Enphase Energy, Inc.
Form 424B3
April 09, 2019
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Filed Pursuant to Rule 424(b)(3)

Registration No. 333-228774

PROSPECTUS

$5,000,000

4.00% Convertible Senior Notes due 2023

and

Common Stock Issuable upon Conversion of the Affiliate Notes

An affiliate of ours who is a director and a stockholder, Thurman John Rodgers, purchased through a trust controlled by him (the Selling Securityholder) $5.0 million aggregate principal amount of our 4.00% Convertible Senior Notes due 2023 (the Affiliate Notes). The Affiliate Notes were sold in a private placement that was completed in August 2018 currently with the sale and issuance of $60,000,000 aggregate principal amount of our 4.00% Convertible Senior notes due 2023, which were offered and sold to qualified institutional buyers as defined in Rule 144A under the Securities Act (the Primary Offering). The Affiliate Notes constitute part of the same series as the notes issued and sold in the Primary Offering (the Primary Offering Notes and collectively with the Affiliate Notes, the Notes or the notes).

This prospectus will be used by the Selling Securityholder to resell the Affiliate Notes and any shares of our common stock issuable upon conversion of the Affiliate Notes. We will not receive any of the proceeds from the sale of the Affiliate Notes or such shares of our common stock by the Selling Securityholder.

Holders may convert the Affiliate Notes at their option at any time prior to the close of business on the business day immediately preceding the maturity date of the Affiliate Notes. Upon conversion of an Affiliate Note, we will deliver for each $1,000 principal amount of converted Affiliate Notes a number of shares of our common stock equal to the conversion rate (along with cash in lieu of any fractional share) as described in this prospectus. The conversion rate will initially be 180.0180 shares of common stock per $1,000 principal amount of the Affiliate Notes (equivalent to an initial conversion price of approximately $5.56 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest.

The Affiliate Notes will bear interest at a rate of 4.00% per year, payable semiannually in arrears on February 1 and August 1 of each year, beginning on February 1, 2019. The Affiliate Notes will mature on August 1, 2023, unless earlier converted or repurchased. We may not redeem the Affiliate Notes prior to their maturity date, and no sinking fund is provided for the Affiliate Notes.

The Affiliate Notes will be our general unsecured obligations and will: rank senior to any of our indebtedness that is expressly subordinated in right of payment to the Notes; rank equal in right of payment to any of our indebtedness that is not so subordinated; be effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and be structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

The Selling Securityholder identified in this prospectus, or its permitted transferees or other successors-in-interest that may be identified in a supplement to this prospectus or, if required, a post-effective amendment to the registration statement of which this prospectus is a part, may offer the Affiliate Notes and, as applicable, shares of our common stock issuable upon conversion of the Affiliate Notes, from time to time through public or private transactions at fixed prices, at prevailing market prices, at varying prices determined at the time of sale, or at privately negotiated prices.

We provide more information about how the Selling Securityholder may sell the Affiliate Notes and shares of common stock issuable upon conversion of the Affiliate Notes in the section entitled Plan of Distribution beginning on page 46 of this prospectus.

The Affiliate Notes are not listed on any securities exchange or any automated dealer quotation system. Our common stock is listed on the Nasdaq Global Market under the symbol ENPH. On April 8, 2019, the last reported sale price of our common stock on the Nasdaq Global Market was $10.24.

Investing in the Affiliate Notes and our common stock involves a high degree of risk. You should review carefully the risks and uncertainties included herein under the heading Risk Factors on page 4 of this prospectus.

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

The date of this prospectus is April 9, 2019.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission (the SEC) using the shelf registration process. Under this process, the Selling Securityholder may from time to time, in one or more offerings, sell the Affiliate Notes and shares of our common stock issuable upon conversion of the Affiliate Notes, as described in this prospectus.

You should rely only on the information contained in or incorporated by reference into this prospectus (as supplemented and amended). We have not authorized anyone to provide you with different information. This document may only be used where it is legal to sell these securities. The information contained in this prospectus (and in any supplement or amendment to this prospectus) is accurate only as of the date on the front of the document, and any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus or any sale of the Affiliate Notes or shares of our common stock issuable upon conversion of the Affiliate Notes. Our business, financial condition, results of operations and prospects may have changed since those dates.

We urge you to read carefully this prospectus (as supplemented and amended), together with the information incorporated herein by reference as described under the heading Incorporation of Certain Information by Reference before deciding whether to invest in any of the Affiliate Notes or shares of our common stock issuable upon conversion of the Affiliate Notes.

This prospectus incorporates by reference market data, industry statistics and other data that have been obtained from, or compiled from, information made available by third parties. We have not independently verified their data. This prospectus and the information incorporated herein by reference include trademarks, service marks and trade names owned by us or other companies. All trademarks, service marks and trade names included or incorporated by reference into this prospectus are the property of their respective owners.

As used in this prospectus, references to Enphase, we, our and us refer to Enphase Energy, Inc. and its subsidiaries, unless otherwise specified i this prospectus.

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PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere or incorporated by reference into this prospectus and may not contain all of the information that is important to you. You should read this prospectus carefully, including the risks and uncertainties included herein under the heading Risk Factors beginning on page 4 in this prospectus and incorporated by reference from our most recent annual report on Form 10-K, as the same may be amended, supplemented or superseded by the risks and uncertainties described under similar headings in other documents that are filed by us after the date hereof and incorporated by reference into this prospectus, before making an investment decision.

Company Overview

We are a global energy technology company, delivering smart, easy-to-use solutions that connect solar generation, storage and communications management on one intelligent platform. We revolutionized solar with our microinverter technology and produce the world s only truly integrated solar-plus-storage solution. We have shipped more than 19 million microinverters, representing over 4 gigawatts of solar photovoltaic (PV) generating capacity, and more than 855,000 Enphase residential and commercial systems have been deployed in over 125 countries.

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 corporate offices are located at 47281 Bayside Parkway, Fremont, CA, 94538, and our telephone number is (707) 774-7000. Our website is located at www.enphase.com. Information found on, or accessible through, our website is not a part of, and is not incorporated into, this prospectus, and you should not consider it part of this prospectus. Our website address is included in this document as an inactive textual reference only.

Risk Factors

Investing in the Affiliate Notes and our common stock involves a high degree of risk. See Risk Factors on page 4 below.

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Summary Description of the Affiliate Notes

The summary below describes the principal terms of the Affiliate Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of Notes section of this prospectus contains a more detailed description of the terms and conditions of the Affiliate Notes. When the Selling Securityholder offers and sells any securities pursuant to a prospectus supplement, we may include additional information relevant to the terms of the offering in the prospectus supplement.

Issuer:	Enphase Energy, Inc., a Delaware corporation.
Securities:	$5,000,000 aggregate principal amount of 4.00% Convertible Senior Notes due 2023 and up to 990,099 shares of our common stock issuable upon conversion of such Affiliate Notes.
Maturity:	August 1, 2023, unless earlier converted or repurchased.
Interest:	4.00% per year. Interest will accrue from August 17, 2018 and will be payable semiannually in arrears on February 1 and August 1 of each year, beginning on February 1, 2019.
Conversion Rights:	Holders may convert all or any portion of the Affiliate Notes, in multiples of $1,000 principal amount, at their option at any time prior to the close of business on the business day immediately preceding the maturity date.
	The conversion rate for the Affiliate Notes is initially 180.0180 shares of common stock per $1,000 principal amount of Affiliate Notes (equivalent to an initial conversion price of approximately $5.56 per share of common stock), subject to adjustment as described in this prospectus.
	Upon conversion, we will deliver for each $1,000 principal amount of Affiliate Notes converted a number of shares of our common stock equal to the conversion rate (together with a cash payment in lieu of delivering any fractional share) on the second business day following the relevant conversion date.
	Holders will not receive any additional cash payment or additional shares representing accrued and unpaid interest, if any, upon conversion of any Affiliate Notes, except in limited circumstances. Instead, interest will be deemed to be paid by the delivery of the shares of our common stock, together with a cash payment for any fractional share, upon conversion of any Affiliate Notes.
No Redemption:	We may not redeem the Affiliate Notes prior to the maturity date, and no sinking fund is provided for the Affiliate Notes.
Ranking:	The Affiliate Notes and the Primary Offering Notes will be our general unsecured obligations and will: rank senior to our indebtedness that is expressly subordinated in right of payment to the Notes; rank equal in right of payment to any of our indebtedness that is not so subordinated; be effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and be structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

Nasdaq Global Market Symbol for our Common Stock:	Our common stock is listed on The Nasdaq Global Market under the symbol ENPH. The Affiliate Notes are not listed on any securities exchange or any automated quotation system.
Trustee, Paying Agent and Conversion Agent:	U.S. Bank National Association

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RISK FACTORS

An investment in the Affiliate Notes and shares of our common stock issuable upon conversion of the Affiliate Notes involves a high degree of risk. Before deciding whether to invest in the Affiliate Notes or shares of our common stock, you should consider carefully the risk factors and all other information included in, or incorporated by reference into, this prospectus, including those included in our most recent Annual Report on Form 10-K filed with the SEC on March 15, 2019, as the same may be amended, supplemented or superseded by the risks and uncertainties described under similar headings that are filed by us after the date hereof and incorporated by reference into this prospectus. Additional risks not currently known to us or that we currently believe are immaterial may also significantly impair our business operations. Please also read carefully the section below entitled Special Note Regarding Forward-Looking Statements. When the Selling Securityholder offers and sells any securities pursuant to a prospectus supplement, if applicable, we may include additional risk factors relevant to such securities in the prospectus supplement.

Risks Related to the Notes

The Notes are our unsecured senior obligations and will rank equally with all of our existing and future senior unsecured indebtedness but will be effectively subordinated to our secured debt and structurally subordinated to any debt and other liabilities of our subsidiaries.

The Notes will be our general unsecured obligations. The Notes will rank senior to our indebtedness that is expressly subordinated in right of payment to the notes, and will rank equal in right of payment to any of our indebtedness that is not so subordinated. The Notes will also be effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness, and will be structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure debt effectively ranking senior to the Notes will be available to pay obligations on the Notes only after the secured debt has been repaid in full from these assets. There may not be sufficient assets remaining to pay amounts due on any or all of the Notes then outstanding. The indenture governing the Notes (the Indenture) does not prohibit us from incurring additional indebtedness, including secured indebtedness, nor does it prohibit any of our subsidiaries from incurring additional liabilities.

The Notes are our obligations only and our operations are conducted through, and a substantial portion of our consolidated assets are held by, our subsidiaries.

The Notes are our obligations exclusively and are not guaranteed by any of our operating subsidiaries. A substantial portion of our consolidated assets is held by our subsidiaries. Accordingly, our ability to service our debt, including the Notes, depends on the results of operations of our subsidiaries and upon the ability of such subsidiaries to provide us with cash, whether in the form of dividends, loans or otherwise, to pay amounts due on our obligations, including the Notes. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to make payments on the Notes or to make any funds available for that purpose. In addition, dividends, loans or other distributions to us from such subsidiaries may be subject to contractual and other restrictions (including under the Loan Agreement) and are subject to other business and tax considerations.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations, including our obligations under the Notes.

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Recent and future regulatory actions and other events may adversely affect the trading price and liquidity of the Notes.

We expect that many investors in, and potential purchasers of, the Notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the Notes. Investors would typically implement such a strategy by selling short the common stock underlying the Notes and dynamically adjusting their short position while continuing to hold the Notes. Investors may also implement this type of strategy by entering into swaps on our common stock in lieu of or in addition to short selling the common stock.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules and take other actions, that may impact those engaging in short selling activity involving equity securities (including our common stock). Such rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc. and the national securities exchanges of a Limit Up-Limit Down program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts the ability of investors in, or potential purchasers of, the Notes to effect short sales of our common stock, borrow our common stock or enter into swaps on our common stock could adversely affect the trading price and the liquidity of the Notes.

We may still incur substantially more debt or take other actions which would intensify the risks discussed above.

We and our subsidiaries may be able to incur substantial additional debt, subject to our future debt instruments, some of which may also be secured debt. We will not be restricted under the terms of the indenture governing the Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indenture governing the notes that could have the effect of diminishing our ability to make payments on the notes when due.

We may not have the ability to raise the funds necessary to repurchase the Notes upon a fundamental change, and our future debt may contain limitations on our ability to repurchase the Notes.

Holders of the Notes will have the right to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, as described under Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes surrendered therefor.

Our ability to repurchase the Notes may be limited by law, by regulatory authority or by the agreements governing our future indebtedness. Our failure to repurchase tendered Notes at a time when the repurchase is required by the Indenture would constitute a default under the Indenture. A default under the Indenture could lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes.

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

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

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

Substantial sales of our common stock may make it more difficult for us to sell equity or equity-linked securities, such as the Notes, in the future at a time and at a price that we deem appropriate. These sales also could cause our stock price and the trading price of the Notes to fall and make it more difficult for you to sell the Notes or the shares of our common stock you receive upon conversion of your Notes.

The market price of our common stock could also be affected by possible sales of our common stock by investors who view the Notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our common stock. This trading activity could, in turn, affect the trading price of the Notes.

Holders of the Notes will not be entitled to any rights with respect to our common stock, but they will be subject to all changes made with respect to them to the extent our conversion obligation includes shares of our common stock.

Holders of the Notes will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock) prior to the conversion date with respect to any Notes they surrender for conversion, but they will be subject to all changes affecting our common stock. For example, if an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date with respect to any Notes surrendered for conversion, then the holder surrendering such Notes will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common stock.

The Notes are not protected by restrictive covenants.

The Indenture governing the Notes does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture contains no covenants or other provisions to afford protection to holders of the Notes in the event of a fundamental change or other corporate transaction involving us except to the extent described under Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes, Description of Notes Conversion Rights Increase in Conversion Rate upon Conversion upon a Make-Whole Fundamental Change and Description of Notes Consolidation, Merger or Sale of Assets.

The increase in the conversion rate for Notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction.

If a make-whole fundamental change occurs prior to the maturity date, under certain circumstances, we will increase the conversion rate by a number of additional shares of our common stock for Notes converted in connection with such make-whole fundamental change. The increase in the conversion rate will be determined based on the date on which the specified corporate transaction becomes effective and the price paid (or deemed to be paid) per share of our common stock in such transaction, as described below under Description of Notes Conversion Rights Increase in Conversion Rate upon Conversion upon a Make-Whole Fundamental Change.

The increase in the conversion rate for notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost value of your Notes as a result of such transaction. In addition, if the price per share of our common stock paid (or deemed paid) in the transaction is greater than $20.00 per share or less than $5.05 per share (in each case, subject to adjustment), no additional shares will be added to the conversion rate. Moreover, in no event will the conversion rate per $1,000 principal amount of notes as a result of this adjustment exceed 198.0198 shares of common stock, subject to adjustment in the same manner as the conversion rate as set forth under Description of Notes Conversion Rights Conversion Rate Adjustments.

Our obligation to increase the conversion rate for Notes converted in connection with a make-whole fundamental change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

The conversion rate of the Notes may not be adjusted for all dilutive events.

The conversion rate of the Notes is subject to adjustment for certain events, including, but not limited to, the issuance of certain stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, cash dividends and certain issuer tender or exchange offers as described under Description of Notes Conversion Rights Conversion Rate Adjustments. However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the Notes or our common stock. An event that adversely affects the value of the Notes may occur, and that event may not result in an adjustment to the conversion rate.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the Notes.

Upon the occurrence of a fundamental change, you have the right to require us to repurchase your Notes. However, the fundamental change provisions will not afford protection to holders of Notes in the event of other transactions that could adversely affect the Notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us may not constitute a fundamental change requiring us to repurchase the Notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the Notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of Notes.

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In addition, absent the occurrence of a fundamental change or a make-whole fundamental change as described under Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes or Description of Notes Conversion Rights Increase in Conversion Rate upon Conversion upon a Make-Whole Fundamental Change, changes in the composition of our board of directors will not provide holders with the right to require us to repurchase the Notes or to an increase in the conversion rate upon conversion.

We cannot assure you that an active trading market will develop for the Notes.

Prior to the offering of the Notes, there has been no trading market for the Notes, and we do not intend to apply to list the Notes on any securities exchange or to arrange for quotation on any automated dealer quotation system. The initial purchasers of the Primary Offering Notes indicated that they intended to make a market in the Primary Offering Notes offered in the Primary Offering. However, the initial purchasers may cease their market-making at any time without notice. In addition, the liquidity of the trading market in the Notes and the market price quoted for the Notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that an active trading market will develop for the Notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. In that case, you may not be able to sell your Notes at a particular time or you may not be able to sell your notes at a favorable price.

Any adverse rating of the Notes may cause their trading price to fall.

We do not intend to seek a rating on the Notes. However, if a rating service were to rate the Notes and if such rating service were to lower its rating on the Notes below the rating initially assigned to the Notes or otherwise announces its intention to put the Notes on credit watch, the trading price of the Notes could decline.

You may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the Notes even though you do not receive a corresponding cash distribution.

The conversion rate of the Notes is subject to adjustment in certain circumstances, including the payment of cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you may be deemed to have received a dividend subject to U.S. federal income tax without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the conversion rate after an event that increases your proportionate interest in us could be treated as a deemed taxable dividend to you. If a make-whole fundamental change occurs prior to the maturity date, under some circumstances, we will increase the conversion rate for Notes converted in connection with the make-whole fundamental change. Such increase may also be treated as a distribution subject to U.S. federal income tax as a dividend. If you are a Non-U.S. Holder (as defined under Certain U.S. Federal Income Tax Considerations below), any deemed dividend would generally be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable treaty, which may be set off against subsequent payments on the notes. For more information, see Certain U.S. Federal Income Tax Considerations.

Risks Related to Our Common Stock

The market price of our common stock may be volatile or may decline regardless of our operating performance, which could adversely impact the trading price of the Notes.

The market price of our common stock has been and could be subject to wide fluctuations in response to, among other things, the risk factors described in, or incorporated by reference into, this prospectus, and other factors beyond our control, such as, quarterly variations in operating results, announcements of technological innovations or new products by us or our competitors, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors may deem comparable to us, and new reports relating to trends in our markets or general economic conditions. Furthermore, stock markets at times 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, regardless of our operating performance. Holders who receive common stock upon conversion of the Notes also will be subject to the risk of volatility and depressed prices of our common stock.

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In addition, 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 and the trading price of the Notes.

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 continue to lead to volatility in our stock price as research analysts and investors respond to these quarterly fluctuations. This volatility may affect the price at which you could sell the common stock you receive upon conversion of your Notes as well as the value of your Notes.

These fluctuations are due to numerous factors, including:

- seasonal and other 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;

- the impact of tariffs on the solar industry in general and on our products in particular;

- 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;

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- our ability to estimate future warranty obligations due to product failure rates, claim rates or replacement costs;
- our ability to forecast our customer demand and manufacturing requirements, and manage our inventory;
- fluctuations in our gross profit;
- our ability to predict our revenue and plan our expenses appropriately;
- fluctuations in foreign currency exchange rates;
- announcement of acquisitions or dispositions of our assets or business operations;
- issuances of our common stock or equity-linked securities such as the Notes;
- changes in our management; and
- analyst reports or other news articles.

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 and the trading price of the notes Notes 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, and the trading price of the Notes, could decline.

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

If we fail to meet the continued listing standards of Nasdaq, our common stock may be delisted, which could have a material adverse effect on the liquidity and market price of our common stock and the trading price of the Notes.

Our common stock is currently traded on The Nasdaq Global Market. The Nasdaq Stock Market LLC (the Nasdaq) has requirements that a company must meet in order to remain listed. There can be no assurance that we will continue to meet these requirements in the future. If we fail to meet any such requirements, the Nasdaq may initiate a delisting process. If our common stock were to be delisted, the liquidity of our common stock would be adversely affected and the market price of our common stock and the trading price of the Notes could decrease significantly.

In addition, if we were to be delisted from the Nasdaq, the delisting would constitute a fundamental change under the indenture governing the Notes, which would require us to offer to repurchase the Notes. However, we may not have sufficient cash to repurchase the Notes and the payment of the fundamental change repurchase price may be restricted by the terms of our future debt instruments. See We may not have the ability to raise the funds necessary to repurchase the Notes upon a fundamental change, and our future debt may contain limitations on our ability to repurchase the Notes.

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

Our affiliated stockholders, executive officers and directors collectively own a significant percentage of our common stock. This significant concentration of share ownership may adversely affect the trading price for our common stock and the Notes 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.

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We currently do not intend to pay dividends on our common stock and, consequently, your only opportunity to achieve a return on the shares of our common stock you receive upon conversion of your Notes 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. Consequently, investors in the Notes or our common stock only have an opportunity to achieve a return on the shares of our common stock they hold or receive upon conversion if the market price of our common stock appreciates and the investor sells its shares at a profit.

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

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

- providing for a classified board of directors with staggered, three-year terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;

- not providing for cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;

- authorizing our board of directors to issue, without stockholder approval, preferred stock rights senior to those of common stock, which could be used to significantly dilute the ownership of a hostile acquiror;

- prohibiting stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;

- requiring the affirmative vote of holders of at least 66(2)/3% of the voting power of all of the then outstanding shares of voting stock, voting as a single class, to amend provisions of our certificate of incorporation relating to the management of our business, our board of directors, stockholder action by written consent, advance notification of stockholder nominations and proposals, forum selection and the liability of our directors, or to amend our bylaws, which may inhibit the ability of stockholders or an acquiror to effect such amendments to facilitate changes in management or an unsolicited takeover attempt;

- requiring special meetings of stockholders may only be called by our chairman of the board, if any, our chief executive officer, our president or a majority of our board of directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including 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 Corporation Law may prohibit large stockholders, in particular those owning 15% or more of our outstanding common stock, from engaging in certain business combinations, without approval of substantially all of our stockholders, for a certain period of time.

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

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, any prospectus supplement and the documents incorporated by reference herein or any such prospectus supplement include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Private Securities Litigation Reform Act of 1995. Also, documents that we incorporate by reference into this prospectus that we subsequently file with the SEC will include forward-looking statements. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words may, will, could, should, expect, anticipate, intend, believe, project, plan, assume or other similar expressions, or negatives of those expressions, although not all forward-looking statements contain these identifying words. All statements contained in or incorporated by reference into this prospectus regarding future operating or financial performance, business strategies, technology developments, financing and investment plans, competitive position, industry and regulatory environment, potential growth opportunities, the effects of competition, expense levels, liquidity sources, timing of new product releases, and with respect to our completed transactions under the Asset Purchase Agreement with SunPower Corporation, or SunPower, involve known and unknown risks, uncertainties and other factors which 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. Some of the factors that we believe could affect our results include:

- our ability to improve our liquidity and to achieve profitability;
- our ability to reduce product costs and operating expenses;
- the future demand for solar energy solutions;
- the reduction, elimination or expiration of government subsidies and economic incentives for on-grid solar electricity applications;
- the impact of tariffs and other government actions on the solar industry, our products and international trade;
- our ability to achieve and realize the anticipated benefits of the Master Supply Agreement with SunPower that became effective upon the closing of the transactions under the Asset Purchase Agreement with SunPower;
- our ability to achieve broader market acceptance of our microinverter systems;

- our reliance on sole-source and limited-source suppliers for key components and products;
- changes in the retail price of electricity derived from the utility grid or alternative energy sources;
- our ability to raise additional capital on favorable terms to execute on our current or future business opportunities;
- changes in international trade policy or the imposition of new laws or regulations that materially harm our business;
- the threat of global economic, capital markets and credit disruptions that pose risks for our business;
- our ability to retain key personnel and effectively manage our workforce during our planned expansion into new markets;
- the ability of potential owners of solar PV systems to secure financing on acceptable terms;
- change in seasonal trends, natural disasters, construction cycles, terrorist or cyber-attacks, or other catastrophic events;
- our ability to develop new and enhanced products in response to customer demands and rapid market and technological changes in the solar industry;

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- our ability to compete effectively with existing and new competitors; and
- the success of competing solar solutions that are or become available.

While we believe that we have a reasonable basis for each forward-looking statement, we caution you that these statements are based on a combination of facts and factors currently known by us and our projections of the future, about which we cannot be certain. We discuss many of these risks, uncertainties and other factors in greater detail under the heading Risk Factors contained in our annual report on Form 10-K for the fiscal period ended December 31, 2018, filed with the SEC on March 15, 2019, and incorporated by reference in this prospectus, as the same may be amended, supplemented or superseded by the risks and uncertainties described under similar headings in the other documents that we file after the date hereof and are incorporated by reference into this prospectus. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date such forward-looking statements are made. You should carefully read this prospectus, together with the information incorporated herein by reference as described under the heading Incorporation of Certain Information by Reference, completely and with the understanding that our actual future results may be materially different from what we expect. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our business, results of operations and financial condition. We hereby qualify all of our forward-looking statements by these cautionary statements.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, 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. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

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USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the Affiliate Notes or shares of our common stock issuable upon conversion of the Affiliate Notes by the Selling Securityholder.