparted to the receiving contractual partner. The *Confidential Information* is confidential solely for the receiving contractual partner, in fact only as regards the *Confidential Information* imparted by the disclosing contractual partner. This *Confidential Information* may be passed on without restrictions to third parties by the disclosing contractual partner.

2. *Confidential Information* is and remains property of the disclosing contractual partner.

3. The contractual partners have to properly keep all Confidential Information passed on by the other contractual partner and shall not disclose it to any third partner. Confidential Information, however, may be passed on to third parties if the fulfilment of contractual obligations by one contractual partner makes this imperative. Before Confidential Information is distributed by the receiving contractual partner the written consent to the distribution has to be obtained from the disclosing contractual partner. With such a necessary disclosure to third parties, this third party is committed to secrecy to the same extent as the contractual partners under this Agreement. The information may not be used for any other objective than for achieving the Purpose of the cooperation. Third parties in terms of this Agreement are not the affiliated companies and subsidiaries of Phoenix Contact pursuant to the preamble. A distribution of *Confidential Information* through Phoenix Contact to these companies is permitted.

4. The contractual partners undertake to return all received *Confidential Information* on request of the respective disclosing contractual partner, or to destroy it on written request after the termination of this Agreement. The same also applies to *Confidential Information* stored, processed electronically or visually, copied or duplicated. The above mentioned regulations only apply to routinely compiled backup copies of *Confidential Information*, which was exchanged electronically, as well as *Confidential Information* or copies thereof, which have to be retained and/or stored by the receiving contractual partner or their advisors in compliance with the terms of applicable law or internationally accepted accounting guidelines, insofar that this *Confidential Information* has to be returned or destroyed on written request of the disclosing contractual partner at the end of the respective compulsory retention period.

5. *Confidential Information* is not information that

a. at the time of it’s transmission was already common knowledge;

b. at the time of it’s transmission was already known to the other contractual partner;

c. became common knowledge after it’s transmission without the assistance of the other contractual partner;

d. was made accessible by third parties to the other contractual partner legally and without any restriction regarding non-disclosure or usage after it’s transmission;

e. may be disclosed upon written approval of the other contractual partner;

f. have been developed by the receiving contractual partner independently and without recourse to Confidential Information or in accordance with the exceptions stipulated under paragraph 5 a – e.

The contractual partner who refers to the exception has to prove the existence of its prerequisites.

The contractual partners may disclose *Confidential Information* from the other contractual partner as far as the receiving contractual partner is obligated to do so due to an official or judicial directive or any mandatory legal regulations provided the contractual partner obliged to the disclosure immediately informs the other contractual partner about it beforehand for the purpose of exercising his rights, and the contractual partner committed to the disclosure makes any reasonable effort to ensure that the *Confidential Information* is dealt with confidentially. *Confidential Information* disclosed in such a way has to be marked as “confidential” by the contractual partner obliged to the disclosure.

6. Licences and/or rights for using and/or transferring any patents, rights of use, brands, samples, intellectual property or any other property rights shall not be granted neither expressly nor implied by this Agreement. The receiving contractual partner shall especially not be entitled to file an application for patents or other property rights with and/or on the basis of *Confidential Information* he obtained. In the event the receiving party was granted patents or other property rights contrary to the aforesaid these must be transferred to the issuing contractual partner free of charge upon the initial request. Furthermore, the assignment of *Confidential Information* does not constitute any rights for prior use for the receiving contractual partner.

7. The contractual partners shall make sure that the confidential material is only made available to those employees who are indispensable for fulfilling the Purpose. The appointed employees are also committed to a corresponding equivalent secrecy obligation unless there has already been a basic obligation to secrecy within the employment contract.

8. A warranty or liability as regards accuracy, freedom from errors, absence of property rights of third parties, completeness and/or usability of the *Confidential Information* shall be excluded as far as legally permitted.

9. This Agreement becomes effective upon signature by both contractual partners and ends after one year without needing notice of termination. This Agreement will be prolonged by another year if the contractual partners have not concluded their cooperation at the end of the respective one-year term in accordance with the preamble. The provisions of this Agreement shall remain effective even after the termination of this Agreement for a period of 5 years. A cancellation of this Agreement is not possible.

10. If a contractual partner gets insight into production processes or any other company secrets of the other contractual partner that should not be disclosed and which were made known to him within audits or through business relations, the non-disclosure agreement shall be valid for audit results, documents and other company findings unlimited in time beyond the term of this Agreement.

11. No ancillary verbal agreements have been made. Any amendments and/or supplements to this Agreement must be made in writing to become legally effective. This formal requirement can only be waived in mutual agreement and in writing. None of the contractual partners can transfer this Agreement or individual rights or duties under this Agreement to third parties without the written consent of the other contractual partner, unless otherwise agreed between the contractual partners in this Agreement.

12. All disputes arising in connection with this Agreement or its validity shall be finally settled in accordance with the Arbitration Rules of the German Institute for Arbitration e.V. (DIS) without recourse to the ordinary courts of the law. The Arbitration Tribunal may also decide on the validity of this Arbitration Agreement with binding effect for the state-run courts. The place of arbitration is Paderborn, Germany. The Arbitration Tribunal consists of three arbitrators. The applicable law is German Law. The language of the arbitral proceedings is English.

13. Should individual provisions of this Agreement be ineffective or non-feasible or contain any regulatory gaps this will not affect the validity of the other provisions. Instead of the ineffective or non-feasible provision, that effective and feasible provision will be considered as agreed that comes closest to the meaning and purpose of the ineffective or non-feasible provision.

Petaluma, 7 APRIL 2010

/s/ Mark Baldassari
Enphase Energy

Mark Baldassari
(Signer in printed letters)

Blomberg, 18-3-2010

/s/ H. Friedrich
Phoenix Contact GmbH & Co. KG

H. Friedrich
(Signer in printed letters)

Middletown, April 16, 2010

/s/ Mike Peppler
Phoenix Contact Holdings, Inc.

Mike Peppler
(Signer in printed letters)

Annex 6 Products, Pricing and Delivery Conditions (Rev. 05.11.2010)

1. CONTRACTUAL PRODUCTS and Pricing

The following prices will be used to determine cable assembly prices. All prices do not include packaging or shipping costs.

a) Cable Connector and Splice Box	Photo	Price
Drop Cable Connector with Grommet and wire organizer		$**[***]** (only valid by buying an equivalent number of splice boxes)
Four-conductor Drop Cable AWG 18/4		$**[***]**/meter
Splice Box for Four-Conductor Cable; without cable		$**[***]** (only valid by buying an equivalent number of drop cables)
Splice Box for Five-Conductor Cable; without cable		$**[***]** (only valid by buying an equivalent number of drop cables)
Four-conductor Trunk Cable AWG 12/4		$**[***]**/meter
Five-Conductor Trunk Cable AWG 12/5		$**[***]**/meter
Temporary / shipping cap for splice box. This will be applied to all splice boxes. a) soft cap (not biodegradable) b) polyamide cap (not biodegradable)		 $**[***]** $**[***]**

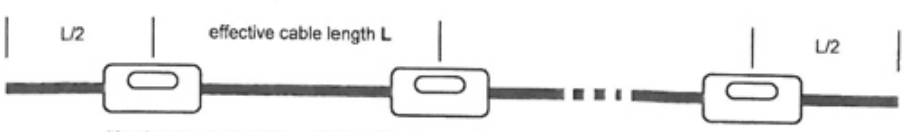
b) Accessory	Photo	Price
5 Pole Cable Terminator		$**[***]**
5 Pole Splice Kit for Trunk Cable (present design status)	**TBD**	$ **[***]**
Disconnect Tool / Handtool a) color code 3000 (standard red) b) color code 4004 (EE orange)		 $ **[***]** $ **[***]**
IP67 Sealing Cap for Trunk Cable Splice Boxes		$ **[***]**

Enphase is obligated to buy all accessories for the installation of the CONTRACTUAL PRODUCTS from Phoenix Contact. This liability will cease as soon as the relevant specified minimum purchase quantities as listed below has been reached or surpassed

5 Pole Cable Terminator	400,000 pcs.
5 Pole Splice Kit for Trunk Cable	220,000 pcs.
Disconnect Tool / Handtool	200,000 pcs.
IP67 Sealing Cap for Trunk Cable Splice Boxes	200,000 pcs.

[***] = CERTAIN INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

c) **Sample cable assembly calculations:**



Trunk cable AWG 12/4 or AWG 12/5 with **n** splice (total eff. cable length = n × L)

Cable	No. of Splice boxes	eff. cable length L [m]	total eff. cable length [m]	Cable price per m	price Splice box	total price Trunk cable
AWG 12/4	**[***]**	**[***]**	**[***]**	$ **[***]**	$ **[***]**	$ **[***]**
AWG 12/5	**[***]**	**[***]**	**[***]**	$ **[***]**	$ **[***]**	$ **[***]**

2. Pricing Assumptions

The pricing in the table above was established using the following assumptions:

a) cable cost of $**[***]** per meter for the **[***]** assembly (including **[***]**% handling charge)

b) cable cost of $**[***]** per meter for the **[***]** assembly (including **[***]**% handling charge)

c) cable cost of $**[***]** per meter for the **[***]** assembly (including **[***]**% handling charge)

d) Exchange rate of $**[***]** US Dollars per Euro

At the time of production release and on Jan 1 and July 1 of each calendar year thereafter the price of the trunk and drop cable assemblies will be adjusted in the event that the total amount of the cable cost (a-c) and exchange rate (d) cost changes to Phoenix Contact are greater than +/- 5% compared to the figures a) – d). Any changes either up or down that are less than that magnitude will be absorbed by Phoenix Contact.

The price of the AC Drop cable will be reduced based upon the volume commitment reductions as listed below (non accumulative)

[***] to **[***]** sets	**[***]**$
[***] to **[***]** sets	**[***]**$
[***] to **[***]** sets	**[***]**$
[***] sets or greater sets	**[***]**$

Phoenix Contact shall have the responsibility to select the cable vendor based upon drawing specifications. This selection will be made by Phoenix Contact with respect to price, product quality and delivery performance. Phoenix Contact shall inform ENPHASE of its vendor selection once determined, however ENPHASE shall have the right to reject such selection and replace it with a different vendor promptly in writing, due to better pricing and/or product quality.

[***] = CERTAIN INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

3. Delivery Terms

FCA Poland or Germany facility (Incoterms 2000).

4. Forecast and raw material liability

ENPHASE accepted purchase orders and forecast will constitute authorization for Phoenix Contact to procure inventory to manufacture the CONTRACTUAL PRODUCTS covered by such purchase orders and forecast based on the lead time of the raw materials required to build the CONTRACTUAL PRODUCTS. Phoenix Contact will not make purchases of NCNR (non-cancellable, non-returnable) raw material inventory in excess of 90 days in lead time without the express written consent of ENPHASE. This written consent may take the form of a blanket authorization for certain commodities or raw material for ease of management.

5. Delivery Performance

On time delivery shall be measured and reported to ENPHASE on a monthly basis as measured against the original commitment date provided to ENPHASE by Phoenix Contact. Orders shall be considered on time if they are shipped from one week earlier than the scheduled shipment date up to one day after the scheduled shipment date. On-time delivery shall be the sole responsibility of Phoenix Contact except in cases where ENPHASE has requested delivery inside of mutually agreed lead times. In this instance, Phoenix Contact shall make all reasonable efforts to support the mutually agreed delivery times. The target for on-time delivery of product shall be 95% on time. If Phoenix drops below this percentage for two months in a row or drops below 70% for one month, Phoenix Contact shall provide ENPHASE with a written corrective action plan. If, after 60 days from this written plan delivery performance has not improved to the target, Phoenix Contact shall be considered in material breach of the contract.

6. Payment terms

45 days net after date of invoice.

7. Currency

US dollar ($)

8. Exchange rate

Invoicing shall be in US dollars. The exchange rates of US dollars into Euros shall be recalculated every six months according the following procedure: The basis for calculation the exchange rates with the reference rate US dollar is formed by the average rate of the national currency in question during the past 6 months. The basis for this calculation shall be obtained from http://www.oanda.com/convert/classic.

9. Delivery Procedure

In case delivery (especially but not limited to orders and order confirmation) and payment shall be done for ENPHASE by a Flextronics Entity (this means company divisions), Flextronics entity shall be only acting as agent for ENPHASE. For the sake of clarification the individual Agreement shall only be concluded between Phoenix Contact and ENPHASE.

Phoenix Contact GmbH & Co. KG

Blomberg, 12.11.2010

ppa. H. Friedrich

Helmut Friedrich
Vice President Head of Business Unit Device Connection Technology

Enphase Energy Inc.

Petaluma, 7 Dec 10

Paul Nahi
CEO

Prototypes

As mentioned in the Cooperation Agreement Article 2.5 PREPRODUCTION PROTOTYPE shall mean any Prototype that is listed on the Roadmap/schedule Annex 7. For the Sake of clarification PREPRODUCTION PROTOTYPES are not CONTRACTUAL PRODUCTS, so that especially the regulations of Quality Defects, Epidemic Failure and Limitation of Liability are not applicable.

As agreed in the Cooperation Agreement ENPHASE will receive the PREPRODUCTION PROTOTYPES for testing purposes only.

The PREPRODUCTION PROTOTYPES have the restrictions as described in Roadmap/schedule Annex 7.

The PREPRODUCTION PROTOTYPES are a pure laboratory version and thus a hardware that has only been partly tested and is provided to ENPHASE for test purposes only. The PREPRODUCTION PROTOTYPES and the documentation of parts thereof shall not be used in life operations, because Phoenix Contact cannot warrant a faultless operation. The included information does not absolve ENPHASE from their own responsibility of checking the suitability in each individual case, and may not be used untested nor be generalized.

ONLY IN CASE OF WILFUL ACT PHOENIX CONTACT IS LIABLE FOR DEFECTS; BUT NOT FOR CONSEQUENCES OF DEFECTS OR MALFUNCTION OR ANY DAMAGES CAUSED BY ENPHASE OR A THIRD PARTY BY USING OR DISTRIBUTING THE PREPRODUCTION PROTOTYPES. IN NO CASE SHALL PHOENIX CONTACT BE LIABLE FOR ANY INCIDENTAL, CONSEQUENTIAL, PUNITIVE, INDIRECT, OR SPECIAL DAMAGES OR LIABILITIES OF ANY KIND INVOLVING CLAIMS THAT WERE CAUSED BY THE USE OR THE IMPOSSIBILITY OF USE OF THE PREPRODUCTION PTOTOTYPES, INCLUDING BUT NOT LIMITED TO BUSINESS INTERRUPTION, LOST PROFITS, LOSS OF USE, LOSS OF OPPORTUNITIES OR LOSS OF DATA, UNDER ANY THEORY OF LIABILITY AND EVEN IF SUCH PARTY WERE ADVISED OF THE LIKELIHOOD OF SUCH DAMAGES OR LIABILITIES.

ENPHASE agrees to use the provided hardware at its own risk and not in safety-related areas and/or for safety function purpose.

Circulation of the provided PREPRODUCTION PROTOTYPES and documentation as a whole, in excerpts or as copy to a third party and the export to other countries is forbidden. In case of infringement of the above obligations ENPHASE has the obligation to indemnify Phoenix Contact completely upon first request especially for any claims of a third party resulting from the operation of the PREPRODUCTION PROTOTYPES.

ENPHASE agrees to return all “Sample B” PREPRODUCTION PROTOTYPES if requested by Phoenix Contact. Should this occur Phoenix Contact will exchange those PREPRODUCTION PROTOTYPES with series products at no cost for ENPHASE.

For this Agreement, the laws of Switzerland shall apply exclusively. The provisions of the Vienna UN Convention for Contracts on International Sale of Goods of 11 April 1980 (UN Purchase Law) are excluded.

All disputes arising from or in connection with this Agreement, including all questions regarding its creation, its validity and its termination, shall be finally decided according to the rules of arbitration of the International Chamber of Commerce (ICC) by three (3) arbitrators pursuant to the mediation and arbitration body of the ICC. Each party shall appoint an

arbitrator for confirmation at the organisation in charge according to the applicable rules (appointment authority). The two appointed arbitrators shall ap-point the third arbitrator within 30 days. In the event the two arbitrators cannot agree on a third arbitrator within this period, the organisation shall appoint him. If several defendants are involved in the legal dispute, the appointment of an arbitrator through the defendants has to be coordinated among the defendants. In the event the defendants cannot agree on such a common appointment within the period determined by the organisation, the legal proceedings against them shall be separated. The place of jurisdiction shall be Harrisburg, Pennsylvania, USA. Court language shall be English.

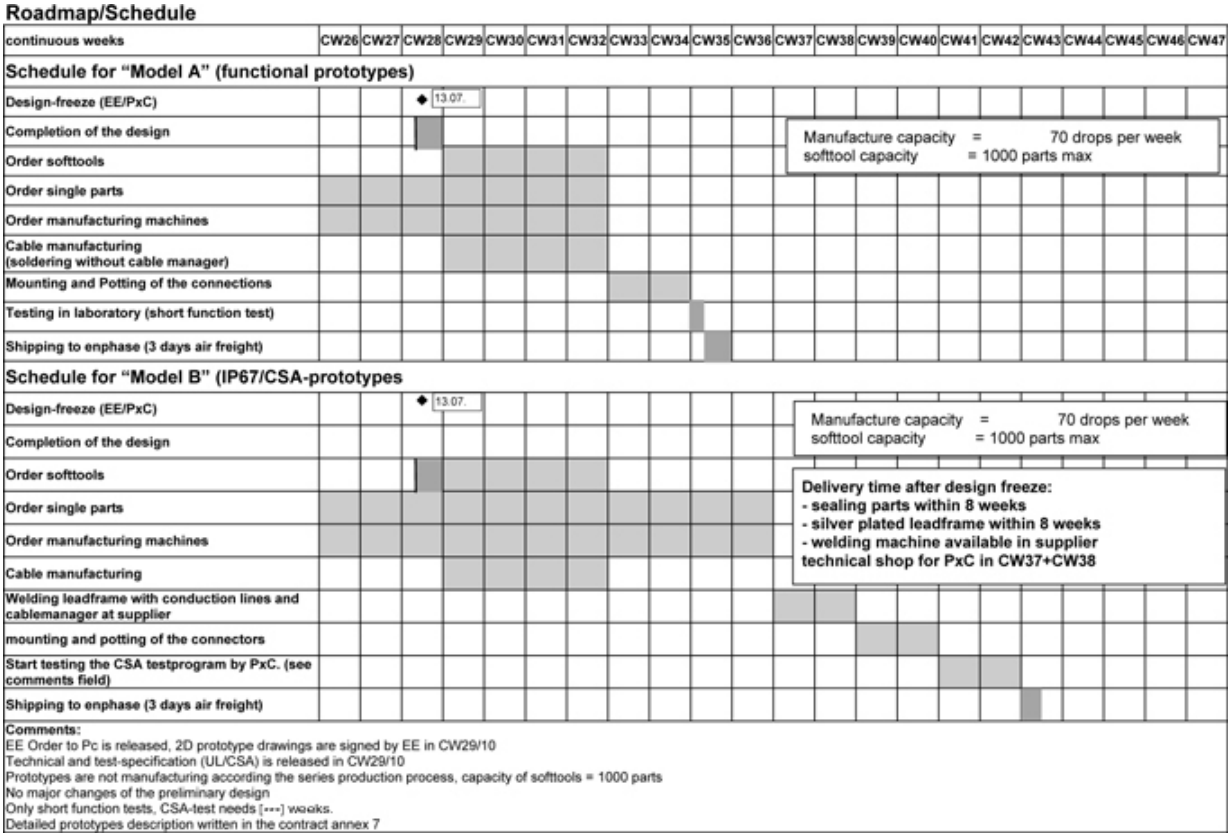
Enphase Requestlist Rev.11 for Prototypes

	19.07.2010	20.07.2010	02.08.2010	02.06.2010	16.06.2010	23.06.2010	30.06.2010	06.08.2010 EngEval+Alpha	13.09.2010 SP1	20.09.2010	27.09.2010 CSA	04.10.2010	11.10.2010	18.10.2010	25.10.2010 Beta	01.11.2010 Beta	08.11.2010	15.11.2010	22.11.2010	29.11.2010	06.12.2010	13.12.2010	20.12.2010	27.12.2010	
MODELS (functionality)																									
Splice Box models																									
4 Pin connector models																									
Disconnect tool								4	6																
4 pole Splice Kit																									
5 pole Terminator																									
5 pole Splice Kit																									
FUNCTIONAL PROTOS (Non IP67)																									
Drop Cables								48	28																
240V truck cable, 20 drop, 750mm pitch, 4 conductor								1	2																
240V truck cable, 20 drop, 750mm pitch, 5 conductor																									
240V truck cable, 60 drop, 750mm pitch, 4 conductor								1																	
240V truck cable, 60 drop, 750mm pitch, 5 conductor																									
GangTest 240V 12 drop 200mm spacing									2	6		5	5	5			5	5	5	5	5	5	5		IP57 not required for these
GangTest 240V 12 drop 300mm spacing																									
Sealing caps																									
Dust Caps																									
Disconnect tool																									
4 pole Splice Kit								4	6																
5 pole Terminator								4	6																
5 pole Splice Kit																									
FUNCTIONAL PHOTOS																									
Drop Cables											12				60	60									
240V truck cable, 20 drop, 730mm pitch, 4 conductor											1														
202V truck cable, 20 drop, 730mm pitch, 5 conductor																									
240V truck cable, 60 drop, 730mm pitch, 4 conductor															1	1									
208V truck cable, 60 drop, 730mm pitch, 5 conductor																									
GangTest 240V 12, drop 300mm spacing																									
GangTest 208V 12, drop 300mm spacing											6				6	6									
Sealing caps																									
Dust Caps											6				4	2									
Disconnect tool											6				4	2									
4 pole Splice Kit											6				6	6									
5 pole Terminators																									
5 pole Splice Kit																									
Packaging (box or labeling and inserts)																									

Phoenix Contact Pricelist for Prototypes

Prototypes	Prices soft-tools 30.07.2010	Prices per Protos 30.07.2010	design today 30.07.2010	SLA parts 30.07.2010
drop-connector with 4 pole cable (0,40 meter)	$[***]	$[***]		$[***]
splicebox-connectors with four contacts and power-cable with 4 conductors (0,80 meter)	$[***]	$[***]		$[***]
splicebox-connectors with four contacts and power-cable with 5 conductors (0,80 meter)				$[***]
sealing cap splice-box	$[***]	$[***]		$[***]
5 pole cable terminator. (new design)	$[***]	$[***]		$[***]
4 pole repair kit for cable	tbd	tbd	tbd	tbd
5 pole repair kit for cable	tbd	tbd	tbd	tbd
hand tool for disconnection splice box and drop connector	tbd	tbd		tbd
Packaging (in clarification with EE – PxC)	tbd	tbd	tbd	Tbd

Roadmap/Schedule



Comments:
EE Order to Pc is released, 2D prototype drawings are signed by EE in CW29/10
Technical and test-specification (UL/CSA) is released in CW29/10
Prototypes are not manufacturing according the series production process, capacity of softtools = 1000 parts
No major changes of the preliminary design
Only short function tests, CSA-test needs [***] weeks.
Detailed prototypes description written in the contract annex 7

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Descriptions of "Model A" (Functional Prototypes non-IP 67)

Functionality is ensured, safety of parts is tested and specifications requirements are not completely implemented.

- Intended use: EE marketing activities, internal analysis and testing
- Each Sample tested for electrical properties by PxC test laboratory (tested for continuity and rated current / voltage)
- No IP 67 protection
- Single parts are produced from soft tools
- Components are produced largely with production grade materials
- Color of connector housing is black
- Label on splice box and drop connector not usable for outdoor
- No compliance with the drawing tolerances, surface deviations possible (shrink and knock out marks)
- Trunkcable and Dropcable are potted but not tested to cable pull requirements.
- Soldering of conductores on leadframe
- Contacts tin plated
- Mating of connectors possible
- Drop cable without inverter interface grommet
- Drop cable ends are tinned flying leads.
- Five conductor trunkcable used for both 208 V and 240 V cables
- Trunk cable ends to be blunt cut
- Handtool produced by SLA
- Cables and parts will be shipped in standard boxes without instructions
- Marked with "Model A" and manufacture date on each label.

Descriptions of "Model B" (Functional Prototypes)

Functionality is ensured, safety of parts is tested and specifications requirements should be complete implemented.

- Intended use: for preliminary CSA submission
- Prototypes will not be fully tested per CSA testplan and without guarantee to meet the CSA-requirements from PxC.
- Note: fully tested prototypes require additional [***] weeks of test time
- IP 67 protection
- Components are produced from soft tools and include no time for tool optimizing. Technical problems in parts will be removed from PxC quickly.
- Components are produced largely with production grade materials
- Color of connector housing is black
- Label on splice box and drop connector usable for outdoor.
- No compliance with the drawing tolerances, surface deviations possible (shrink and knock out marks)
- Welding of conductors on leadframe possible.
- Mating of connectors possible
- Drop cable includes inverter interface grommet and wire organizer when EE design freeze is in CW32
- Five conductor trunkcable used for both 208 V and 240 V cables
- Trunk cable ends to be blunt cut
- Handtool produced by SLA
- Cables and parts will be shipped in standard boxes without instructions
- Marked with "Model B" and manufacture date on each label

Phoenix Contact GmbH & Co. KG

Blomberg, 19.10.2010

/s/ Helmut Friedrich
Helmut Friedrich
Vice President Head of
Business Unit Device
Connection Technology

Enphase Energy Inc.

Petaluma, 7 Dec 10

/s/ Paul Nahi
Paul Nahi
CEO

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Annex 8 Definition acc to Article 6

Overall Wiring Concept:

A flexible amount of wires

Multiple connection points on the wire-set with a free choice of positions and amounts of connection points.

Trunk and Drop wiring design:

[***]

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Annex 8 Definition acc to Article 6

Design Connector Interface in Combination with the Latching System:

[***]

The locking of the Trunk and Drop Connector system is achieved through two external Latching Pins on the Drop Connector and two Locking Springs assembled inside the Splice Box. When the Drop Connector is fully mated to the Splice Box, the Locking Springs snap close over ledge features on the two latching pins, securing the Drop Connector in the proper mated position.

Phoenix Contact GmbH & Co. KG

Blomberg, 19.10.2010

ppa. H. Friedrich

Helmut Friedrich
Vice President Head of Business Unit Device
Connection Technology

Enphase Energy Inc.

Petaluma, 7 Dec 10

Paul Nahi
CEO

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AMENDMENT NO. 1
TO
COOPERATION AGREEMENT

THIS AMENDMENT NO. 1 TO COOPERATION AGREEMENT (this "**Amendment**") is entered into this first day of October 2011 by and between **Enphase Energy, Inc.**, a Delaware corporation ("**Enphase**") and **Phoenix Contact GmbH & Co. KG and Phoenix Contact USA, Inc.**, (collectively "**Phoenix Contact**"). Capitalized terms used herein without definition shall have the same meanings given them in the Cooperation Agreement (as defined below).

RECITALS

A. Enphase and Phoenix Contact have entered into that certain Cooperation Agreement dated as of December 7, 2010 (as amended, restated, supplemented or otherwise modified from time to time, the "**Cooperation Agreement**").

B. Enphase and Phoenix Contact have agreed to amend the Cooperation Agreement upon the terms and conditions more fully set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and intending to be legally bound, the parties hereto agree as follows:

1. AMENDMENTS.

1.1 Section 8.3 of the Cooperation Agreement is hereby amended by amending and restating Section 8.3 in its entirety as follows:

"The prices for the CONTRACTUAL PRODUCTS as well as the delivery conditions are defined in Annex 6. Price changes shall be according to the provisions in Annex 6. The CONTRACTUAL PARTIES agree on a minimum purchase quantity of [***] and [***] splice boxes during 7 years with beginning on April 1, 2011. If the minimum purchase quantity is not purchased by ENPHASE within such time, then Phoenix Contact shall be entitled to claim for the following remuneration not purchased:

-For the [***] units (connector and splice box): [***] United States [***] (US $[***]), if not purchased during (four) 4 years with beginning on April 1, 2011.

-For the [***] units (connector and splice box): [***] United States [***] (US $[***]), if not purchased during the further three (3) years after ending the first four (4) years with beginning on April 1, 2011.

ENPHASE shall inform Phoenix Contact promptly of its intent to cease purchasing under this Agreement. In such case, ENPHASE shall additionally purchase finished or semi-finished CONTRACTUAL PRODUCTS and raw material to use up any raw material purchased for ENPAHASE CONTRACTUAL PRODUCTS. This shall not exceed six (6)

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months of forecasted quantities, if not otherwise agreed between the CONTRACTUAL parties."

1.2 Annex 6 of the Cooperation Agreement is hereby replaced in its entirety with Annex 6 attached hereto.

2. LIMITATION. The amendments set forth in this Amendment shall be limited precisely as written and shall not be deemed (a) to be a waiver or modification of any other term or condition of the Cooperation Agreement or of any other instrument or agreement referred to therein or to prejudice any right or remedy which the parties may now have or may have in the future under or in connection with the Cooperation Agreement or any instrument or agreement referred to therein; or (b) to be a consent to any future amendment or modification or waiver to any instrument or agreement the execution and delivery of which is consented to hereby, or to any waiver of any of the provisions thereof. Except as expressly amended hereby, the Cooperation Agreement shall continue in full force and effect.

3. COUNTERPARTS. This Amendment may be signed originally.

4. INTEGRATION. This Amendment and any documents executed in connection herewith or pursuant hereto contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, understandings, offers and negotiations, oral or written, with respect thereto except the Cooperation Agreement and no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any, involving this Amendment.

[Remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties have duly authorized and caused this Amendment to be executed as of the date first written above.

ENPHASE ENERGY, INC.

By: _____

Name: _____

Title: _____

PHOENIX CONTACT GMBH & CO. KG

By: _____

Name: _____

Title: _____

PHOENIX CONTACT USA, INC.

By: _____

Name: _____

Title: _____

Annex 6 Products, Pricing and Delivery Conditions

1. CONTRACTUAL PRODUCTS and Pricing

The following prices will be used to determine cable assembly prices. All prices do not include packaging or shipping costs and are EXW prices (Incoterms 2010).

a) Cable Connector and Splice Box (NA version)	**Photo**	**Price**
Drop Cable Connector with Grommet and wire organizer		$[***]
Four-conductor Drop Cable AWG 18/4		$[***] /meter
Splice Box for Four-Conductor Cable; without cable		$[***] $[***] *2
Splice Box for Five-Conductor Cable; without cable		$[***] $[***] *2
Four-conductor Trunk Cable AWG 12/4		$[***] /meter
Five-Conductor Trunk Cable AWG 12/5		$[***] /meter
Temporary / shipping cap for splice box. This will be applied to all splice boxes. biodegradable cap		$[***]

b) Cable Connector and Splice Box (EU version)	**Photo**	**Price**
Drop Cable Connector with Grommet and wire organizer (with CM: label)		$[***] ($ [***])
Three-conductor Drop Cable 3 × 1mm²		$[***]
Splice Box for Three-Conductor Cable; without cable		$[***] $ [***] *2
Splice Box for Five-Conductor Cable; without cable		tbd*
Three-conductor Trunk Cable 3 × 2,5 mm²		$[***]
Five-Conductor Trunk Cable 5 × 2,5 mm²		tbd*
Temporary / shipping cap for splice box. This will be applied to all splice boxes. a) biodegradable cap		$[***]

* Prices for the Five-Conductor version will be quoted after the lab approval.
*2 Price is valid from 01.01.2012

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c) Accessory*	Photo				
5 Pole Cable Terminator		0-400.000 pcs. $[***]	400.001-800.000 pcs. -$[***]	800.001-1.200.000 pcs. -$[***]	1.200.001-1.600.000 pcs. -$[***]
5 Pole Splice Kit for Trunk Cable		0-220.000 pcs. $ [***]	220.001-440.000 pcs. - $ [***]	440.001-660.000 pcs. - $ [***]	660.001-880.000 pcs. - $ [***]
Disconnect Tool / Handtool colour code 4004 (EE orange)		0-200.000 pcs. $ [***]	200.001-400.000 pcs. - $ [***]	400.001-600.000 pcs. - $ [***]	600.001-800.000 pcs. - $ [***]
IP67 Sealing Cap for Trunk Cable Splice Boxes		0-200.000 pcs. $[***]	200.001-400.000 pcs. - $ [***]	400.001-600.000 pcs. - $ [***]	600.001-800.000 pcs. -$[***]

* All price reductions are not accumulative.

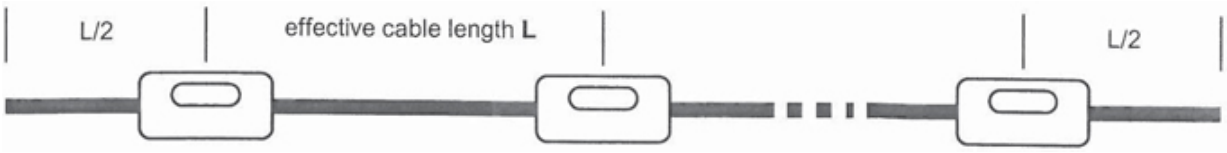
The number of pcs. of accessories includes the different versions of the splice box (N.A. and EU version) incl. related cables.

ENPHASE is obligated to buy all accessories for the installation of the CONTRACTUAL PRODUCTS from Phoenix Contact. This liability will cease as soon as the relevant specified minimum purchase quantities as listed below has been reached or surpassed

5 Pole Cable Terminator	1,600,000 pcs.
5 Pole Splice Kit for Trunk Cable	880,000 pcs.
Disconnect Tool / Handtool	800,000 pcs.
IP67 Sealing Cap for Trunk Cable Splice Boxes	800,000 pcs.

d) Sample cable assembly calculations:

North America:



Trunk cable AWG 12/4 or AWG 12/5 with **n** splice boxes (total eff. cable length = n x L)

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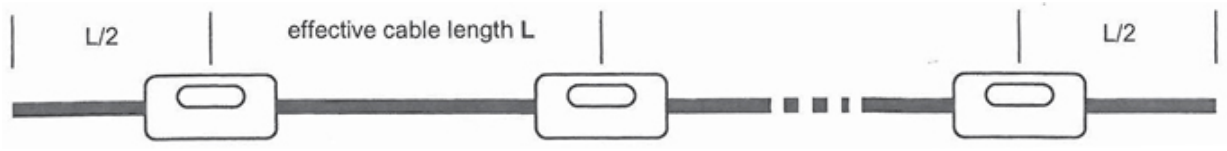
Cable	No. of Splice boxes	eff. cable length L [m]	total eff. cable length [m]	Cable price per m	price Splice box	Price shipping cap	total price Trunk cable
AWG 12/4	[***]	[***]	[***]	$ [***]	$ [***]	$ [***]	$ [***]
AWG 12/5	[***]	[***]	[***]	$ [***]	$ [***]	$ [***]	$ [***]

Europe:



Trunk cable 3 × 2,5 mm² or 5 × 2,5 mm² with **n** splice boxes (total eff. cable length = n × L)

Cable	No. of Splice boxes	eff. cable length L [m]	total eff. cable length [m]	Cable price per m	price Splice box	Price shipping cap	total price Trunk cable
3 × 2,5 mm²	[***]	[***]	[***]	$ [***]	$ [***]	$[***]	$ [***]

2. Pricing Assumptions

The pricing in the table above was established using the following assumptions:

North America:

a) cable cost of $[***] per meter for the [***] assembly (including [***]% handling charge)

b) cable cost of $[***] per meter for the [***] assembly (including [***]% handling charge)

c) cable cost of $[***] per meter for the [***] assembly (including [***]% handling charge)

d) Exchange rate of $[***] US Dollars per Euro

Europe:

a) cable cost of $[***] per meter for the [***] assembly (including [***]% handling charge)

b) cable cost of $ tbd per meter for the [***] assembly (including [***]% handling charge)

c) cable cost of $[***] per meter for the [***] assembly (including [***]% handling charge)

d) Exchange rate of $[***] US Dollars per Euro

At the time of production release, on October 1 2011 and on Jan 1 and July 1 of each calendar year thereafter the price of the trunk and drop cable assemblies will be adjusted in the event that the total amount of the cable cost (a-c) or exchange rate (d) cost changes to Phoenix Contact are greater than

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+/- 5% each compared to the figures a) – d). Any changes either up or down that are less than that magnitude will be absorbed by Phoenix Contact. The baseline for every recalculation shall be the price of the new agreed pricing as above mentioned (rev. of Annex 6)

The calculation of the exact price-change for cables according to article 2, Annex 6, and according to the exchange rate according to Article 8, Annex 6, shall be carried out within one month after the 1st of January or the 1st of July of each calendar year. The calculated cost changes shall be valid onwards 1st of February or 1st of August of each calendar year.

The price of the AC Drop cable will be reduced based upon the volume commitment reductions as listed below (non accumulative)

[***] to [***] sets	[***] $
[***] to [***] sets	[***] $
[***] or greater sets	[***] $

At this point in time production of the splice box incl. related cable is based on the [***] available production-lines with a capacity of [***] Mio pcs, per year ([***] days/week, [***] shifts, [***]% availability) and the proposed [***] line with a capacity of [***] pcs./year ([***] days/week, [***] shifts, [***]% availability). Phoenix Contact shall have the responsibility to produce at these rates as calculated on a monthly aggregate basis without charging Enphase overtime. This shall only apply for series production and for example not for ramp-up and test phases.

Phoenix Contact and Enphase Energy shall have the responsibility to select the cable vendor based upon drawing specifications. This selection will be made jointly by Phoenix Contact and Enphase Energy with respect to price, product quality and delivery performance. Phoenix Contact shall inform ENPHASE of its vendor selection once determined, however ENPHASE shall have the right to reject such selection and replace it with a different vendor promptly in writing, due to better pricing and/or product quality.

3. Delivery Terms

The delivery terms shall be part of a separate logistic agreement.

4. Forecast and raw material liability

ENPHASE will be obligated to send Phoenix Contact a forecast at each end-of-quarter for the following half-year. If this forecast will not be transferred or will not be transferred in due time, the average value of the elapsed half-year functions as forecast.

ENPHASE accepted purchase orders and forecast will constitute authorization for Phoenix Contact to procure inventory to manufacture the CONTRACTUAL PRODUCTS covered by such purchase orders and forecast based on the lead time of the raw materials required to build the CONTRACTUAL PRODUCTS. Phoenix Contact will not make purchases of NCNR (non-cancellable, non-returnable) raw material inventory in excess of 180 days in lead time without

the express written consent of ENPHASE. This written consent may take the form of a blanket authorization for certain commodities or raw material for ease of management.

5. Delivery Performance

On time delivery shall be measured and reported to ENPHASE on a monthly basis as measured against the original commitment date provided to ENPHASE by Phoenix Contact. Orders shall be considered on time if they are shipped from one week earlier than the scheduled shipment date up to one day after the scheduled shipment date. On-time delivery shall be the sole responsibility of Phoenix Contact except in cases where ENPHASE has requested delivery inside of mutually agreed lead times. In this instance, Phoenix Contact shall make all reasonable efforts to support the mutually agreed delivery times. The target for on-time delivery of product shall be 95% on time. If Phoenix drops below this percentage for two months in a row or drops below 70% for one month, Phoenix Contact shall provide ENPHASE with a written corrective action plan. If, after 60 days from this written plan delivery performance has not improved to the target, Phoenix Contact shall be considered in material breach of the contract.

6. Payment terms

45 days net after date of invoice.

7. Currency

US dollar ($)

8. Exchange rate

Invoicing shall be in US dollars. The exchange rates of US dollars into Euros shall be recalculated every six months according the following procedure: The basis for calculation the exchange rates with the reference rate US dollar is formed by the average rate of the national currency in question during the past 6 months. The basis for this calculation shall be obtained from http://www.oanda.com/convert/classic.

9. Delivery Procedure

In case delivery (especially but not limited to orders and order confirmation) and payment shall be done for ENPHASE by a Flextronics Entity (this means company divisions), Flextronics entity shall be only acting as agent for ENPHASE. For the sake of clarification the individual Agreement shall only be concluded between Phoenix Contact and ENPHASE.

10. Responsible persons

Responsible persons regarding modifications on Annex 6 are:

a) ENPHASE: tbd

b) Phoenix Contact: Volker Koppert
vkoppert@phoenixcontact.com
+49 5235 3-32500

11. Payment excess hours, Saturday/Sunday work and bank holidays

Phoenix Contact agrees to work overtime on an as needed basis to fulfil the commitment of [***] pcs. per year on each standard machine. In case ENPHASE requests shorter delivery times as given capacities by Phoenix Contact in the order confirmation as or agreed before ordering by ENPHASE or sending the order confirmation by Phoenix Contact, Phoenix Contact shall provide an offer about the costs for labour for excess hours, Saturday and Sunday work and bank holidays. After confirmation of the offer by ENPHASE, Phoenix Contact shall begin with the work to reach the requested delivery times.

12. Extension of production

All figures mentioned in Annex 6 are based on a production capacity of [***] splice boxes incl. cables in one year ([***] days, [***] shifts production time, [***]% availability). For further extension of the production capacity the minimum purchase quantities according Article 1c and the AMENDMENT NO. 1 TO COOPERATION AGREEMENT section 1.1 shall be increased proportional to the production capacity at the time of extension.

14. Advanced payment

Enphase has to pay Phoenix Contact $[***] USD in the first week of January 2012. This payment shall be considered a pre-payment for splice boxes purchased hereunder, with $[***] of such pre-payment being applied for each splice box purchased after 1/1/2012 until such time as [***] splice boxes have been purchased.

In the event that Enphase ceases purchasing product from Phoenix Contact before such [***] units have been purchased, Phoenix Contact shall return to Enphase any amount of such pre-payment not yet applied, provided that Phoenix Contact shall be entitled to any applicable remuneration as provided in Section 8.3.

Phoenix Contact GmbH & Co. KG	Enphase Energy Inc.
Blomberg, 20.12.2011	Petaluma, _____
/s/ Helmut Friedrich	/s/ Paul Nahi
Helmut Friedrich Senior Vice President Device Connectors	Paul Nahi CEO

[***] = CERTAIN INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AS AMENDED. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

Flextronics Manufacturing Services Agreement

This Flextronics Manufacturing Services Agreement ("**Agreement**") is entered into this 1st day of March 2009 by and between Enphase Energy, Inc. having its place of business at 201 1st Street, Suite 300, Petaluma, CA 94952 ("**Customer**") and Flextronics Industrial, LTD, having its place of business at Level 3, Alexander House 35 Cybercity, Ebene Mauritius ("**Flextronics**").

Customer desires to engage Flextronics to perform manufacturing services as further set forth in this Agreement. The parties agree as follows:

1. DEFINITIONS

Flextronics and Customer agree that capitalized terms shall have the meanings set forth in this Agreement and Exhibit 1 attached hereto and incorporated herein by reference.

2. MANUFACTURING SERVICES

2.1. **Work**. Customer hereby engages Flextronics to perform the work (hereinafter "**Work**"). "**Work**" shall mean to procure Materials and to manufacture, assemble, and test products (hereinafter "**Product(s)**") pursuant to detailed written Specifications. The "Specifications" for each Product or revision thereof, shall include but are not limited to bill of materials, designs, schematics, assembly drawings, process documentation, test specifications, current revision number, and Approved Vendor List. The Specifications as provided by Customer and included in Flextronics's production document management system and maintained in accordance with the terms of this Agreement are incorporated herein by reference as Exhibit 2.1. This Agreement includes new product introduction (NPI) to the extent that the estimated pricing for pilot build quantities of 30 units is listed in Exhibit 3.4. Pricing for other pilot runs is expected to be made using similar pricing methodologies.

2.2. **Engineering Changes**. Customer may request that Flextronics incorporate engineering changes into the Product by providing Flextronics with a description of the proposed engineering change sufficient to permit Flextronics to evaluate its feasibility and cost. Flextronics will proceed with engineering changes when the parties have agreed upon the changes to the Specifications, delivery schedule and Product pricing and the Customer has issued a purchase order for the implementation costs. The Customer Focus Team will analyze and incorporate at **[***]** expense the first **[***]** engineering changes per **[***]** affecting less than **[***]**% of the product BOM except for the following: new ICT fixtures & programs, tooling/equipment, etc. The CFT will provide an implementation quote for material E&O, direct labor and pilot build to validate the ECO change as warranted.

2.3. **Tooling; Non-Recurring Expenses; Software**. Customer shall pay for or obtain and consign to Flextronics any Product-specific tooling, equipment or software and other reasonably necessary non-recurring expenses, to be set forth in Flextronics's quotation. All software that Customer provides to Flextronics or any test software that Customer engages Flextronics to develop is and shall remain the property of Customer. At the time of signing this agreement, Customer consigned equipment shall include functional test sets, system test sets, Hi-Pot test equipment, a temperature chamber, 2 ENABLE servers, and a potting machine, as per the attached Exhibit 2.3.

2.4. **Cost Reduction Projects**. Flextronics agrees to seek ways to reduce the cost of manufacturing Products by methods such as elimination of Materials, redefinition of Specifications, and re-design of assembly or test methods. Upon implementation of such ways that have been initiated by Flextronics and approved by Customer, Flextronics will receive 100% of the demonstrated cost reduction for the balance of the quarter in which it is found. Customer will receive 100% of the demonstrated cost reduction upon implementation of such ways initiated by Customer. Costs shall be formally evaluated at the end of each quarter and standards shall be adjusted based upon that evaluation. **[***]** a costed BOM) shall be provided to Customer no later than 10 days before the end of the quarter. New standards will be effective for all shipments starting on the first day of each quarter. The parties shall mutually agree upon non-binding cost reduction targets during their quarterly business reviews.

2.5. **Factory Access**. Flextronics agrees to grant access as needed to the Canadian Standards Association (CSA) and other industry-standards entities for factory audits at no charge to Customer. It is anticipated that CSA will visit the factory 4 times per year.

2.6. **IT Support**. Customer requires a client-to-site connection to the Flextronics facility be available at all times to monitor production test equipment and to troubleshoot any potential problems. Flextronics shall provide a static internet connection, through which Customer can tunnel via a secure protocol such as VPN. Enphase shall provide pre-configured equipment for installation at the Flextronics facilities.

3. FORECASTS; ORDERS; FEES; PAYMENT

3.1. **Forecast**. Customer shall provide Flextronics, on a monthly basis, a rolling twelve (12) month forecast indicating Customer's monthly Product requirements. The first ninety (90) days of the forecast shall be in weekly time buckets and will constitute Customer's written purchase order for all Work to be completed within the first ninety (90) day period. Such purchase orders will be issued in accordance with Section 3.2 below.

3.2. **Purchase Orders; Precedence**. Customer may use its standard purchase order form for any notice provided for hereunder; provided that all purchase orders must reference this Agreement and the applicable Specifications. The parties agree that the terms and conditions contained in this Agreement shall prevail over any terms and conditions of any such purchase order, acknowledgment form or other instrument, unless specifically agreed in writing by both parties.

3.3. **Purchase Order Acceptance**. Purchase orders shall normally be deemed accepted by Flextronics, provided however that Flextronics may reject any purchase order: (a) that is an amended order in accordance with Section 5.2 below because the purchase order is outside of the Flexibility Table; (b) if the fees reflected in the purchase order are inconsistent with the parties' agreement with respect to the fees; *(c)* if the purchase order represents a significant deviation from the forecast for the same period, unless such deviation is within the parameters of the Flexibility Table; or (d) if a purchase order would extend Flextronics's liability beyond Customer's approved credit line. Flextronics shall notify Customer of rejection of any purchase order within five (5) business days of receipt of such purchase order.

3.4. **Fees; Changes; Taxes**.

(a) The fees will be agreed by the parties and will be indicated on the purchase orders issued by Customer and accepted by Flextronics. The initial fees shall be as set forth on the Fee List attached hereto and incorporated herein as Exhibit 3.4 (the "**Fee List**"). If a Fee List is not attached or completed, then the initial fees shall be as set forth in purchase orders issued by Customer and accepted by Flextronics in accordance with the terms of this Agreement.

(b) Customer is responsible for additional fees and costs due to: (a) changes to the Specifications except as permitted in Section 2.2; (b) failure of Customer or its subcontractor to timely provide sufficient quantities or a reasonable quality level of Customer Controlled Materials where applicable to sustain the production schedule; and (c) any pre-approved expediting charges reasonably necessary because of a change in Customer's requirements.

(c) All costs and fees will be evaluated quarterly during the quarterly business review. Any changes and timing of changes shall be agreed by the parties, such agreement not to be unreasonably withheld or delayed. By way of example only, the fees may be increased if the market price of fuels, Materials, equipment, labor and other production costs, increase beyond normal variations in pricing or currency exchange rates as demonstrated by Flextronics.

(d) All fees are exclusive of federal, state and local excise, sales, use, VAT, and similar transfer taxes, and any duties, and Customer shall be responsible for all such items. This subsection (d) does not apply to taxes on Flextronics's net income.

(e) The Fees List will be based on the exchange rate(s) for converting the purchase price for Inventory denominated in the Parts Purchase Currency(ies) into the Functional Currency. The fees will be adjusted, on a monthly basis based on changes in the Exchange Rate(s) as reported on the last business day of each month, for the following month to the extent that such Exchange Rates change more than +/- .75% from the prior month (the "Currency Window"). "Exchange Rate(s)" is defined as the closing currency exchange rate(s) as reported on

Reuters' page FIX on the last business day of the current month prior to the following month. "Functional Currency" means the currency in which all payments are to be made pursuant to Section 3.5 below. "Parts Purchase Currency(ies)" means U.S. Dollars, Japanese Yen and/or Euros to the extent such currencies are different from the Functional Currency and are used to purchase Inventory needed for the performance of the Work forecasted to be completed during the applicable month.

3.5. **Payment**. Customer agrees to pay all invoices in U.S. Dollars within **[***]** days of the date of the invoice.

3.6. **Late Payment**. Customer agrees to pay one and one-half percent (1.5%) monthly interest on all late payments. Furthermore, if Customer is late with payments, or Flextronics has reasonable cause to believe Customer may not be able to pay. Flextronics may (a) stop all Work under this Agreement until assurances of payment satisfactory to Flextronics are received or payment is received; (b) demand prepayment for purchase orders; and (c) delay shipments and (d) to the extent that Flextronics's personnel cannot be reassigned to other billable work during such stoppage and/or in the event restart cost are incurred, invoice Customer for additional fees before the Work can resume. Customer agrees to provide all necessary financial information required by Flextronics from time to time in order to make a proper assessment of the creditworthiness of Customer.

3.7. **Letter of Credit**. Within forty-five (45) days of Flextronics's request made at any time during the term of this Agreement, Customer agrees to obtain and maintain a stand-by letter of credit or such other financial instrument mutually agreed upon by the parties on behalf of Flextronics to support Customer's payment obligations set forth in this Agreement and to minimize the financial risk to Flextronics for its performance of the Work under this Agreement. The stand-by letter of credit or other mutually agreed upon financial instrument shall be for a minimum period of time of three (3) months and shall be for a total amount that is equal to the total value of the risks associated with Inventory, Special Inventory, and the accounts receivable from Customer. The calculation shall be based upon the forecast provided by Customer pursuant to Section 3.1. The draw down procedures under the stand-by letter of credit or other mutually agreed upon financial instrument shall be determined solely by Flextronics. Flextronics will, in good faith, review Customer's creditworthiness periodically and may provide more favorable terms once it feels it is prudent to do so. In addition, Flextronics agrees that no letter of credit shall be required from Customer as long as Customer has promptly paid all invoices in accordance with Section 3.5.

4. MATERIALS PROCUREMENT; CUSTOMER RESPONSIBILITY FOR MATERIALS

4.1. **Authorization to Procure Materials, Inventory and Special Inventory**. Customer's accepted purchase orders and forecast will constitute authorization for Flextronics to procure, without Customer's prior approval, (a) Inventory to manufacture the Products covered by such purchase orders based on the Lead Time and (b) certain Special Inventory based on Customer's purchase orders and forecast as follows: Long Lead-Time Materials as required based on the Lead Time when such purchase orders are placed and Minimum Order Inventory as required by the supplier. Flextronics will only purchase Economic Order Inventory with the prior approval of Customer. Flextronics will provide to Customer each quarter a list of all long lead time parts (greater than **[***]**) and the total quantity on order for each long lead time part.

4.2. **Customer Controlled Materials**. Customer may direct Flextronics to purchase Customer Controlled Materials in accordance with the Customer Controlled Materials Terms. Customer acknowledges that the Customer Controlled Materials Terms will directly impact Flextronics's ability to perform under this Agreement and to provide Customer with the flexibility Customer is requiring pursuant to the terms of this Agreement. In the event that Flextronics reasonably believes that Customer Controlled Materials Terms will create an additional cost that is not covered by this Agreement, then Flextronics will notify Customer and the parties will agree to either (a) compensate Flextronics for such additional costs, (b) amend this Agreement to conform to the Customer Controlled Materials Terms or (c) amend the Customer Controlled Materials Terms to conform to this Agreement, in each case at no additional charge to Flextronics. Customer agrees to provide copies to Flextronics of all Customer Controlled Materials Terms upon the execution of this Agreement and promptly upon execution of any new agreements with suppliers. Customer agrees not to make any modifications or additions to the Customer Controlled

Materials Terms or enter into new Customer Controlled Materials Terms with suppliers that will negatively impact Flextronics's procurement activities.

4.3. **Preferred Supplier**. Customer shall provide to Flextronics and maintain an Approved Vendor List. Flextronics shall purchase from vendors on a current AVL the Materials required to manufacture the Product. Customer shall give Flextronics an opportunity to be included on AVL's for Materials that Flextronics can supply, and if Flextronics is competitive with other suppliers with respect to reasonable and unbiased criteria for acceptance established by Customer, Flextronics shall be included on such AVL's. If Flextronics is on an AVL and its prices and quality are competitive with other vendors, Customer will raise no objection to Flextronics sourcing Materials from itself. For purposes of this Section 4.3 only, the term "Flextronics" includes any companies affiliated with Flextronics. For Flextronics sourced material, Flextronics must either provide a reasonable annual cost reduction based upon comparison to similar commodities or provide proof of competitive bidding on the Flextronics sourced parts on an annual basis.

4.4. **Customer Responsibility for Inventory and Special Inventory**. Customer is responsible under the conditions provided in this Agreement for all Materials, Inventory and Special Inventory purchased by Flextronics under this Section 4.

4.5. **Materials Warranties**. Flextronics shall use commercially reasonable efforts to obtain and pass through to Customer the following warranties with regard to the Materials (other than the Production Materials) i) conformance of the Materials with the vendor's specifications and/or with the Specifications; (ii) that the Materials will be free from defects in workmanship; (iii) that the Materials will comply with Environmental Regulations; and (iv) that the Materials will not infringe the intellectual property rights of third parties. Flextronics shall promptly inform Customer if it is not able to obtain and pass through the foregoing warranties with regard to any materials.

5. SHIPMENTS, SCHEDULE CHANGE, CANCELLATION, STORAGE

5.1. **Shipments**. All Products delivered pursuant to the terms of this Agreement shall be suitably packed for shipment in accordance with the Specifications and marked for shipment to Customer's destination specified in the applicable purchase order. Shipments will be made **[***]** at which time risk of loss and title will pass to Customer. Notwithstanding the foregoing, Customer shall reimburse Flextronics for all actual costs incurred by Flextronics in shipping the Products **[***]** which may include, but not be limited to, freight, insurance and other shipping expenses, and any expenses involved in the Customs clearance as well as any special packing expenses not included in the original quotation for the Products.

5.2. **Quantity Increases and Shipment Schedule Changes**.

(a) For any accepted purchase order, Customer may (i) increase the quantity of Products or (ii) reschedule the quantity of Products and their shipment date as provided in the flexibility table below (the "**Flexibility Table**"):

Maximum Allowable Variance From Accepted Purchase Order Quantities/Shipment Dates

# of days before Shipment Date on Purchase Order	Allowable Quantity Increases	Maximum Reschedule Quantity	Maximum Reschedule Period
0-14	0%	0%	0
15-30	**[***]**%	**[***]**%	**[***]**
31-60	**[***]**%	**[***]**%	**[***]** days
61-90	**[***]**%	**[***]**%	**[***]** days

Any decrease in quantity is considered a cancellation, unless the decreased quantity is rescheduled for delivery at a later date in accordance with the Flexibility Table. Quantity cancellations are governed by the terms of Section 5.3 below. Any purchase order quantities increased or rescheduled pursuant to this Section 5.2 (a) may not

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be subsequently increased or rescheduled, unless such subsequent increase or reschedule also conforms to the Flexibility Table.

(b) All reschedules to push out delivery dates outside of the table in subsection (a) require Flextronics's prior written approval, which, in its sole discretion, may or may not be granted. If Customer does not request prior approval from Flextronics for such reschedules, or if Customer and Flextronics do not agree in writing to specific terms with respect to any approved reschedule, then Customer will pay Flextronics the Monthly Charges for any such reschedule, calculated as of the first day after such reschedule for any Inventory and/or Special Inventory that was procured by Flextronics to support the original delivery schedule that is not used to manufacture Product pursuant to an accepted purchase order within thirty (30) days of such reschedule. In addition, if Flextronics notifies Customer that such Inventory and/or Special Inventory has remained in Flextronics's possession for more than ninety (90) days since such reschedule, then Customer agrees to immediately purchase any affected Inventory and/or Special Inventory upon receipt of the notice by paying the Affected Inventory Costs. In addition, any finished Products that have already been manufactured to support the original delivery schedule will be treated as cancelled as provided in Sections 5.3 and 5.4 below.

(c) Flextronics will use reasonable commercial efforts to meet any quantity increases, which are subject to Materials and capacity availability. All reschedules or quantity increases outside of the table in subsection (a) require Flextronics's approval, which, in its sole discretion, may or may not be granted. If Flextronics agrees to accept a reschedule to pull in a delivery date or an increase in quantities in excess of the flexibility table in subsection (a) and if there are extra costs to meet such reschedule or increase, Flextronics will inform Customer for its acceptance and approval in advance.

(d) Any delays in the normal production or interruption in the workflow process caused by Customer's changes to the Specifications or failure to provide sufficient quantities or a reasonable quality level of Customer Controlled Materials where applicable to sustain the production schedule, will be considered a reschedule of any affected purchase orders for purposes of this Section 5.2 for the period of such delay. In addition, Customer shall be responsible for costs related to adjusting foreign currency hedging contracts due to changes in cash flows resulting from such delays.

(e) For purposes of calculating the amount of Inventory and Special Inventory subject to subsection (b), the "**Lead Time**" shall be calculated as the Lead Time at the time of procurement of the Inventory and Special Inventory.

5.3. **Cancellation of Orders and Customer Responsibility for Inventory**.

(a) Customer may not cancel all or any portion of Product quantity of an accepted purchase order without Flextronics's prior written approval, which, in its sole discretion, may or may not be granted. If Customer does not request prior approval, or if Customer and Flextronics do not agree in writing to specific terms with respect to any approved cancellation, then Customer will pay Flextronics Monthly Charges for any such cancellation, calculated as of the first day after such cancellation for any Product or Inventory or Special Inventory procured by Flextronics to support the original delivery schedule. In addition, if Flextronics notifies Customer that such Product, Inventory and/or Special Inventory has remained in Flextronics's possession for more than thirty (30) days since such cancellation, then Customer agrees to immediately purchase from Flextronics, such Product, Inventory and/or Special Inventory by paying the Affected Inventory Costs. In addition, Flextronics shall calculate the cost or gain of unwinding any currency hedging contracts entered into by Flextronics to support the cancelled purchase order(s). Should the unwinding result in a loss to Flextronics, Customer agrees to cover such loss amount for Flextronics immediately upon receipt of an invoice for such amount. Should the unwinding result in a gain to Flextronics, a credit note will be immediately issued to Customer.

(b) If the forecast for any period is less than the previous forecast supplied over the same period, that amount will be considered canceled and Customer will be responsible for any Special Inventory purchased or ordered by Flextronics to support the forecast.

(c) Products that have been ordered by Customer and that have not been picked up in accordance with the agreed upon shipment dates shall be considered cancelled and Customer will be responsible for such Products in the same manner as set forth above in Section 5.3(a).

(d) For purposes of calculating the amount of Inventory and Special Inventory subject to subsection (a), the "Lead Time" shall be calculated as the Lead Time at the time of (i) procurement of the Inventory and Special Inventory; (ii) cancellation of the purchase order or (iii) termination of this Agreement, whichever is longer.

5.4. **Mitigation of Inventory and Special Inventory**. Prior to invoicing Customer for the amounts due pursuant to Sections 5.2 or 5.3, Flextronics will use reasonable commercial efforts for a period of thirty (30) days, to return unused Inventory and Special Inventory and to cancel pending orders for such inventory, and to otherwise mitigate the amounts payable by Customer. Customer shall pay amounts due under this Section 5 within thirty (30) days of receipt of an invoice. Flextronics will ship the Inventory and Special Inventory paid for by Customer under this Section 5.4 to Customer promptly upon said payment by Customer. In the event Customer does not pay within thirty (30) days, Flextronics will be entitled to dispose of such Inventory and Special Inventory in a commercially reasonable manner and credit to Customer any monies received from third parties. Flextronics shall then submit an invoice for the balance amount due and Customer agrees to pay said amount within thirty (30) days of its receipt of the invoice.

5.5. **No Waiver**. For the avoidance of doubt, Flextronics's failure to invoice Customer for any of the charges set forth in this Section 5 does not constitute a waiver of Flextronics's right to charge Customer for the same event or other similar events in the future.

5.6. **Delivery performance**. On time delivery shall be measured and reported to Customer on a monthly basis. Orders shall be considered on time if they are shipped from one week earlier than the scheduled shipment date up to one day after the scheduled shipment date. On-time delivery shall be the sole responsibility of Flextronics, except in cases where customer responsibility of inventory causes delays. If Flextronics can not meet the on time delivery requirement for any order due to Flextronics' failure to make a timely shipment, then Flextronics will ship that Order at Flextronics' own expense via air transportation or other expedient means acceptable to Customer.

6. PRODUCT ACCEPTANCE AND EXPRESS LIMITED WARRANTY

6.1. **Product Acceptance**. The Products delivered by Flextronics will be accepted upon delivery in accordance with section 5.1 of this Agreement. If Products do not comply with the express limited warranty set forth in Section 6.2 below, Customer has the right to reject such Products during said period. Products not rejected during said period will be deemed accepted. Customer may return defective Products, freight collect, after obtaining a return material authorization number from Flextronics to be displayed on the shipping container and completing a failure report. Rejected Products will be promptly repaired or replaced, at Flextronics's option, and returned freight pre-paid. Customer shall bear all of the risk, and all costs and expenses, associated with Products that have been returned to Flextronics for which there is no defect found.

6.2. **Express Limited Warranty**. This Section 6.2 sets forth Flextronics's sole and exclusive warranty and Customer's sole and exclusive remedies with respect to a breach by Flextronics of such warranty.

(a) Flextronics warrants that the Products will have been manufactured in accordance with the applicable Specifications and will be free from defects in workmanship for a period of 1 year from the date of shipment. In addition, Flextronics warrants that (A) Production Materials shall be used in compliance with Environmental Regulations, (B) Flextronics will not manufacture Products using Materials from vendors that are not on the Approved Vendor List, unless otherwise agreed in writing by Customer.

(b) Notwithstanding anything else in this Agreement, this express limited warranty does not apply to, and Flextronics makes no representations or warranties whatsoever with respect to: (i) Materials and/or Customer Controlled Materials; (ii) defects resulting from the Specifications or the design of the Products; (iii) Product that has been abused, damaged, altered or misused by any person or entity after title passes to Customer; (iv) first articles, prototypes, pre-production units, test units or other similar Products; (v) defects resulting from tooling, designs or instructions produced or supplied by Customer, or (vi) the compliance of Materials or Products with any Environmental Regulations. Customer shall be liable for costs or expenses incurred by Flextronics related to the foregoing exclusions to Flextronics's express limited warranty.

(c) Upon any failure of a Product to comply with this express limited warranty, Flextronics's sole obligation, and Customer's sole remedy, is for Flextronics, at its option, to promptly repair or replace such unit and return it to Customer freight prepaid. Customer shall return Products covered by this warranty freight prepaid after completing a failure report and obtaining a return material authorization number from Flextronics to be displayed on the shipping container. Customer shall bear all of the risk, and all costs and expenses, associated with Products that have been returned to Flextronics for which there is no defect found.

(d) Customer will provide its own warranties directly to any of its end users or other third parties. Customer will not pass through to end users or other third parties the warranties made by Flextronics under this Agreement. Furthermore, Customer will not make any representations to end users or other third parties on behalf of Flextronics, and Customer will expressly indicate that the end users and third parties must look solely to Customer in connection with any problems, warranty claim or other matters concerning the Product.

6.3. **No Representations or Other Warranties**. FLEXTRONICS MAKES NO REPRESENTATIONS AND NO OTHER WARRANTIES OR CONDITIONS ON THE PERFORMANCE OF THE WORK, OR THE PRODUCTS, EXPRESS, IMPLIED, STATUTORY, OR IN ANY OTHER PROVISION OF THIS AGREEMENT OR COMMUNICATION WITH CUSTOMER, AND FLEXTRONICS SPECIFICALLY DISCLAIMS ANY IMPLIED WARRANTY OR CONDITION OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT.

7. INTELLECTUAL PROPERTY LICENSES

7.1. **Licenses**. Customer hereby grants Flextronics a non-exclusive license during the term of this Agreement to use Customer's patents, trade secrets and other intellectual property as necessary to perform Flextronics's obligations under this Agreement.

7.2. **No Other Licenses**. Except as otherwise specifically provided in this Agreement, each party acknowledges and agrees that no licenses or rights under any of the intellectual property rights of the other party are given or intended to be given to such other party.

8. TERM AND TERMINATION

8.1. **Term**. The term of this Agreement shall commence on the date hereof above and shall continue until March 1, 2010 until terminated as provided in Section 8.2 (Termination) or 10.8 (Force Majeure). After the expiration of the initial term hereunder (unless this Agreement has been terminated), this Agreement shall be automatically renewed for separate but successive one-year terms unless either party provides written notice to the other party that it does not intend to renew this Agreement ninety (90) days or more prior to the end of any term.

8.2. **Termination**. This Agreement may be terminated by either party (a) for convenience upon ninety (90) days written notice to the other party or (b) if the other party defaults in any payment to the terminating party and such default continues without a cure for a period of fifteen (15) days after the delivery of written notice thereof by the terminating party to the other party, (c) if the other party defaults in the performance of any other material term or condition of this Agreement and such default continues unremedied for a period of thirty (30) days after the delivery of written notice thereof by the terminating party to the other party, or (d) pursuant to Section 10.8 (Force Majeure).

8.3. **Effect of Expiration or Termination**. Expiration or termination of this Agreement under any of the foregoing provisions: (a) shall not affect the amounts due under this Agreement by either party that exist as of the date of expiration or termination, and (b) as of such date the provisions of Sections 5.2, 5.3, and 5.4 shall apply with respect to payment and shipment to Customer of finished Products, Inventory, and Special Inventory in existence as of such date, and (c) shall not affect Flextronics's express limited warranty in Section 6.2 above. Termination of this Agreement, settling of accounts in the manner set forth in the foregoing sentence shall be the exclusive remedy of the parties for breach of this Agreement, except for breaches of Section 6.2, 9.1, 9.2, or 10.1. Sections 1, 3.5, 3.6, 3.7, 4, 5.3, 5.4, 6.2, 6.3, 7, 8, 9, and 10 shall be the only terms that shall survive any termination or expiration of this Agreement.

9. INDEMNIFICATION; LIABILITY LIMITATION

9.1. **Indemnification by Flextronics**. Flextronics agrees to defend, indemnify and hold harmless, Customer and all directors, officers, employees, and agents (each, a "**Customer Indemnitee**") from and against all claims, actions, losses, expenses, damages or other liabilities, including reasonable attorneys' fees (collectively, "**Damages**") incurred by or assessed against any of the foregoing, but solely to the extent the same arise out of third-party claims relating to:

(a) any actual or threatened injury or damage to any person or property caused, or alleged to be caused, by a Product sold by Flextronics to Customer hereunder, but solely to the extent such injury or damage has been caused by the breach by Flextronics of its express limited warranties related to Flextronics's workmanship and manufacture in accordance with the Specifications only as further set forth in Section 6.2;

(b) any infringement of the intellectual property rights of any third party but solely to the extent that such infringement is caused by a process that Flextronics uses to manufacture, assemble and/or test the Products; provided that, Flextronics shall not have any obligation to indemnify Customer if such claim would not have arisen but for Flextronics's manufacture, assembly or test of the Product in accordance with the Specifications; or

(c) noncompliance with any Environmental Regulations but solely to the extent that such non-compliance is caused by a process or Production Materials that Flextronics uses to manufacture the Products; provided that, Flextronics shall not have any obligation to indemnify Customer if such claim would not have arisen but for Flextronics's manufacture of the Product in accordance with the Specifications.

9.2. **Indemnification by Customer**. Customer agrees to defend, indemnify and hold harmless, Flextronics and its affiliates, and all directors, officers, employees and agents (each, a "**Flextronics Indemnitee**") from and against all Damages incurred by or assessed against any of the foregoing to the extent the same arise out of, are in connection with, are caused by or are related to third-party claims relating to:

(a) any failure of any Product (and Materials contained therein) sold by Flextronics hereunder to comply with any safety standards and/or Environmental Regulations to the extent that such failure has not been caused by Flextronics's breach of its express limited warranties set forth in Section 6.2 hereof;

(b) any actual or threatened injury or damage to any person or property caused, or alleged to be caused, by a Product, but only to the extent such injury or damage has not been caused by Flextronics's breach of its express limited warranties related to Flextronics's workmanship and manufacture in accordance with the Specifications only as further set forth in Section 6.2 hereof; or

(c) any infringement of the intellectual property rights of any third party by any Product except to the extent such infringement is the responsibility of Flextronics pursuant to Section 9. l(b) above.

9.3. **Procedures for Indemnification**. With respect to any third-party claims, either party shall give the other party prompt notice of any third-party claim and cooperate with the indemnifying party at its expense. The indemnifying party shall have the right to assume the defense (at its own expense) of any such claim through counsel of its own choosing by so notifying the party seeking indemnification within thirty (30) calendar days of the first receipt of such notice. The party seeking indemnification shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the indemnifying party. The indemnifying party shall not, without the prior written consent of the indemnified party, agree to the settlement, compromise or discharge of such third-party claim.

9.4. **Sale of Products Enjoined**. Should the use of any Products be enjoined for a cause stated in Section 9.1(b) or 9.2(c) above, or in the event the indemnifying party desires to minimize its liabilities under this Section 9, in addition to its indemnification obligations set forth in this Section 9, the indemnifying party's sole responsibility is to either substitute a fully equivalent Product or process (as applicable) not subject to such injunction, modify such Product or process (as applicable) so that it no longer is subject to such injunction, or obtain the right to continue using the enjoined process or Product (as applicable). In the event that any of the foregoing remedies cannot be effected on commercially reasonable terms, then, all accepted purchase orders and the current forecast will be considered cancelled and Customer shall purchase all Products, Inventory and Special Inventory as provided in Sections 5.3 and 5.4 hereof. Any changes to any Products or process must be made in accordance with

Section 2.2 above. Notwithstanding the foregoing, in the event that a third party makes an infringement claim, but does not obtain an injunction, the indemnifying party shall not be required to substitute a fully equivalent Product or process (as applicable) or modify the Product or process (as applicable) if the indemnifying party obtains an opinion from competent patent counsel reasonably acceptable to the other party that such Product or process is not infringing or that the patents alleged to have been infringed are invalid.

9.5. **No Other Liability**. **EXCEPT WITH REGARD TO A BREACH OF SECTIONS 9.1 AND 9.2 ABOVE OR SECTION 10.1 BELOW, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY "COVER" DAMAGES (INCLUDING INTERNAL COVER DAMAGES WHICH THE PARTIES AGREE MAY NOT BE CONSIDERED "DIRECT" DAMAGES), OR ANY INCIDENTAL, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES OF ANY KIND OR NATURE ARISING OUT OF THIS AGREEMENT OR THE SALE OF PRODUCTS, WHETHER SUCH LIABILITY IS ASSERTED ON THE BASIS OF CONTRACT, TORT (INCLUDING THE POSSIBILITY OF NEGLIGENCE OR STRICT LIABILITY), OR OTHERWISE, EVEN IF THE PARTY HAS BEEN WARNED OF THE POSSIBILITY OF ANY SUCH LOSS OR DAMAGE, AND EVEN IF ANY OF THE LIMITED REMEDIES IN THIS AGREEMENT FAIL OF THEIR ESSENTIAL PURPOSE.**

THE FOREGOING SECTION 9 STATES THE ENTIRE LIABILITY OF THE PARTIES TO EACH OTHER CONCERNING INFRINGEMENT OF PATENT, COPYRIGHT, TRADE SECRET OR OTHER INTELLECTUAL PROPERTY RIGHTS.

10. MISCELLANEOUS

10.1. **Confidentiality**.

(a) Each party shall refrain from using any and all Confidential Information of the disclosing party for any purposes or activities other than those specifically authorized in this Agreement. Except as otherwise specifically permitted herein or pursuant to written permission of the party to this Agreement owning the Confidential Information, no party shall disclose or facilitate disclosure of Confidential Information of the disclosing party to anyone without the prior written consent of the disclosing party, except to its employees, consultants, parent company, and subsidiaries of its parent company who need to know such information for carrying out the activities contemplated by this Agreement and who have agreed in writing to confidentiality terms that are no less restrictive than the requirements of this Section. Notwithstanding the foregoing, the receiving party may disclose Confidential Information of the disclosing party pursuant to a subpoena or other court process only (i) after having given the disclosing party prompt notice of the receiving party's receipt of such subpoena or other process and (ii) after the receiving party has given the disclosing party a reasonable opportunity to oppose such subpoena or other process or to obtain a protective order. Confidential Information of the disclosing party in the custody or control of the receiving party shall be promptly returned or destroyed upon the earlier of (i) the disclosing party's written request or (ii) termination of this Agreement. Confidential Information disclosed pursuant to this Agreement shall be maintained confidential for a period of three (3) years after the disclosure thereof. The existence and terms of this Agreement shall be confidential in perpetuity.

(b) Notwithstanding anything contained in this Section 10.1, a receiving Party may disclose the existence and terms of this Agreement if such information is required by Law to be disclosed under applicable law, including without limitation pursuant to the rules and regulations promulgated by the United States Securities and Exchange Commission.

10.2. **Use of Flextronics Name is Prohibited**. The existence and terms of this Agreement are Confidential Information and protected pursuant to Section 10.1 above. Accordingly, Customer may not use Flextronics's name or identity or any other Confidential Information in any advertising, promotion or other public announcement without the prior express written consent of Flextronics. Flextronics may not use Customer's name or identity or any other Confidential Information in any advertising, promotion or other public announcement without the express written consent of Customer.

10.3. **Entire Agreement; Severability**. This Agreement constitutes the entire agreement between the Parties with respect to the transactions contemplated hereby and supersedes all prior agreements and understandings between the parties relating to such transactions. If the scope of any of the provisions of this Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provisions shall be enforced to the

maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of this Agreement shall not thereby fail, but that the scope of such provisions shall be curtailed only to the extent necessary to conform to law.

10.4. **Amendments; Waiver**. This Agreement may be amended only by written consent of both parties. The failure by either party to enforce any provision of this Agreement will not constitute a waiver of future enforcement of that or any other provision. Neither party will be deemed to have waived any rights or remedies hereunder unless such waiver is in writing and signed by a duly authorized representative of the party against which such waiver is asserted.

10.5. **Independent Contractor**. Neither party shall, for any purpose, be deemed to be an agent of the other party and the relationship between the parties shall only be that of independent contractors. Neither party shall have any right or authority to assume or create any obligations or to make any representations or warranties on behalf of any other party, whether express or implied, or to bind the other party in any respect whatsoever.

10.6. **Expenses**. Each party shall pay their own expenses in connection with the negotiation of this Agreement. All fees and expenses incurred in connection with the resolution of Disputes shall be allocated as further provided in Section 10.11 below.

10.7. **Insurance**. Customer shall procure and/or maintain at its own expense the following insurance and will use commercially reasonable efforts to do so within sixty (60) days of the Effective Date: (i) commercial general liability insurance (including coverage for bodily injury, personal injury, property damage, contractual liability, products and completed operations) in an amount not less than One Million Dollars ($1,000,000.00) per occurrence; (ii) umbrella excess liability insurance in an amount not less than One Million Dollars ($1,000,000.00); and (iii) an errors and omissions insurance policy which covers Customer's obligations hereunder in an amount not less than One Million Dollars ($1,000,000.00). Such insurance shall be written by an insurance company with a Best's rating of at least A-VIII who is licensed to do business in all states of the United States. Customer shall furnish certificates of insurance and such other appropriate documentation (including evidence of renewal of insurance) evidencing all insurance coverage's set forth in this Section 10.6. Such certificates of insurance and other documentation shall name Flextronics and its officers, directors and employees as additional insured. Such certificates of insurance and other documentation shall contain a broad form naming Flextronics and its officers, directors and employees as an additional insured. Customer will provide Flextronics with at least thirty (30) days prior written notice of any cancellation or material alteration of the insurance coverage set forth in this Section 10.6. Failure by Flextronics to receive or request the aforementioned certificates of insurance and other documentation shall not represent a waiver of the requirements for insurance coverage set forth in this Section 10.7

10.8. **Force Majeure**. In the event that either party is prevented from performing or is unable to perform any of its obligations under this Agreement (other than a payment obligation) due to any act of God, acts or decrees of governmental or military bodies, fire, casualty, flood, earthquake, war, strike, lockout, epidemic, destruction of production facilities, riot, insurrection, Materials unavailability, or any other cause beyond the reasonable control of the party invoking this section (collectively, a "**Force Majeure**"), and if such party shall have used its commercially reasonable efforts to mitigate its effects, such party shall give prompt written notice to the other party, its performance shall be excused, and the time for the performance shall be extended for the period of delay or inability to perform due to such occurrences. Regardless of the excuse of Force Majeure, if such party is not able to perform within ninety (90) days after such event, the other party may terminate the Agreement.

10.9. **Successors, Assignment**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives. Neither party shall have the right to assign or otherwise transfer its rights or obligations under this Agreement except with the prior written consent of the other party, not to be unreasonably withheld. Notwithstanding the foregoing, Flextronics may assign some or all of its rights and obligations under this Agreement to an affiliated Flextronics entity.

10.10. **Notices**. All notices required or permitted under this Agreement will be in writing and will be deemed received (a) when delivered personally; (b) when sent by confirmed facsimile; (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (d) one (1) day after deposit with a commercial overnight carrier. All communications will be sent to the addresses set forth above or to such other address as may be designated by a party by giving written notice to the other party pursuant to this section.

10.11. **Disputes Resolution; Waiver of Jury Trial**.

(a) Except as otherwise provided in this Agreement, the following binding dispute resolution procedures shall be the exclusive means used by the parties to resolve all disputes, differences, controversies and claims arising out of or relating to the Agreement or any other aspect of the relationship between Flextronics and Customer or their respective affiliates and subsidiaries (collectively, "**Disputes**"). Either party may, by written notice to the other party, refer any Disputes for resolution in the manner set forth below.

(b) Any and all Disputes shall be referred to arbitration under the rules and procedures of Judicial Arbiter Group, Inc. ("**JAG**"), who shall act as the arbitration administrator (the "**Arbitration Administrator**").

(c) The parties shall agree on a single arbitrator (the "**Arbitrator**"). The Arbitrator shall be a retired judge selected by the parties from a roster of arbitrators provided by the Arbitration Administrator. If the parties cannot agree on an Arbitrator within seven (7) days of delivery of the demand for arbitration ("**Demand**") (or such other time period as the parties may agree), the Arbitration Administrator will select an independent Arbitrator.

(d) Unless otherwise mutually agreed to by the parties, the place of arbitration shall be Denver, Colorado, although the arbitrators may be selected from rosters outside Denver.

(e) The Federal Arbitration Act shall govern the arbitrability of all Disputes. The Federal Rules of Civil Procedure and the Federal Rules of Evidence (the "**Federal Rules**"), to the extent not inconsistent with this Agreement, govern the conduct of the arbitration. To the extent that the Federal Arbitration Act and Federal Rules do not provide an applicable procedure, Colorado law shall govern the procedures for arbitration and enforcement of an award, and then only to the extent not inconsistent with the terms of this Section. Disputes between the parties shall be subject to arbitration notwithstanding that a party to this Agreement is also a party to a pending court action or special proceeding with a third party, arising out of the same transaction or series of related transactions and there is a possibility of conflicting rulings on a common issue of law or fact.

(f) Unless otherwise mutually agreed to by the parties, each party shall allow and participate in discovery as follows:

(i) Non-Expert Discovery. Each party may (1) conduct three (3) non-expert depositions of no more than five (5) hours of testimony each, with any deponents employed by any party to appear for deposition in Denver, Colorado; (2) propound a single set of requests for production of documents containing no more than twenty (20) individual requests; (3) propound up to twenty written interrogatories; and (4) propound up to ten (10) requests for admission.

(ii) Expert Discovery. Each party may select a witness who is retained or specially employed to provide expert testimony and an additional expert witness to testify with respect to damages issues, if any. The parties shall exchange expert reports and documents under the same requirements as Federal Rules of Civil Procedure 26(a)(2) &(4).

(iii) Additional Discovery. The Arbitrator may, on application by either party, authorize additional discovery only if deemed essential to avoid injustice. In the event that remote witnesses might otherwise be unable to attend the arbitration, arrangements shall be made to allow their live testimony by video conference during the arbitration hearing.

(g) The Arbitrator shall render an award within six (6) months after the date of appointment, unless the parties agree to extend such time. The award shall be accompanied by a written opinion setting forth the findings of fact and conclusions of law. The Arbitrator shall have authority to award compensatory damages only, and shall not award any punitive, exemplary, or multiple damages. The award (subject to clarification or correction by the arbitrator as allowed by statute and/or the Federal Rules) shall be final and binding upon the parties, subject solely to the review procedures provided in this Section.

(h) Either party may seek arbitral review of the award. Arbitral review may be had as to any element of the award.

(i) This Agreement's arbitration provisions are to be performed in Denver, Colorado. Any judicial proceeding arising out of or relating to this Agreement or the relationship of the parties, including without limitation any

proceeding to enforce this Section, to review or confirm the award in arbitration, or for preliminary injunctive relief, shall be brought exclusively in a court of competent jurisdiction in the county of Denver, Colorado (the "Enforcing Court"). By execution and delivery of this Agreement, each party accepts the jurisdiction of the Enforcing Court.

(j) Each party shall pay their own expenses in connection with the resolution of Disputes pursuant to this Section, including attorneys' fees.

(k) Notwithstanding anything contained in this Section to the contrary, in the event of any Dispute, prior to referring such Dispute to arbitration pursuant to Subsection (b) of this Section, Customer and Flextronics shall attempt in good faith to resolve any and all controversies or claims relating to such Disputes promptly by negotiation commencing within ten (10) calendar days of the written notice of such Disputes by either party, including referring such matter to Customer's then-current President and Flextronics's then current executive in charge of manufacturing operations in the region in which the primary activities of this Agreement are performed by Flextronics. The representatives of the parties shall meet at a mutually acceptable time and place and thereafter as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the Dispute for a period of four (4) weeks. In the event that the parties are unable to resolve such Dispute pursuant to this Subsection (k), the provisions of Subsections (a) through (j) of this Section, inclusive, as well as Subsections (1), (m) and (n) of this Section shall apply.

(l) The parties agree that the existence, conduct and content of any arbitration pursuant to this Section shall be kept confidential and no party shall disclose to any person any information about such arbitration, except as may be required by law or by any governmental authority or for financial reporting purposes in each party's financial statements.

(m) IN THE EVENT OF ANY DISPUTE BETWEEN THE PARTIES, WHETHER IT RESULTS IN PROCEEDINGS IN ANY COURT IN ANY JURISDICTION OR IN ARBITRATION, THE PARTIES HEREBY KNOWINGLY AND VOLUNTARILY, AND HAVING HAD AN OPPORTUNITY TO CONSULT WITH COUNSEL, WAIVE ALL RIGHTS TO TRIAL BY JURY, AND AGREE THAT ANY AND ALL MATTERS SHALL BE DECIDED BY A JUDGE OR ARBITRATOR WITHOUT A JURY TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW.

(n) In the event of any lawsuit between the parties arising out of or related to this Agreement, the parties agree to prepare and to timely file in the applicable court a mutual consent to waive any statutory or other requirements for a trial by jury.

10.12. **Even-Handed Construction**. The terms and conditions as set forth in this Agreement have been arrived at after mutual negotiation, and it is the intention of the parties that its terms and conditions not be construed against any party merely because it was prepared by one of the parties.

10.13. **Controlling Language**. This Agreement is in English only, which language shall be controlling in all respects. All documents exchanged under this Agreement shall be in English.

10.14. **Controlling Law**. This Agreement shall be governed and construed in all respects in accordance with the domestic laws and regulations of the State of Colorado, without regard to its conflicts of laws provisions; except to the extent there may be any conflict between the law of the State of Colorado and the Incoterms of the International Chamber of Commerce, 2000 edition, in which case the Incoterms shall be controlling. The parties specifically agree that the 1980 United Nations Convention on Contracts for the International Sale of Goods, as may be amended from time to time, shall not apply to this Agreement. The parties acknowledge and confirm that they have selected the laws of the State of Colorado as the governing law for this Agreement in part because jury trial waivers are enforceable under Colorado law. The parties further acknowledge and confirm that the selection of the governing law is a material term of this Agreement.

10.15. **Counterparts**. This Agreement may be executed in counterparts.

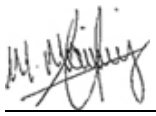
IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their duly authorized representatives as of the Effective Date.

ENPHASE ENERGY, INC.:

By: 

Title: CEO

FLEXTRONICS INDUSTRIAL, LTD:

By: 

Title: Director

Exhibit 1

Definitions

"**Affected Inventory Costs**"	shall mean: (i) **[***]**% of the Cost of all affected Inventory and Special Inventory in Flextronics's possession and not returnable to the vendor or reasonably usable for other customers, whether in raw form or work in process, less the salvage value thereof, (ii) **[***]**% of the Cost of all affected Inventory and Special Inventory on order and not cancelable, (iii) any vendor cancellation charges incurred with respect to the affected Inventory and Special Inventory accepted for cancellation or return by the vendor, (iv) the then current fees for any affected Product, and (v) expenses incurred by Flextronics related to labor and equipment specifically put in place to support the purchase orders and forecasts that are affected by such reschedule or cancellation (as applicable).
-"**Approved Vendor List**" or "**AVL**"	shall mean the list of suppliers currently approved to provide the Materials specified in the bill of materials for a Product.
"**Confidential Information**"	shall mean (a) the existence and terms of this Agreement and all information concerning the unit number and fees for Products and Inventory/Special Inventory and (b) any other information that is marked "Confidential" or the like or, if delivered verbally, confirmed in writing to be "Confidential" within 30 days of the initial disclosure. Confidential Information does not include information that (i) the receiving party can prove it already knew at the time of receipt from the disclosing party; or (ii) has come into the public domain without breach of confidence by the receiving party; (iii) was received from a third party without restrictions on its use; (iv) the receiving party can prove it independently developed without use of or reference to the disclosing party's data or information; or (v) the disclosing party agrees in writing is free of such restrictions.
"**Cost**"	shall mean the cost represented on the bill of materials supporting the most current fees for Products at the time of cancellation, expiration or termination, as applicable.
"**Customer Controlled Materials**"	shall mean those Materials provided by Customer or by suppliers with whom Customer has a commercial contractual or non-contractual relationship.
"**Customer Controlled Materials Terms**"	shall mean the terms and conditions that Customer has negotiated with its suppliers for the purchase of Customer Controlled Materials.
"**Customer Indemnitees**"	shall have the meaning set forth in Section 9.1.
"**Damages**"	shall have the meaning set forth in Section 9.1.
"**Disputes**"	shall have the meaning set forth in Section 10.1 l(a)
"**Economic Order Inventory**"	shall mean Materials purchased in quantities, above the required amount for purchase orders, in order to achieve price targets for such Materials.
"**Environmental Regulations**"	Shall mean any hazardous substance content laws and regulations including, without limitation, those related to the EU Directive 2002/95/EC about the Restriction of Use of Hazardous Substances (RoHS).
"**Fee List**"	shall have the meaning set forth in Section 3.4.
"**Flexibility Table**"	shall have the meaning set forth in Section 5.2.
"**Flextronics Indemnitee**"	shall have the meaning set forth in Section 9.2.
"**Force Majeure**"	shall have the meaning set forth in Section 10.8.
"**Inventory**"	shall mean any Materials that are used to manufacture Products that are ordered pursuant to a

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	purchase order from Customer.
"**Lead Time (s)**"	shall mean the Materials Procurement Lead Time plus the manufacturing cycle time required from the delivery of the Materials at Flextronics's facility to the completion of the manufacture, assembly and test processes.
"**Long Lead Time Materials**"	shall mean Materials with Lead Times exceeding the period covered by the accepted purchase orders for the Products.
"**Materials**"	shall mean components, parts and subassemblies that comprise the Product and that appear on the bill of materials for the Product.
"**Materials Procurement Lead Time**"	shall mean with respect to any particular item of Materials, the longer of (a) lead time to obtain such Materials as recorded on Flextronics's MRP system or (b) the actual lead time, if a supplier has increased the lead time but Flextronics has not yet updated its MRP system.
"**Minimum Order Inventory**"	shall mean Materials purchased in excess of requirements for purchase orders because of minimum lot sizes available from the supplier.
"**Monthly Charges**"	shall mean a finance carrying charge of one and one-half of one percent (1.5%) and a storage and handling charge of one-half of one percent (0.5%), in each case of the Cost of the Inventory and/or Special Inventory and/or of the fees for the Product affected by the reschedule or cancellation (as applicable) per month until such Inventory and/or Special Inventory and/or Product is returned to the vendor, used to manufacture Product or is otherwise purchased by Customer.
"**Product**"	shall have the meaning set forth in Section 2.1.
"**Production Materials**"	shall mean Materials that are consumed in the production processes to manufacture Products including without limitation, solder, epoxy, cleaner solvent, labels, flux, and glue. Production Materials do not include any such production materials that have been specified by the Customer or any Customer Controlled Materials.
"**Special Inventory**"	shall mean any Long Lead Time Materials and/or Minimum Order Inventory and/or Economic Order Inventory.
"**Specifications**"	shall have the meaning set forth in Section 2.1.
"**Work**"	shall have the meaning set forth in Section 2.1.

EXHIBIT 2.1

SPECIFICATIONS

Incorporated by reference only

EXHIBIT 2.3

CONSIGNED EQUIPMENT LIST

To be attached or incorporated by reference

Item	Manufacturer and Model
Cabinet	Hammond Manufacturing
PC	Dell Optiplex
Barcode Scanner	Symbol Tech. LSR4208-SR2000722R
[***]	**[***]**
[***]	**[***]**
[***]	**[***]**
[***]	**[***]**
[***]	**[***]**
[***]	**[***]**
[***]	**[***]**
[***]	**[***]**
[***]	**[***]**

Total Cost USD $**[***]**

Hi-Pot Test Station - List Of Equipment

Dielectric Analyzer	**[***]**

Total Cost USD $**[***]**

Initial Potting Machine and Material Supply Infrastructure for China CM - PM01

All Equipment supplied by Exact Dispensing (formerly known as Sheepscot)

[***]

[***]

[***]

[***]

[***]

[***]

[***]

[***] = CERTAIN INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

[***]

[***]

[***]

[***]

[***]

Estimated Value: USD $[***]

[***] = CERTAIN INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

EXHIBIT 3.4

FEES LIST

To be attached or incorporated by reference

Product	Minimum	Step 1	Step 2	Step 3	Step 4
PCU (Annual Quantity)	**50,000**	**87,000**	**150,000**	**225,000**	**350,000**
PCU (Quarterly Quantity)	**12,500**	**21,750**	**37,500**	**56,250**	**87,500**
Price	**$ [***]**	**$ [***]**	**$ [***]**	**$ [***]**	**$ [***]**
Dually (Annual Quantity)	**TBD**	**TBD**	**TBD**	**TBD**	**TBD**
Dually (Quarterly Quantity)	**TBD**	**TBD**	**TBD**	**TBD**	**TBD**
Price	**TBD**	**TBD**	**TBD**	**TBD**	**TBD**
EMU (Annual Quantity)	**2,100**	**3,700**	**4,400**	**6,600**	**7,800**
EMU (Quarterly Quantity)	**525**	**925**	**1,100**	**1,650**	**1,950**
Price	**$ [***]**	**$ [***]**	**$ [***]**	**$ [***]**	**$ [***]**

The following applies:

1. During the ramp-up of the Customers product shipments (April 2009 -September 2009), Step 1 pricing will be used.
2. Step quantities will be applied quarterly thereafter. The step quantities will be used as the basis for step pricing.
3. A true-up will be performed at the end of each quarter, to apply the appropriate step price for that quantity. Overages in quantity will be applied to the next quarter quantities. Additionally, a true up will be performed at the end of the first full year of production (April 2009 – April 2010) to make sure that customer has met the minimum quantity for step 1 pricing. Flextronics and customer will determine an appropriate method to account for product changes from Raptor to Dually since Dually will only be built at one-half the quantity of Raptor.
4. All scrap product will be purchased by the Customer, unless scrap was caused by Flextronics. Scrap will be shipped to customer and invoiced monthly.
5. The minimum quantity for each product must be reached each quarter except during the April 2009 – Sept 2009 ramp-up period. If the minimum quantity is not reached, further cost recovery from the Customer will be required.
6. Dually price will be quoted when RFQ is received.
7. Pricing for new or replacement products will be quoted as required.

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EXHIBIT 3.4

FEES LIST

To be attached or incorporated by reference

NRE Tooling Schedule

NRE for Enphase-Micro Inverter

			860-00003		830-00010				
			Forecast	$716	Forecast	87,000			
	Equipment	Unit price	Qty for Final	Sum	Qty for First	Sum	Lead time	Lifecycle	Remark
Process	Stencil (Trial Run)	US$[***]	2	US$[***]	2	US$[***]	3 days	2 year life cycle	EOL7000times
	Stencil (MP)	US$[***]	4	US$[***]	6	US$[***]	3 days		
	SMT programming	US$[***]	10	US$[***]	10	US$[***]	3 days		
	Template for screen machine	US$[***]	2	US$[***]	6	US$[***]	3 days		
	Template for placement machine	US$[***]	2	US$[***]	6	US$[***]	3 days		
	Fixture for Band part	US$[***]	2	US$[***]	2	US$[***]	3 days		
	Fixture for Final Assembly	US$[***]	2	US$[***]	4	US$[***]	3 days		
	Wave soldering panel	US$[***]	15	US$[***]	15	US$[***]	7 days		
	Fixture for touch up solder	US$[***]	1	US$[***]	2	US$[***]	3 days		
	Fixture for PCBA clearing	US$[***]	1	US$[***]	1	US$[***]	3 days		
	Inspection templet	US$[***]	4	US$[***]	6	US$[***]	3 days		
	PCB Division fixture	US$[***]	1	US$[***]	2	US$[***]	3 days		Spare part 1set
	Fixture for LCD assemble	US$[***]		US$[***]		US$[***]	3 days		
	Nozzle for Mini-Wave	US$[***]	0	US$[***]	0	US$[***]	5 days		Rework for MI part
Test	ICT Fixture (TR518)	US$[***]	1	US$[***]	1	US$[***]	21 days	EOL 300000times	
	Hil-Pot Fixture	US$[***]		US$[***]	1	US$[***]	21 days	EOL 500000times	
Material Tooling	PCB, EMU_PLC	US$[***]	1	US$[***]		US$[***]	6weeks		FOB HK
	STAMPING, BASE, M175. SINGLE, R7 PCB PCU	US$[***]		US$[***]	1	US$[***]	4Weeks		EXW OG
	STAMPING LID, M175, SINGLE, R7 PCB PCU	US$[***]		US$[***]	1	US$[***]	4weeks		EXW DG
	CBL ASSY, DC INPUT, M/F, TYPE III, WOVERMOLD	US$[***]		US$[***]	1	US$[***]	14 weeks		EXW
	CABLE ASSEMBLY, CPC BULKHEAD, AC, M/F, M175-240-24-S	US$[***]		US$[***]	1	US$[***]	14weeks		EXW
	PCB, PCU, M175-24-277-S	US$[***]		US$[***]	1	US$[***]	8 weeks		FOB HK
				US$[***]		US$[***]			

Assume,

1. The NRE Cost does not include Function teal Fixture and HASS forture

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2. The NRE Cost does not include Potting equipment and forture

3. The NRE does not include NRE for IC programming

4 Assume we will use TR51B to DO ICT

5. Exchange rate based on 1USD=6 836RMB and 1USD=7 764HKD

Follow-on NRE Tooling Schedule

Item description	Cost(USD)	Comments
Stencil	$ [***]	Typical charge but can vary according to pca design.
Template for screen machine	$ [***]	Typical charge but can vary according to pca design
SMT Programming	$ [***]/hr	Typically will take 10 hours to program SMT equipment depending on changes to original program.
Template for placement machine	$ [***]	Typical charge but can vary according to pca design
Fixture for bend part	$ [***]	Fixtures are unique and will be quoted based on its intended function
Fixture for final assembly	$ [***]	Fixtures are unique and will be quoted based on its intended function
Wave solder panel	$ [***]	Typical charge but can vary according to pca design
Fixture for touch-up solder	$ [***]	Fixtures are unique and will be quoted based on its intended function
Fixture for PCBA cleaning	$ [***]	Fixtures are unique and will be quoted based on its intended function
Inspection template	$ [***]	$[***]
PCB division fixture	$ [***]	$[***]
ICT Fixture	$ [***]	Fixtures are unique and will be quoted based on its intended function – based on TR518 equip.
ICT Programming	$ [***]/hr	hrs will be quoted based on pca complexity and per ICT access
HI-POT Fixture	$ [***]	Fixtures are unique and will be quoted based on its intended function

The table assumes that there is no significant change in product design between revisions. Extensive changes to the product that will require higher costs will be agreed to by both Flextronics and EnPhase.

These costs shall be reviewed on a bi-annual basis to make adjustments for cost increases on wages, overhead and materials.

Context Engineering Fee Schedule (Chinese National rates)*

Item description	Cost (USD)
Sr. Test Engineer (Mgr level)	$[***]-$[***]/month
Test Engineer	$[***]-$[***]/month
Sr. Test Technician	$ [***]-$[***]/month

* Similar rates for process engineers

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NPI FEES

To be attached or incorporated by reference

Quote Summary for PCU NPI

Quantity	30
Depreciation Cost	US$ **[***]**
Direct Labor Cost	US$ **[***]**
Indirect Direct Labor Cost	US$ **[***]**
SG & A (3% at BOM cost)	US$ **[***]**
IDM&packing Cost	US$ **[***]**
Power consumption and facility cost	US$ **[***]**
Material Loss / Scrap (1%)	US$ **[***]**
Total Manufacturing Cost/Unit	US$ **[***]**
BOM Cost	US$ **[***]**
Profit	**[***]%**
Target sales price	**US$ [***]**
VAM/Unit	**US$ [***]**
Total VAM	**US$ [***]**
NRE cost	**US$ [***]**

Remark:

1. The cost does not include logistics cost
2. The cost does not include potting process cost
3. The cost does not include Function tester depreciation
4. The NRE cost is for pilot run only
5. The cost includes ICT, Hi-Pot and Function only
6. The pilot run production does not carry warranty
7. The cost does not include DFX
8. The NRE cost will according to actual cost

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TABLE OF ASSUMPTIONS

1) To perform Industrial Engineering analysis.

2) This is a prelim quote for Enphase – Micro Inverter PCBA

3) Demand state: EMU: 3716/year, PCU: 87K/year

4) The calculated manpower and cycle time is estimated , strictly based on process flow provided by customer

1	This quotation is based upon the information and documentation provided by customer. All product changes subsequent to initial quotation and prior to initial production are subject to the re-quotation of pricing.
2	Payment terms are **[***]**.
3	NRE Payment Terms: **[***]**
4	Pricing is valid for quoted volumes only. If actual volumes do not meet quoted volume, pricing will be adjusted per Exhibit 3.4.
5	The Customer bears the cost of administration, test labor, rework cost, packaging, and return freight for items returned to Flextronics NDF (No Defect Found).
6	Process are quoted as Lead-Free Compliant.
7	Pricing is exclusive of all taxes, duties, similar charges, unless otherwise noted
8	This quotation is valid for a period of 30 days from the date of this quotation. Flextronics reserves the right to revise this quotation for orders placed past this 30-day period.
9	All product changes subsequent to initial quotation and prior to initial production are subject to re-quotation of pricing All engineering change orders shall be priced separately from this quotation and subject to Section 2.2.
10	Both parties shall sign a Manufacturing Service Agreement once services and price are agreed upon.
1	Lead-Free process was used for the labor portion of this quotation unless otherwise noted.
2	Quote assumes design is fully optimized to Flextronics standards for manufacturability (DFM & DFT will be quoted separately)
3	All workmanship performed at Flextronics will adhere strictly to the IPC-A-610D standard.
4	Quote may be revised to reflect actual yield and test times.
5	Any additional work, inclusive of development, prototyping, qualification activities, as well as design and related rework are excluded and will incur additional charges.
6	Changes in fabrication, tooling and fixturing arising from engineering, logistics and packaging changes are excluded from the pricing.
7	NRE does not include NRE for programming for components unless otherwise noted.
8	Maintenance costs, including spares and replacement parts of consigned functional test equipment and fixtures are not included in this quote.
9	Assume ICT run in **[***]** Tester.
10	Assume all Function testers, HAAS tester will be consigned
11	Quote does not include nitrogen cost
12	Assume all potting equipment, tools and unique accessories will be consigned
12	All test time has been provided by customer
1	CBOM supplied by Global material team.

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1 Shipment term DDP to Flextronics California

1 After called and email with Peihua.the variance between DG and Enphase are:

1. The temperature range is the same, **[***]**.
2. Temperature cycling rate is **[***]** for Enphase and **[***]** for DG.
3. Recycle time is 5min for ambient to cold and 5min for ramp up to hot.DG is **[***]** respectively.

2 Therefore, considering the machine size, the usage for Enphase will be almost the same as DG.

3 The **[***]** for **[***]** is about: **[***]**.

4 The Price of **[***]** is about **[***]** so the cost is about **[***]**

5 Base on the demand (2009 and 2010), the average UPH is about 1000pcs/day.

Therfore the cost for each piece is about **[***]**

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CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AS AMENDED. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

LICENSE AND TECHNOLOGY TRANSFER AGREEMENT

This License and Technology Transfer Agreement (the "Agreement") effective this 21st day of December, 2007 (the "Effective Date") by and between Ariane Controls inc., ("Ariane") and Enphase Energy Inc., ("Enphase"). (Ariane and Enphase may be referred to individually as a "Party" and collectively as the "Parties").

Article 1 - DEFINITIONS

1.1 "Field of Use" means use in products for the solar energy market.

1.2 "Licensed Technology" means Patents and Technology.

1.3 "Patents" means patents, patent applications, statutory invention registrations, including reissues, divisions, continuations, continuations in part, and reexaminations in all countries owned by Ariane, as well as such properties that Ariane has the right to sublicense as of the Effective Date or in the future. Patents owned by Ariane as of the Closing are listed in Exhibit A.

1.4 "Support" means technical support provided to Enphase by Ariane through e-mail, telephone, on-site training and consultation, and support for implementation into Enphase products containing Licensed Technology.

1.5 "Technology" means all intellectual property including software, netlists, assembly code, Verilog code, RTL code, firmware, microcode, algorithms, schematics, copyrights, proprietary designs, plans, processes, test procedures, manufacturing procedures, mask works, mask work registrations, any unpublished research and development information, inventions (whether or not patentable), technical data and information, trade secrets, and know how owned or licensable by Ariane as of the Effective Date or in the future relating to Ariane's PLM-1 ASIC including that technology described in Exhibit B.

Article II - LICENSE

2.1 Subject to the payments and conditions of Articles 2.2 and 2.6, Ariane grants to Enphase a fully paid, **[***]** irrevocable, worldwide, license, with right to sublicense in the Field of Use, to use Licensed Technology and to make, have made, use, sell, import, export, offer for sale, or otherwise transfer product and to practice processes using the Licensed Technology.

2.2 Ariane agrees that, for a period of seven (7) years after the Effective Date, that it will not grant licenses in the Licensed Technology to any third party who is a manufacturer of electronic circuits, components or systems specifically intended for use in the Field of Use.

2.3 Enphase, and others acting on its behalf, has the right to modify Licensed Technology and prepare Derivative Works thereof. Enphase will own all Derivative Works and other modifications.

2.4 No other license, express or implied, is granted by Ariane to Enphase under this Agreement.

2.5 Before disclosing Licensed Technology to any third party for purposes permitted by (his Agreement, Enphase shall cause said third party to enter into a confidentiality agreement with regard to the Licensed Technology. Such confidentiality agreement shall be at least as restrictive as the confidentiality provisions of Article VI of this Agreement and shall include provisions expressly precluding said third party from transferring Licensed Technology to any other party.

2.6 Enphase shall pay a license fee in the amount of **[***]** United States Dollars (US $**[***]**) (the "License Fee") to Ariane in consideration for the license granted in Article 2.1(a). The License Fee shall be paid in two equal installments of **[***]** United States Dollars (US $**[***]**) on the Effective Date and on June 1, 2008. In the event that it. is later discovered that the Technology delivered by Ariane to Enphase does not include the exact software used by Ariane to implement the Ariane PLM-1 ASIC, this license shall terminate by written notice from Enphase to Ariane and Ariane shall immediately return to Enphase the entire License Fee.

2.7 All payments by Enphase to Ariane payable under this Agreement shall be made in U.S. dollars by wire transfer of same day funds to Ariane's bank account as follows:

Bank Name; Caisse Centrale Desjardins (Montreal, Canada)
SWIFT; CCDQCAMM
Branch Name; Caisse Populaire Desjardins de Sainte-Foy
Institution; 0815
Branch/Transit number; 20480
[***]
Beneficary Name; Ariane Controls/ Les Controles Ariane
Major Correspondent; Bank of New York, NY, USA ABA
Number: 021000018
SWIFT: IRVTUS3N

2.8 Warranty:

Article III - INTELLECTUAL PROPERTY INFRINGEMENT

3.1 Ariane represents and warrants that as of the Effective Date of this Agreement, to Ariane's knowledge and belief, Licensed Technology as delivered docs not infringe a patent, copyright mask work rights or trade secrete of any third party. Reference herein to "knowledge" or "belief," shall include the knowledge and belief of Ariane's officers and their direct reports having responsibility for the creation, maintenance or licensing of any of the Licensed Technology as delivered. This is the entire representation and warranty of Ariane under this Agreement.

3.2 Indemnity: Ariane will indemnity and hold Enphase harmless against all costs, claims, demands, and expenses (including reasonable attorneys' fees) arising out of or in connection with any claims dial use or possession of the Licensed Technology as delivered to Enphase by Ariane infringes any copyright, mask work right, trade secrets, trademark right and/or Patent, having an effective filing date prior to the Effective Date, up to the limitation of liability under Article 3.5.

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3.3 If any item of Licensed Technology becomes, or in the opinion of Ariane is likely to become, the subject of an infringement claim or action, Ariane shall at Ariane's option (1) replace or modify the Licensed Technology with a functional equivalent, or (2) return the entire License Fee paid to Ariane by Enphase.

3.4 Exceptions: Ariane will have no liability under this Article III for any claim or action where: (i) such claim or action would have been avoided but for modifications of the Licensed Technology by anyone other than Ariane; (ii) such claim or action would have been avoided but for the combination or use of the Licensed Technology, or portions thereof, with other products, processes or materials not supplied or specified in writing by Ariane; (iii) Enphase continues allegedly infringing, after being informed of modifications that would have avoided the alleged infringement: or (iv) Enphase's use of the Licensed Technology is not strictly in accordance with the terms of this Agreement. Enphase will be liable for all damages, costs, expenses, settlements and attorneys' fees related to any claim of infringement against Enphase arising as a result of (i)-(iv) above.

3.5 LIMITATION OF LIABILITY: IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, PUNITIVE, CONSEQUENTIAL OR OTHER SPECIAL DAMAGES. IN NO EVENT WILL EITHER PARTY HAVE ANY LIABILITY TO THE OTHER PARTY UNDER THIS AGREEMENT IN AN AMOUNT EXCEEDING THE LICENSE FEES PAID TO ARIANE BY ENPHASE UNDER THIS AGREEMENT.

3.6 THE FOREGOING PROVISIONS OF THIS ARTICLE III STATE THE ENTIRE LIABILITY AND OBLIGATIONS OF ARIANE, AND THE EXCLUSIVE REMEDY OF ENPHASE, WITH RESPECT TO ANY ACTUAL OR ALLEGED INFRINGEMENT OF ANY THIRD PARTY INTELLECTUAL PROPERTY RIGHTS BY THE LICENSED TECHNOLOGY.

Article IV - TECHNOLOGY TRANSFER AND SUPPORT

4.1 Ariane will deliver the Technology listed in Exhibit B to Enphase free of charge within thirty (30) days after the Effective Date in the format specified by Enphase. Enphase may terminate this Agreement upon Ariane's failure to deliver the Technology within the time specified in this Article 4.1. In the event that Enphase terminates this Agreement for this reason, Ariane shall immediately return to Enphase the **[***]** United States Dollars (US $**[***]**) paid by Enphase to Ariane on the Effective Date.

4.2 Ariane shall provide to Enphase up to one hundred (100) hours hours of Support at no additional cost to Enphase except for reasonable travel and subsistence expenses in accordance with Ariane's corporate travel policy when such travel is requested in writing by Enphase. Support will begin on the same date as the first delivery of the Technology as described in Exhibit B and end ninety (90) days after delivery of the last item of Technology to Enphase as described in B. For a period of three (3) years from the Effective Date, Ariane will deliver to Enphase, at no cost to Enphase, all fixes and updates to the Technology for Ariane's PLM-1 ASIC.

4.2 Additional Support: Enphase may purchase additional Support at a rate of Seventy-Five US Dollars (US $75.00) per hour per hour.

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Article V - TERM

5.1 Term: This Agreement shall be effective on the Effective Date and shall remain in force for a period of seventy five years unless earlier terminated by mutual agreement of the Parties or under Article 2.6 or Article 4.1.

5.2 Termination: If, during the term of this Agreement, Ariane makes an assignment for the benefit of creditors, or shall go into liquidation or a receiver or trustee shall be appointed for its property, or if proceedings for voluntary bankruptcy are instituted on its behalf, or is declared bankrupt or insolvent by a court of competent jurisdiction, Enphase may terminate this Agreement or may retain its rights hereunder as provided in 11 USC 365 and other United States law.

5.3 Surviving Rights: The Articles of this Agreement shall survive the expiration or termination of this Agreement for any reason whatsoever to the degree necessary to permit their complete fulfillment or discharge.

5.4 Effects of Termination: Termination of this Agreement by either Party under this Article V shall not prejudice the right of either Party to recover payments due at the time of termination or which become due after termination based upon rights vested prior to termination and shall not prejudice any cause of action or claim of either Party or accruing under this Agreement. Upon termination of this Agreement under this Article V, Enphase shall retain no right, title, interest or license to any of Ariane's Licensed Technology except as expressly provided herein.

Article VI - CONFIDENTIALITY

6.1 Confidentiality: All proprietary information disclosed by one Party to the other Party pursuant to this Agreement shall be disclosed in writing marked with a "Proprietary" legend or, if first disclosed otherwise, it shall be identified by the disclosing Party as proprietary at the time of disclosure and shall, within thirty (30) days thereafter, be reduced to writing so marked and transmitted to the receiving Party. (Such disclosed and identified information is referred to as "Proprietary Information".)

6.2 Each Party agrees to receive and hold in confidence any Proprietary Information disclosed to it by the other Party and to safeguard such Proprietary Information in accordance with that standard of care ordinarily exercised by the receiving Party in safeguarding its own proprietary information of like importance, but in no case below a reasonable standard of care. Use of the Licensed Technology by Enphase and its licensees in their business operations including in integrated circuits, sales literature and products shall not constitute disclosure.

6.3 The obligations above shall not apply to the disclosure of any such data which:

a) At the time of disclosure, is in the public domain;

b) After disclosure, lawfully enters the public domain;

c) The receiving Party can demonstrate by written evidence, that the same is already known to it, prior to receiving it from the disclosing Party;

d) The receiving Party can demonstrate by written evidence, the same was developed by the receiving Party independently of the information disclosed by the disclosing Party; or

c) After disclosure, is obtained from a third party who is lawfully in possession of such information and is under no duty to maintain the information on a confidential basis.

6.4 The receiving Party shall use the Proprietary Information received by it from the disclosing Party only for the purpose(s) set forth in the foregoing provisions of this Agreement.

6.5 The Parties shall treat existence, and terms and conditions of this Agreement as confidential and shall not disclose them to any third parties during the term of this Agreement and thereafter.

Article VII - MISCELLANEOUS PROVISIONS

7.1 Construction: The captions appearing herein are inserted only as a matter of convenience and in no way define, limit or describe the scope or intent of this Agreement or any provision hereof. The plural shall be substituted for the singular in any place in which the context may require such substitution.

7.2 Assignment: Enphase may not assign this Agreement without Ariane's prior written approval except in connection with the *bona fide* independent third-party sale or merger of the business related to the subject matter of this Agreement, whether by sale of all the assets of the business or otherwise. Any assignment in violation of this Article shall be null and void.

7.3 No Waiver: Failure by either Party to enforce any provision of this Agreement will not be deemed a waiver of future enforcement of that or any other provision.

7.4 Choice of Law: This Agreement will be governed by and construed in accordance with the substantive laws of the United States and the State of California, without regard to or application of provisions relating to conflicts of law. Any litigation arising under this Agreement will be brought exclusively in the federal or state courts of California, and the Parties hereby consent to the personal jurisdiction and venue of such courts.

7.5 Invalidity of Particular Provisions: If, for any reason, a court of competent jurisdiction finds any provision of this Agreement to be unenforceable, that provision of the Agreement will be enforced to the maximum extent permissible to affect the intent of the Parties, and the remainder of this Agreement will continue in full force and effect.

7.6 Relationship of The Parties: Nothing in this Agreement shall create any association, partnership or joint venture between the Parties hereto, it being understood and agreed that the Parties are independent contractors and no Party shall have any authority to bind another Party in any way.

7.7 Notices: All notices required or permitted under this Agreement will be in writing and delivered by confirmed facsimile transmission, by courier or overnight delivery service, or by certified mail, and in each instance will be deemed given upon receipt. All communications will be sent to the addresses set forth as follows or to such other address as may be specified by either Party to the other in accordance with this Article.

Ariane Controls Inc:
4913 Lionel-Groulx
Suite 22
Saint-Augustin, Quebec
G3A IV1 CANADA

If to Enphase:
Enphase Energy, Inc.
201 First Street
Suite 111
Petaluma, CA 94952

Either Party may change its address for notice purposes by written notice to the other Party.

7.8 Publicity: Neither Party may use the other's name in its advertising or promotional literature and activities without the other's prior written consent.

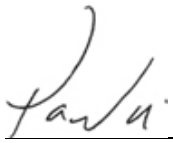
7.9 Export: Enphase agrees not to export or re-export any technical information, data, plans or designs originating from Ariane or any direct products of such information, data, plans or designs, either directly or indirectly, to any country or countries that would violate U.S. export control laws or regulations, without first obtaining any required export license or U.S. government approval.

7.10 Entire Agreement: This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof, and supersedes and replaces all prior and contemporaneous understandings, communications or agreements, written or oral, regarding such subject matter. This Agreement may be executed in one or more counterparts, each of which will constitute an original, but taken together will constitute one and the same instrument.

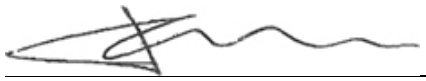
IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in duplicate by their duly authorized representatives.

[signatures on the following page]

Enphase Energy, Inc.

By: 
Name: Paul Nahi
Title: President & CEO
Date: December , 2007

Ariane Controls, Inc.

By: 
Name: Jean-Pierre Fournier
Title: President
Date: January 7, 2008

MANUFACTURING RIGHTS.

1. Ariane grants to Enphase a **[***]**, fully paid, non-exclusive. non-sublicensable (except to have made for Enphase) right and license to place orders for Product with, to purchase Product from and receive delivery of Product directly from Ariane's suppliers and to use, sell, import, export, offer for sale, or otherwise transfer Product using the Licensed Technology and manufacturing information supplied by Ariane to its suppliers for the applicable Product. The right and license shall only be exercisable by Enphase if Ariane fails to deliver a Product to Enphase, because (a) Ariane files for bankruptcy protection under Chapter 7 or Chapter 11 of the U.S. Bankruptcy Code or a receiver is appointed for Ariane and Ariane fails to deliver a Product to Enphase under this Agreement or a Purchase Order for a period of forty five (45) consecutive days after Enphase provides written notice of such failure or (b) fails for any other reason whatsoever to deliver a Product to Enphase under this Agreement for a period of forty five (45) consecutive days after Enphase provides written notice of such failure. Failure to deliver means failure to deliver the ordered quantities of acceptable Product within eight (8) weeks of the date of a Purchase Order.

2. "Product" means Ariane's PLM-1 ASIC.

3. In the event that the conditions of Paragraph 1 have been satisfied and Ariane's suppliers cease to manufacture Product, Ariane grants to Enphase a **[***]** fully paid, non-exclusive, non-sublicensable (except to have made for Enphase) license to use the Licensed Technology for Product for the sole and limited purpose for Enphase to make, have made, use, sell, import, export, offer for sale, or otherwise transfer Product.

4. Ariane agrees that it will at all times keep Enphase apprised of the identity of its suppliers of Product until Enphase notifies Ariane that it no longer wishes to purchase Product. Ariane agrees that it will notify each supplier of Product in writing of the existence of this Agreement with a copy to Enphase.

5. The Parties agree that Ariane's failure to notify its supplier that it has failed to deliver as that term is defined in Paragraph 1 would cause irreparable harm to Enphase that cannot be adequately compensated at law. Accordingly, the parties agree that Enphase shall be entitled to seek injunctive relief requiring to Ariane or a receiver for Ariane to confirm in writing to Ariane's supplier that a failure to deliver has occurred.

[***] = CERTAIN INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

EXHIBIT: A
PATENTS
List Patents

US PATENT No 5,852,636
Title; METHOD OF AND APPARATUS FOR MODULATION OF FSK CARRIER IN A VERY NARROW BAND

EXHIBIT B
TECHNOLOGY

Technology shall mean all available technical information relating to Ariane's PLM-1 ASIC including software, netlists, assembly code, Verilog code, RTL code, firmware, microcode, algorithms, schematics, copyrights, proprietary designs, plans, processes, test procedures, manufacturing procedures, mask works, mask work registrations, any unpublished research and development information, inventions (whether or not patentable), technical data and information, trade secrets, and know how owned or licensable by Ariane as of the Effective Date or in the future relating to Ariane's PLM-1 ASIC and further including:

- RTL source code – with all code comments
    - RTL must be exactly the same as that used in the PLM-1 ASIC that we are purchasing.
- Test bench for validation
- Test vectors
- Synthesis scripts/constraints
- Documentation
    - Theory of operation
    - Block diagrams
    - Register level interface
    - Programming guide
    - Data sheet
    - Errata
- Build environment
- Revision history
- Supply chain details for the die, package and test
    - Contact information
    - Packaging part number(s)
    - Assembly diagrams
    - Production test vectors
- Low level driver source code
    - ATMELLIBPLM (C Library)
    - Documentation
    - Revision history

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Amendment No. 5 to Registration Statement No. 333-174925 on Form S-1 of our report dated April 29, 2011 (January 31, 2012 as to Note 15) relating to the consolidated financial statements of Enphase Energy, Inc. appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading “Experts” in such Prospectus.

/s/ DELOITTE & TOUCHE LLP
San Francisco, California
January 31, 2012