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

Form 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

Commission file number: 001-33107

CANADIAN SOLAR INC.
(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)
Canada

(Jurisdiction of incorporation or organization)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common shares with no par value	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

55,161,856 common shares issued and outstanding which were not subject to restrictions on voting, dividend rights and transferability, as of December 31, 2014.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

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INTRODUCTION

Unless otherwise indicated, references in this annual report on Form 20-F to:

- "CSI," "we," "us," "our company" and "our" are to Canadian Solar Inc., a Canadian company, its predecessor entities and its consolidated subsidiaries;
- "$," "US$" and "U.S. dollars" are to the legal currency of the United States, or U.S.;
- "RMB" and "Renminbi" are to the legal currency of China;
- "C$" and "Canadian dollars" are to the legal currency of Canada;
- "€" and "Euro" are to the legal currency of the Economic and Monetary Union of the European Union;
- "Yen" and "Japanese yen" are to the legal currency of Japan;
- "W," "kW," "MW" and "GW" are to watts, kilowatts, megawatts and gigawatts, respectively;
- "AC" and "DC" are to alternating current and direct current, respectively;
- "PV" is to photovoltaic. The photovoltaic effect is a process by which sunlight is converted into electricity;
- "EPC" is to engineering, procurement and construction;
- "shares" and "common shares" are to common shares, with no par value, of Canadian Solar Inc.;
- "China" and the "PRC" are to the People's Republic of China, excluding, for the purposes of this annual report on Form 20-F, Taiwan and the special administrative regions of Hong Kong and Macau; and
- "EU" refers to the European Union.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2012, 2013 and 2014 and as of December 31, 2013 and 2014.

We use the noon buying rate in The City of New York for cable transfers in Renminbi, Euros, Japanese yen and Canadian dollars per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York to translate Renminbi, Euros and Canadian dollars to U.S. dollars not otherwise recorded in our consolidated financial statements and included elsewhere in this annual report. Unless otherwise stated, the translation of Renminbi, Euros and Canadian dollars into U.S. dollars was made by the noon buying rate in effect on December 31, 2014, which was RMB6.2046 to $1.00, €0.8264 to $1.00, Japanese yen 119.8500 to $1.00 and C$1.1601 to $1.00. We make no representation that the Renminbi, Euro, Canadian dollar, or U.S. dollar amounts referred to in this annual report on Form 20-F could have been or could be converted into U.S. dollars, Euros, Canadian dollars or Renminbi, as the case may be, at any particular rate or at all. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Fluctuations in exchange rates could adversely affect our business, including our financial condition and results of operations."

FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains forward-looking statements that relate to future events, including our future operating results, our prospects and our future financial performance and condition, results of operations, business strategy and financial needs, all of which are largely based on our current expectations and projections. These forward-looking statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these statements by terminology such as "may," "will," "expect," "anticipate," "future," "intend," "plan," "believe," "estimate," "is/are likely to" or similar expressions. Forward-looking statements involve inherent risks and uncertainties. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding the worldwide demand for electricity and the market for solar power;
- our beliefs regarding the importance of environmentally friendly power generation;
- our expectations regarding governmental support for solar power;
- our beliefs regarding the rate at which solar power technologies will be adopted and the continued growth of the solar power industry;
- our beliefs regarding the competitiveness of our solar power products;
- our expectations with respect to increased revenue growth and improved profitability;
- our expectations regarding the benefits to be derived from our supply chain management and vertical integration manufacturing strategy;
- our ability to continue developing our in-house solar components production capabilities and our expectations regarding the timing and production capacity of our internal manufacturing programs;
- our ability to secure adequate volume of silicon, solar wafers and cells at competitive cost to support our solar module production;
- our beliefs regarding the effects of environmental regulation;
- our future business development, results of operations and financial condition;
- competition from other manufacturers of solar power products and conventional energy suppliers;
- our ability to expand our products and business lines, including the total solutions business;
- our ability to develop, build and sell solar power projects in Canada, the U.S., Japan, China, Brazil, the United Kingdom and elsewhere; and
- our beliefs with respect to the outcome of the investigations and litigation to which we are a party.

Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. See "Item 3. Key Information—D. Risk Factors" for a discussion of some of the risk factors that may affect our business and results of operations. These risks are not exhaustive. Other sections of this annual report may include additional factors that could adversely influence our business and financial performance. Moreover, because we operate in an emerging and evolving industry, new risk factors may emerge from time to time. We cannot predict all risk factors, nor can we assess the impact of all or any of these factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed or implied in any forward-looking statement. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.

PART I

ITEM 1. *IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS*

Not applicable.

ITEM 2. *OFFER STATISTICS AND EXPECTED TIMETABLE*

Not applicable.

ITEM 3. *KEY INFORMATION*

A. Selected Financial Data

Selected Consolidated Financial and Operating Data

The following selected statement of operations data for the years ended December 31, 2012, 2013 and 2014 and balance sheet data as of December 31, 2013 and 2014 have been derived from our consolidated financial statements, which are included elsewhere in this annual report on Form 20-F. You should read the selected consolidated financial and operating data in conjunction with those financial statements and the related notes and "Item 5. Operating and Financial Review and Prospects" included elsewhere in this annual report on Form 20-F.

Our selected consolidated statement of operations data for the years ended December 31, 2010 and 2011 and our consolidated balance sheet data as of December 31, 2010, 2011 and 2012 were derived from our consolidated financial statements that are not included in this annual report.

All of our financial statements are prepared and presented in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. Our historical results are not necessarily indicative of results for any future periods.

	For the years ended, or as of, December 31,				
	2010	2011	2012	2013	2014
	(In thousands of $, except share and per share data, and operating data and percentages)				
Statement of operations data:					
Net revenues	1,495,509	1,898,922	1,294,829	1,654,356	2,960,627
Income (loss) from operations	120,299	6,833	(142,516)	130,816	366,314
Net income (loss)	50,828	(90,903)	(195,155)	45,565	243,887
Net income (loss) attributable to Canadian Solar Inc.	50,569	(90,804)	(195,469)	31,659	239,502
Earnings (loss) per share, basic	1.18	(2.11)	(4.53)	0.68	4.40
Shares used in computation, basic	42,839,356	43,076,489	43,190,778	46,306,739	54,408,037
Earnings (loss) per share, diluted	1.16	(2.11)	(4.53)	0.63	4.11
Shares used in computation, diluted	43,678,208	43,076,489	43,190,778	50,388,284	59,354,615
Other financial data:					
Gross margin	15.3%	9.6%	7.0%	16.7%	19.6%
Operating margin	8.0%	0.4%	(11.0)%	7.9%	12.4%
Net margin	3.4%	(4.8)%	(15.1)%	2.8%	8.2%

	For the years ended, or as of, December 31,				
	2010	2011	2012	2013	2014
	(In thousands of $, except share and per share data, and operating data and percentages)				
Selected operating data:					
Solar power products sold (in MW)					
—Solar module business	779.1	1,265.6	1,490.1	1,736.1	2,358.5
—Total solutions business[(1)]	24.4	56.9	53.0	157.9	454.1
Total	803.5	1,322.5	1,543.1	1,894.0	2,812.6
Average selling price (in $ per watt)					
—Solar module business	1.80	1.34	0.77	0.67	0.67
Balance Sheet Data:					
Net current assets (liabilities)	259,332	59,131	(98,046)	(59,003)	366,621
Total assets	1,423,367	1,879,809	2,259,313	2,453,735	3,072,424
Net assets	534,984	466,978	301,583	401,498	729,574
Long-term borrowings	69,458	88,249	214,563	151,392	134,300
Convertible notes	906	950	—	—	150,000
Common shares	501,146	502,403	502,562	561,242	675,236
Number of shares outstanding	42,893,044	43,155,767	43,242,426	51,034,343	55,161,856

(1) Total solutions business consists primarily of solar power project development, EPC services, operating and maintenance, or O&M, services, electricity revenue generation and sales of solar system kits.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Company and Our Industry

We may be adversely affected by volatile solar power market and industry conditions; in particular, the demand for our solar power products may decline, which may reduce our revenues and earnings.

We are influenced by conditions in the solar power market and industry. In 2010, demand for solar power products increased and many manufacturers increased their production capacity accordingly as the effects of the global financial crisis subsided. In 2011, a decrease in payments to solar power producers in the form of feed-in tariffs and other reimbursements, a reduction in available financing and an excess supply of solar modules worldwide put severe downward pressure on solar module prices in European and other markets. As a result, many solar power project developers, solar system installers and solar power product distributors that purchase solar power products, including solar modules from manufacturers like us, were adversely affected and their financial condition weakened. Although our shipments increased year-over-year in 2012, 2013 and 2014, average selling prices for our solar modules declined. Over the past several quarters, oversupply conditions across the value chain, difficult economic conditions in Europe and foreign trade disputes in the U.S., Europe, India and China have affected industry-wide demand and put pressure on average selling prices, resulting in lower revenue for many industry participants. If the supply of solar modules grows faster than demand, and if

governments continue to reduce financial support for the solar industry and impose trade barriers, demand for our products as well as our average selling price could be materially and adversely affected.

Demand in Europe generally remains weak as a result of reductions in feed-in-tariffs in Germany and the elimination of feed-in-tariffs in Italy, the two largest European markets over the past several years. Although demand in other regions, including China, Japan, the U.S. and India, as well as many other emerging markets in Asia, the Middle East and Africa, has offset the decline in European demand, we cannot assure you that this demand will be sustainable or that any recent positive trends in supply or demand balance will persist.

The demand for solar power products is influenced by macroeconomic factors, such as global economic conditions, demand for electricity, the supply and prices of other energy products, such as oil, coal and natural gas, as well as government regulations and policies concerning the electric utility industry, the solar and other alternative energy industries and the environment. For example, a reduction in oil and coal prices may reduce the demand for alternative energy. During 2012, 2013 and 2014, a decrease in solar power tariffs in many markets put downward pressure on the price of solar systems in most regions. We may be adversely affected by volatile solar power market and industry conditions. Our growth and profitability depend on the demand for and the prices of solar power products.

The execution of our growth strategy depends upon the continued availability of third-party financing arrangements for our customers, which is affected by general economic conditions. Tight credit markets could depress demand or prices for solar power products, hamper our expansion and materially affect our results of operations.

General economic conditions, liquidity and the availability and cost of capital could materially and adversely affect our business and results of operations. Most solar power projects, including our own, require financing for development and construction with a mixture of equity and third party funding. The cost of capital affects both the demand and price of solar power systems. A high cost of capital may materially reduce the internal rate of return for solar power projects and therefore put downward pressure on the prices of both solar systems and solar modules, which typically comprise a major part of the cost of solar power projects.

Furthermore, solar power projects compete for capital with other forms of fixed income investments such as government and corporate bonds. Some classes of investors compare the returns of solar power projects with bond yields and expect a similar or higher internal rate of return, adjusted for risk and liquidity. Higher interest rates could render existing funding more expensive and present an obstacle for potential funding that would otherwise spur the growth of the solar power industry. In addition, higher bond yields could result in increased yield expectations for solar power projects, which would result in lower system prices. In the event that suitable funding is unavailable, our customers may be unable to pay for products they have agreed to purchase. It may also be difficult to collect payments from customers facing liquidity challenges due to either customer defaults or financial institution defaults on project loans. Constricted credit markets may impede our expansion and materially and adversely affect our results of operations. Concerns about government deficits and debt in the EU have increased bond spreads in certain solar markets, such as Greece, Spain, Italy and Portugal. The cash flow of a solar power project is often derived from government-funded or government-backed feed-in tariffs. Consequently, the availability and cost of funding solar power projects is determined in part based on the perceived sovereign credit risk of the country where a particular project is located. Therefore, credit agency downgrades of nations in the EU or elsewhere could decrease the credit available for solar power projects, increase the expected rate of return compared to bond yields, and increase the cost of debt financing for solar power projects in countries with a higher perceived sovereign credit risk.

In light of the uncertainty in the global credit and lending environment, we cannot make assurances that financial institutions will continue to offer funding to solar power project developers at reasonable costs. An increase in interest rates or a decrease in funding of capital projects within the global financial market could make it difficult to fund solar power systems and potentially reduce the demand for solar modules and/or reduce the average selling prices for solar modules, which may materially and adversely affect our business, results of operations, financial condition and prospects.

Our future success depends partly on our ability to expand the pipeline of our total solutions business in several key markets, which exposes us to a number of risks and uncertainties.

Historically, the solar module business has accounted for the majority of our net revenues—88.5%, 71.4% and 55.5% in 2012, 2013 and 2014, respectively. However, we have, in recent years, increased our investment in, and management attention on, our total solutions business, which consists primarily of solar power project development, EPC services, O&M services, electricity revenue generation and sales of solar system kits. As we continued to expand our business into the downstream segment of the industry, our total solutions business accounted for 44.5% of our net revenues in 2014, an increase from 28.6% in 2013. In 2015, we intend to hold more project assets to generate revenue from the sales of electricity.

As a greater portion of our net revenues is derived from our total solutions business, we will be increasingly exposed to the risks associated with this business. Further, our future success largely depends on our ability to expand our solar power project pipeline. The risks and uncertainties associated with our total solutions business and our ability to expand our solar power project pipeline include:

- the uncertainty of being able to sell the projects, receive full payment for them upon completion, or receive payment in a timely manner;
- the need to raise significant additional funds to develop greenfield or purchase late-stage solar power projects, which we may be unable to obtain on commercially reasonable terms or at all;
- delays and cost overruns as a result of a number of factors, many of which are beyond our control, including delays in regulatory approvals, construction, grid-connection and customer acceptance testing;
- delays or denial of required regulatory approvals by relevant government authorities;
- diversion of significant management attention and other resources; and
- failure to execute our project pipeline expansion plan effectively.

If we are unable to successfully expand our total solutions business, and in particular, our solar power project pipeline, we may be unable to expand our business, maintain our competitive position, improve our profitability, and generate the cash flows we have currently forecasted.

Governments may revise, reduce or eliminate subsidies and economic incentives for solar energy, which could cause demand for our products to decline.

The market for on-grid applications, where solar power supplements the electricity a customer purchases from the utility network or sells to a utility under a feed-in tariff, depends largely on the availability and size of government subsidy programs and economic incentives. At present, the cost of solar power exceeds retail electricity rates in many locations. Government incentives vary by geographic market. Governments in many countries, most notably Germany, Italy, the Czech Republic, the U.S., Japan, Canada (Ontario), South Korea, India, France, Australia and the United Kingdom, have provided incentives in the form of feed-in tariffs, rebates, tax credits, renewable portfolio standards and other incentives. These governments have implemented mandates to end-users, distributors, system

integrators and manufacturers of solar power products to promote the use of solar energy in on-grid applications and to reduce dependency on other forms of energy. Some of these government mandates and economic incentives have been or are scheduled to be reduced or eliminated altogether. It is likely that this trend will continue, possibly until subsidies for solar energy are phased out completely.

While solar power projects may continue to offer attractive internal rates of return, it is unlikely internal rates of return will be as high as they were in the past. If internal rates of return fall below an acceptable rate for project investors, and governments continue to reduce or eliminate subsidies, this may cause a decrease in demand and considerable downward pressure on solar systems and therefore negatively impact both solar module prices and the value of our solar power projects. The reduction, modification or elimination of government mandates and economic incentives in one or more of our markets could therefore materially and adversely affect the growth of such markets or result in increased price competition, either of which could cause our revenues to decline and harm our financial results.

Imposition of anti-dumping and countervailing duty orders in one or more markets may result in additional costs to our customers, which could materially or adversely affect our business, results of operations, financial conditions and future prospects.

In October 2011, a trade action was filed with the U.S. Department of Commerce, or USDOC, and the U.S. International Trade Commission, or USITC, by the U.S. unit of SolarWorld AG and six other U.S. firms, accusing Chinese producers of crystalline silicon photovoltaic cells, or CSPV cells, whether or not incorporated into modules, of selling their products (i.e., CSPV cells or modules incorporating these cells) into the U.S. at less than fair value, or dumping, and of receiving countervailable subsidies from the Chinese authorities. These firms asked the U.S. government to impose anti-dumping and countervailing duties on Chinese-origin CSPV cells. We were identified as one of a number of Chinese exporting producers of the subject goods to the U.S. market. On October 9, 2012, the USDOC issued final affirmative determinations in the anti-dumping and countervailing duty investigations.

On November 7, 2012, the USITC ruled that imports of CSPV cells had caused material injury to the U.S. CSPV industry. As a result of these rulings, we are required to pay cash deposits on Chinese-origin CSPV cells imported into the U.S., whether alone or incorporated into modules. The announced cash deposit rates applicable to us were 13.94% (anti-dumping duty) and 15.24% (countervailing duty). We paid all the cash deposits due under these determinations. The rates at which duties will be assessed and payable are subject to ongoing administrative reviews that are likely to conclude in July 2015 and may differ from the announced deposit rates. These duties could materially and adversely affect our affiliated U.S. import operations and increase our cost of selling into the U.S. A number of parties have challenged the rulings of the USDOC and the USITC in appeals to the U.S. Court of International Trade. Decisions on these appeals are not expected before the end of 2015.

On December 31, 2013, the U.S. unit of SolarWorld AG filed a new trade action with the USDOC and the USITC accusing Chinese producers of certain CSPV cells and modules of dumping their products into the U.S. and of receiving countervailable subsidies from the Chinese authorities. This trade action also accused Taiwanese producers of certain CSPV cells and modules of dumping their products into the U.S. Excluded from these new actions were those Chinese-origin solar products covered by the 2012 rulings detailed in the prior paragraphs. We were identified as one of a number of Chinese producers exporting subject goods to the U.S. market. On December 16, 2014, the USDOC issued final affirmative determinations in these anti-dumping and countervailing duty investigations. On January 21, 2015, the USITC ruled that imports of these CSPV products had caused material injury to the U.S. CSPV industry. As a result of these rulings, we are required to pay cash deposits on subject CSPV imports from China. Cash deposit rates for our subject Chinese-origin products were announced as being 30.06% (anti-dumping duty) and 38.43% (countervailing duty). The rates at which duties will

be assessed and payable will be subject to administrative reviews beginning in 2016. Those reviews may result in duty rates that differ from the announced deposit rates. A number of parties have appealed these USDOC and USITC rulings to the U.S. Court of International Trade. Decisions on these appeals are not expected before the end of 2015.

On September 6, 2012, following a complaint lodged by EU ProSun, an ad-hoc industry association of EU CSPV module, cell and wafer manufacturers, the European Commission initiated an anti-dumping investigation concerning imports into the EU of CSPV modules and key components (i.e., cells and wafers) originating in China. On November 8, 2012, following a complaint lodged by the same parties, the European Commission initiated an anti-subsidy investigation on these same products. In each investigation, we were identified as one of a number of Chinese exporting producers of these products to the EU market. On December 6, 2013, the EU imposed definitive anti-dumping and countervailing measures on imports of CSPV modules and key components (i.e., cells) originating in or consigned from China. Under the terms of an undertaking entered into with the European Commission, duties are not payable on our products sold into the EU, so long as we respect the terms and conditions of the undertaking, including a volume ceiling and minimum import price arrangement, and until the measures expire or the European Commission withdraws the undertaking.

In February 2014, we filed separate actions with the General Court of the EU for annulment of the regulation imposing the definitive anti-dumping measures and of the regulation imposing the definitive countervailing measures. These actions for annulment are ongoing.

On March 5, 2015, the European Commission disclosed that it was proposing to withdraw acceptance of the undertaking as regards to us. The European Commission alleged that we (i) provided certain non-reported benefits to our customers and thereby violated the minimum price requirements, (ii) made parallel sales of modules covered and modules not covered by the undertaking to the same customers, in excess of the permissible limits, and (iii) used one original equipment manufacturer to assemble modules outside of China, rendering the monitoring of the undertaking impracticable. We are contesting this proposal, as we believe that none of our actions constitutes a breach of our commitments. Timing for a decision is uncertain. Should the undertaking be withdrawn, duties could be assessed on imports of our modules and cells originating in or consigned from China.

In Canada, in December 2014, the Canadian government initiated concurrent anti-dumping and countervailing duties investigations on imported solar modules and laminates from China. The scope of the investigations includes thin-film and CSPV modules and laminates over 100 W, but not cells. We completed and submitted a complete request for information response to the Canada Border Services Agency, or CBSA, and provided views and legal arguments in opposition to a preliminary finding of injury as a domestic Canadian producer to the Canadian International Trade Tribunal. We submitted the data and our submitted data was subject to on-site verification by Canadian officials from March 23, 2014 to March 26, 2015. In June 2015, the CBSA will release its final determinations of dumping and subsidization and the last stage of the injury investigation will proceed by way of a hearing on the evidence of material injury and threat of injury to the domestic Canadian industry. Termination of the proceeding or a finding resulting in the imposition of duties will be announced on July 3, 2015.

In China, on January 20, 2014, China's Ministry of Commerce announced definitive anti-dumping and countervailing duties on imports of solar-grade polysilicon from the U.S. and South Korea. The anti-dumping duty rates are as high as 57% for U.S. suppliers and 48.7% for South Korean suppliers, while the countervailing duty rate is as high as 2.1% for certain U.S. suppliers. These duties did not materially increase our cost of production in 2014, and we will continue to evaluate whether to source any significant amount of our polysilicon from the U.S. or South Korea during 2015. In addition, on April 30, 2014, China's Ministry of Commerce announced definitive anti-dumping and countervailing duties on imports of solar-grade polysilicon from the EU. The anti-dumping duty rates are as high as

42%, while the countervailing duty rate is as high as 1.2%. Since we did not source any solar-grade polysilicon from the EU in recent years, these duties have no effect on us.

The U.S., EU and Canada are important markets for us. The imposition of anti-dumping and countervailing duties in these markets may result in additional costs to us and/or our customers, which may materially and adversely affect our business, results of operations, financial conditions and future prospects.

Our project development and construction activities may not be successful; projects under development may not receive required permits, property rights, power purchase agreements, interconnection and transmission arrangements; and financing or construction of projects may not commence or continue as scheduled, all of which could increase our costs, delay or cancel a project, and have a material adverse effect on our revenue and profitability.

The development and construction of solar power projects involve known and unknown risks. We may be required to invest significant amounts of money for land and interconnection rights, preliminary engineering, permitting, legal and other expenses before we can determine whether a project is feasible. Success in developing a particular project is contingent upon, among other things:

- securing land rights and related permits, including satisfactory environmental assessments;
- receipt of required land use and construction permits and approvals;
- receipt of rights to interconnect to the electric grid;
- availability of transmission capacity, potential upgrade costs to the transmission grid and other system constraints;
- payment of interconnection and other deposits (some of which are non-refundable);
- negotiation of satisfactory EPC agreements; and
- obtaining construction financing, including debt, equity and tax credits.

In addition, successful completion of a particular project may be adversely affected by numerous factors, including:

- delays in obtaining and maintaining required governmental permits and approvals;
- potential challenges from local residents, environmental organizations, and others who may not support the project;
- unforeseen engineering problems; subsurface land conditions; construction delays; cost over-runs; labor, equipment and materials supply shortages or disruptions (including labor strikes);
- additional complexities when conducting project development or construction activities in foreign jurisdictions, including compliance with the U.S. Foreign Corrupt Practices Act and other applicable local laws and customs; and
- force majeure events, including adverse weather conditions and other events beyond our control.

If we are unable to complete the development of a solar power project or we fail to meet any agreed upon system-level capacity or energy output guarantees or warranties (including 25 year power output performance guarantees) or other contract terms, or our projects cause grid interference or other damage, the EPC or other agreements related to the project may be terminated and/or we may be subject to significant damages, penalties and other obligations relating to the project, including obligations to repair, replace or supplement materials for the project.

We may enter into fixed-price EPC agreements in which we act as the general contractor for our customers in connection with the installation of their solar power systems. All essential costs are estimated at the time of entering into the EPC agreement for a particular project, and these costs are reflected in the overall fixed price that we charge our customers for the project. These cost estimates are preliminary and may or may not be covered by contracts between us and the subcontractors, suppliers and other parties involved in the project. In addition, we require qualified, licensed subcontractors to install most of our solar power systems. Shortages of skilled labor could significantly delay a project or otherwise increase our costs. Should miscalculations in planning a project occur, including those due to unexpected increases in commodity prices or labor costs, or delays in execution occur and we are unable to increase the EPC sales price commensurately, we may not achieve our expected margins or our results of operations may be adversely affected.

Developing solar power projects exposes us to different risks than producing solar modules.

In recent years, we have placed a greater focus on developing our total solutions business which includes solar power project development. These projects can take many months or years to complete and may be delayed for reasons beyond our control. These projects often require us to make significant upfront payments for, among other things, land rights and permitting in advance of commencing construction, and revenue from these projects may not be recognized for several additional months following contract signing. Any inability to enter into sales contracts with customers after making such upfront payments could adversely affect our business and results of operations. Furthermore, we may become constrained in our ability to simultaneously fund our other business operations and the investment in these solar power projects.

In contrast to developing solar modules, developing solar power projects requires more management attention to negotiate the terms of our engagement and monitor the progress of the solar power project which may divert management's attention from other matters. In addition, we have recently acquired Recurrent Energy, LLC, or Recurrent, a leading solar energy developer located in California and Texas. As a result of the acquisition, we may be faced with additional risks in our total solutions business, including among others, those associated with integrating into our operations the personnel, operations, services, internal controls and financial reporting of companies we acquire and sharing proprietary information.

Our revenue and liquidity may be adversely affected to the extent the project sale market weakens or we are not able to successfully complete the customer acceptance testing due to technical difficulties, equipment failure, or adverse weather, and we are unable to sell our solar power projects at prices and on terms and timing that are acceptable to us.

If the supply of solar wafers and cells increases in line with increases in the supply of polysilicon, then the corresponding oversupply of solar cells and modules may cause substantial downward pressure on the prices of our products and reduce our revenues and earnings.

Silicon production capacity has expanded rapidly in recent years. As a result of this expansion, coupled with the global economic downturn, the solar industry experienced an oversupply of high-purity silicon beginning in 2009, which contributed to an oversupply of solar wafers, cells and modules and resulted in substantial downward pressure on prices throughout the value chain. Demand for solar power products remained soft through 2012 but began to pick up in the second half of 2013. The average selling price of our solar modules decreased from $1.80 per watt in 2010 to $1.34 per watt in 2011, $0.77 per watt in 2012, $0.67 per watt in 2013 and $0.67 per watt in 2014, in large part because the increase in the supply of solar cells and modules was greater than the increase in the demand thus putting pressure on solar power products across all stages of the value chain. As a result of the decline in our solar module selling prices, our revenue declined in 2012, even though our solar module shipment volume for the year increased. In addition, because solar module selling prices declined at a

rapid rate, we suffered losses in the form of inventory write-downs, as the market price of modules consistently fell below the carrying cost of our inventory. Lower price realizations and inventory write-downs in 2012 put downward pressure on our gross profit and operating margins. While we believe that the industry has entered into relative balance between capacity and demand at low prices due to industry consolidation, more markets entering into grid parity with reduced dependence on government subsidies and growth in emerging markets, increases in solar module production in excess of market demand may result in further downward pressure on the price of solar wafers, cells and modules, including our products. Increasing competition could also result in us losing sales or market share. Moreover, due to fluctuations in the supply and price of solar power products throughout the value chain, we cannot assure you that we will be able, on an ongoing basis, to procure silicon, wafers and cells at reasonable costs if any of the above risks materializes. If we are unable, on an ongoing basis, to procure silicon, solar wafers and solar cells at reasonable prices or mark up the price of our solar modules to cover our manufacturing and operating costs, our revenues and margins will continue to be adversely impacted, either due to higher costs compared to our competitors or due to further write-downs of inventory, or both. In addition, our market share could decline if our competitors are able to price their products more competitively.

Long-term supply agreements may make it difficult for us to adjust our raw material costs should prices decrease. Also, if we terminate any of these agreements, we may not be able to recover all or any part of the advance payments we have made to these suppliers and we may be subject to litigation.

In 2007 and 2008, we entered into a number of long-term supply agreements with several silicon and wafer suppliers in order to secure a stable supply of raw materials to meet our production requirements. These suppliers included GCL-Poly Energy Holdings Limited, or GCL, Neo Solar Power Corp., or Neo Solar, Deutsche Solar AG, or Deutsche Solar, Jiangxi LDK Solar Hi-Tech Co., Ltd., or LDK, and a UMG-Si supplier.

Under our supply agreements with certain silicon wafer suppliers, and consistent with historical industry practice, we make advance payments prior to scheduled delivery dates. These advance payments are made without collateral and are credited against the purchase prices payable by us. As of December 31, 2014, the balance of the advance payments that we have made to GCL, Deutsche Solar, LDK and the UMG-Si supplier totaled $44.3 million.

We purchased the contracted volume for 2009 under our 12-year supply agreement with Deutsche Solar, but did not purchase the contracted volumes for 2010 and 2011. The agreement contains a provision stating that, if we do not order the contracted volume in a given year, Deutsche Solar can invoice us for the difference at the full contract price. We believe that the take-or-pay provisions of the agreement are void under German law. In December 2011, Deutsche Solar gave notice to us to terminate the 12-year wafer supply agreement with immediate effect. Deutsche Solar stated that the reason for the termination was an alleged breach of the agreement by us. In the notice, Deutsche Solar reserved its right to claim damages of €148.6 million in court. As a result of the termination, we reclassified the accrued loss on firm purchase commitments reserve of $27.9 million as of December 31, 2011 to loss contingency accruals. In addition, we made a full bad debt allowance of $17.4 million against the balance of advance payments to Deutsche Solar. The accrued amount of $27.9 million represents our best estimate for our loss contingency. Deutsche Solar did not specify the basis for its claimed damages of €148.6 million in the notice.

In 2007, we entered into a three-year agreement with LDK under which we purchased specified quantities of silicon wafers and LDK converted our reclaimed silicon feedstock into wafers. In June 2008, we entered into two 10-year wafer supply agreements with LDK, under which we agreed to purchase specified volumes of wafers at pre-determined prices each year, commencing January 1, 2009. In April 2010, we gave LDK a termination notice for these supply agreements on the grounds that they refused to deduct from the selling price the deposits paid by us previously. We also initiated arbitration

proceedings against LDK under the agreements, seeking a refund of the initial deposits that we paid to them. In December 2012, the Shanghai Branch of the China International Economic and Trade Arbitration Commission, or CIETAC Shanghai Branch, awarded RMB248.9 million plus RMB2.2 million in arbitration expenses in favor of LDK, including RMB60.0 million of previously paid deposits. In May 2013, the Suzhou Intermediate Court dismissed a request by LDK to enforce this arbitration award. However, the Jiangsu Provincial High Court has ordered that this dismissal by the Suzhou Intermediate Court be subject to a retrial, which has already taken place and for which we are now awaiting the outcome. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal and Administrative Proceedings." We recorded a full bad debt allowance against this initial deposit in 2009. We made a loss provision totaling RMB188.9 million in 2012 following the arbitration award in favor of LDK but reversed this provision following the Suzhou Intermediate Court's May 2013 decision to dismiss a request by LDK to enforce the arbitration award against us. Although we dispute the merits of the proceedings brought against us by LDK and will defend ourselves vigorously against these claims, if the Suzhou Intermediate Court reverses its May 2013 decision, we would be liable for a payment of RMB191.2 million to LDK and we currently do not have any provision in our accounts for this amount. We cannot assure you that the courts will find in our favor or that LDK will not attempt to bring additional claims against us, the outcomes of which could potentially have an adverse effect on our results of operations and financial condition. In March 2014, LDK filed an application for arbitration with CIETAC in Shanghai, seeking for (i) compensation of RMB530.0 million for economic losses (including losses of potential profits) caused by the alleged breach of the June 2008 agreements; (ii) attorney fees of RMB1.2 million; and (iii) arbitration expenses. CIETAC sent the Notice of Arbitration to us on April 8, 2014. We believe the claims stated in the new application for arbitration overlap with the previous action that CIETAC Shanghai Branch has already decided upon, and which the Suzhou Intermediate Court refused to enforce. We filed objection to jurisdiction to CIETAC in April 2014, but CIETAC dismissed it. Therefore, we counterclaimed against LDK in July 2014, seeking for (i) a refund of the advance payment of RMB35.0 million ($5.6 million); (ii) attorney fees of RMB1.0 million ($0.2 million); and (iii) arbitration expenses. The hearing was held in October 2014 in Shanghai. CIETAC has not yet ruled on this case.

Due to the default of a UMG-Si supplier in delivering its contracted volumes for 2010 and concerns regarding its financial position, we concluded that we were not likely to purchase any significant quantity of UMG-Si from this supplier in the future and made a full bad debt allowance against the advance payments of RMB64 million to the UMG-Si supplier in 2010.

In the future, we may enter into additional long-term supply agreements for silicon wafers or solar cells with fixed price and quantity terms. If, during the term of these agreements, the price of materials decreases significantly and we are unable to renegotiate favorable terms with our suppliers, we may be placed at a competitive disadvantage compared to our competitors, and our earnings could decline. In addition, if demand for our solar power products decreases, yet our supply agreements require us to purchase more polysilicon than required to meet customer demand, we may incur costs associated with carrying excess inventory. To the extent that we are not able to pass these increased costs on to our customers, our business, cash flows, financial condition and results of operations may be materially and adversely affected. If our suppliers file lawsuits against us for early termination of these contracts, such events could be costly, may divert management's attention and other resources away from our business, and could have a material and adverse effect on our reputation, business, financial condition, results of operations and prospects.

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

The market for electricity generation products in the countries where we sell our products is heavily influenced by federal, state and local government regulations and policies concerning the electric utility industry, as well as policies disseminated by electric utilities. These regulations and policies often relate to electricity pricing and technical interconnection of customer-owned electricity generation, and could deter further investment in the research and development of alternative energy sources as well as customer purchases of solar power technology, which could result in a significant reduction in the potential demand for our solar power products. We expect that our solar power products and their installation will continue to be subject to federal, state and local regulations and policies relating to safety, utility interconnection and metering, construction, environmental protection, and other related matters. Any new regulations or policies pertaining to our solar power products may result in significant additional expenses to us, our resellers and customers, which could cause a significant reduction in demand for our solar power products.

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

We have a large number of competitors, including non-China-based competitors such as First Solar, Inc., or First Solar, and SunPower Corporation, or SunPower, and China-based competitors such as Yingli Green Energy Holding Company Limited, or Yingli, Trina Solar Limited, or Trina, JA Solar Co., Limited, or JA Solar, and JinkoSolar Holding Co., Limited, or Jinko. Some of our competitors are developing or are currently producing products based on new solar power technologies that may ultimately have costs similar to or lower than our projected costs. These include products based on thin film PV technology, which requires either no silicon or significantly less silicon to produce than crystalline silicon solar modules, such as the ones that we produce, and is less susceptible to increases in silicon costs. Some of our competitors have longer operating histories, greater name and brand recognition, access to larger customer bases, greater resources and significantly greater economies of scale than we do. In addition, some of our competitors may have stronger relationships or may enter into exclusive relationships with some of the key distributors or system integrators to whom we sell our products. As a result, they may be able to respond more quickly to changing customer demands or devote greater resources to the development, promotion and sales of their products. Some of our competitors have more diversified product offerings, which may better position them to withstand a decline in demand for solar power products. Some of our competitors are more vertically integrated than we are, from upstream silicon wafer manufacturing to solar power system integration. This may allow them to capture higher margins or have lower costs. In addition, new competitors or alliances among existing competitors could emerge and rapidly acquire significant market share. If we fail to compete successfully, our business will suffer and we may not be able to maintain or increase our market share.

If sufficient demand for solar power products does not develop or takes longer to develop than we anticipate, our revenues may not increase or may continue to decline, and we may be unable to sustain our profitability.

The solar power market is still at a relatively early stage of development and future demand for solar power products is uncertain. Market data for the solar power industry is not as readily available as for more established industries, where trends are more reliably assessed from data gathered over a longer period of time. In addition, demand for solar power products in our targeted markets, including Europe, the U.S., Japan, China, Canada, Brazil and India may not develop or may develop to a lesser

extent than we anticipate. Many factors may affect the viability of solar power technology and the demand for solar power products, including:

- the cost-effectiveness, performance and reliability of solar power products, including our solar power projects, compared to conventional and other renewable energy sources and products;
- the availability of government subsidies and incentives to support the development of the solar power industry;
- the availability and cost of capital, including long-term debt and tax equity, for solar power projects;
- the success of other alternative energy technologies, such as wind power, hydroelectric power, geothermal power and biomass fuel;
- fluctuations in economic and market conditions that affect the viability of conventional and other renewable energy sources, such as increases or decreases in the prices of oil, gas and other fossil fuels;
- capital expenditures by end users of solar power products, which tend to decrease when the economy slows; and
- the availability of favorable regulation for solar power within the electric power industry and the broader energy industry.

If solar power technology is not suitable for widespread adoption or if sufficient demand for solar power products does not develop or takes longer to develop than we anticipate, our revenues may suffer and we may be unable to sustain our profitability.

We face risks associated with the marketing, distribution and sale of our solar power products internationally.

The international marketing, distribution and sale of our products expose us to a number of risks, including:

- fluctuating sources of revenues;
- difficulties in staffing and managing overseas operations;
- fluctuations in foreign currency exchange rates;
- differing regulatory and tax regimes across different markets;
- the increased cost of understanding local markets and trends and developing and maintaining an effective marketing and distribution presence in various countries;
- the difficulty of providing customer service and support in various countries;
- the difficulty of managing our sales channels effectively as we expand beyond distributors to include direct sales to systems integrators, end users and installers;
- the difficulty of managing the development, construction and sale of our solar power projects on a timely and profitable basis as a result of technical difficulties, commercial disputes with our customers, changes in regulations among other factors;
- the difficulties and costs of complying with the different commercial, legal and regulatory requirements in the overseas markets in which we operate;
- any failure to develop appropriate risk management and internal control structures tailored to overseas operations;
- any inability to obtain, maintain or enforce intellectual property rights;

- any unanticipated changes in prevailing economic conditions and regulatory requirements; and
- any trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries.

If we are unable to effectively manage these risks, our ability to expand our business abroad could suffer.

Our revenue sources have fluctuated significantly over recent years. For example, in 2008, 89.5% of our revenues were attributable to Europe, while only 4.6% and 5.9% were attributable to the Americas and Asia and others, respectively. However, in 2014, Europe contributed only 8.1% of our revenues, while the Americas contributed 60.7% and Asia and others contributed 31.2%. As we shift the focus of our operations between different regions of the world, we have limited time to prepare for and address the risks identified above. Furthermore, some of these risks, such as currency fluctuations, will increase as our revenue contribution from certain global regions becomes more prominent. This may adversely influence our financial performance.

Our significant international operations expose us to a number of risks, including unfavorable political, regulatory, labor and tax conditions in the countries where we operate.

We intend to continue to extend our global reach and capture market share in various global markets. In doing so, we will be exposed to various risks, including political, regulatory, labor and tax risks. Furthermore, we may need to make substantial investments in our overseas operations, both initially and on an ongoing basis, in order to attain longer-term sustainable returns. These investments could negatively impact our financial performance before sustainable profitability is recognized.

We face risks related to private securities litigation.

Our company and certain of our directors and executive officers were named as defendants in class action lawsuits in the U.S. and Canada alleging that our financial disclosures during 2009 and early 2010 were false or misleading and in violation of U.S. federal securities laws and Ontario securities laws, respectively. The lawsuits in the U.S. were consolidated into one class action, which was dismissed with prejudice by the district court in March 2013, and subsequently affirmed by the circuit court in December 2013. The lawsuit in Canada continues. As a preliminary matter, we challenged the Ontario Court's jurisdiction to hear the plaintiff's claim, but this motion was unsuccessful. In September 2014, the plaintiff obtained an order granting him leave to assert the statutory cause of action under the Ontario Securities Act for certain of his misrepresentation claims. In January 2015, the plaintiff obtained an order for class certification in respect of the claims for which he obtained leave to assert the statutory cause of action under the Ontario Securities Act, for certain negligent misrepresentation claims and for oppression remedy claims advanced under the Canada Business Corporations Act, or CBCA. We are seeking leave to appeal from specific aspects of these two decisions. The motion for leave to appeal will be decided in 2015. There is no guarantee that we will not become party to additional lawsuits. If the case goes to trial, the Canadian action could require significant management time and attention and result in significant legal expenses. In addition, we are generally obligated, to the extent permitted by law, to indemnify our directors and officers who are named defendants in these lawsuits. If we were to lose a class action suit, we may be required to pay judgments or settlements and incur expenses in aggregate amounts that could have a material and adverse effect on our financial condition or results of operations.

Our quarterly operating results may fluctuate from period to period.

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

- the average selling prices of our solar power products;
- the timing of completion of construction of our solar power projects;
- changes in payments from off-takers for solar power plants already in operation;
- the rate and cost at which we are able to expand our internal production capacity;
- the availability and cost of solar cells and wafers from our suppliers and toll manufacturers;
- the availability and cost of raw materials, particularly high-purity silicon;
- changes in government incentive programs and regulations, particularly in our key and target markets;
- the unpredictable volume and timing of customer orders;
- the loss of one or more key customers or the significant reduction or postponement of orders;
- the availability and cost of external financing for on-grid and off-grid solar power applications;
- acquisition and investment costs;
- the timing of successful completion of customer acceptance testing of our solar power projects;
- geopolitical turmoil and natural disasters within any of the countries in which we operate;
- foreign currency fluctuations, particularly in Euro, RMB, Canadian dollar and Japanese yen;
- our ability to establish and expand customer relationships;
- changes in our manufacturing costs;
- the timing of new products or technology introduced or announced by our competitors;
- fluctuations in electricity rates due to changes in fossil fuel prices or other factors;
- allowances for doubtful accounts and advances to suppliers;
- inventory write-downs;
- long-lived asset impairment;
- depreciation charges relating to under-utilized assets;
- loss on firm purchase commitments under long-term supply agreements; and
- construction progress of solar power projects and related revenue recognition.

We base our planned operating expenses in part on our expectations of future revenues. A significant portion of our expenses will be fixed in the short-term. If our revenues for a particular quarter are lower than we expect, we may not be able to reduce our operating expenses proportionately, which would harm our operating results for the quarter. This may cause us to miss analysts' estimates or any guidance announced by us. If we fail to meet or exceed analysts' estimates, investor expectations or our own future guidance, even by a small amount, our share price could fluctuate and decline, perhaps substantially.

Fluctuations in exchange rates could adversely affect our business, including our financial condition and results of operations.

The majority of our sales in 2014 are denominated in Canadian dollars, U.S. dollars and Japanese yen, with the remainder in other currencies such as Euros, Renminbi and Australian dollars. Our Renminbi costs and expenses are primarily related to the sourcing of solar cells, silicon wafers and silicon, other raw materials, toll manufacturing fees, labor costs and local overhead expenses within the PRC. From time to time, we enter into loan arrangements with Chinese commercial banks that are denominated primarily in Renminbi or U.S. dollars. Most of our cash and cash equivalents and restricted cash are denominated in Renminbi. Fluctuations in exchange rates, particularly between the U.S. dollar, Euro, Renminbi, Canadian dollar and Japanese yen, may result in foreign exchange gains or losses. We recorded foreign exchange losses of $10.7 million, $51.5 million and $32.2 million in 2012, 2013 and 2014, respectively.

The value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. In late 2005, China amended its policy of tracking the value of the Renminbi to the U.S. dollar. The new policy permitted the Renminbi to fluctuate against a basket of foreign currencies, which caused the Renminbi to appreciate by approximately 21.5% against the U.S. dollar over the following three years. Since 2008, the Renminbi has fluctuated against other freely traded currencies. In June 2010, the PRC government announced that it would allow greater flexibility for the Renminbi to fluctuate against the U.S. dollar, which resulted in further appreciation of the Renminbi. Between June 30, 2010 and December 31, 2013, the value of the Renminbi appreciated by approximately 12.0% against the U.S. dollar, although in 2014, the value of the Renminbi depreciated approximately 2.5% against the U.S. dollar. We cannot provide any assurances that the policy of the PRC government will not affect or the manner in which it may affect the exchange rate between the Renminbi and the U.S. dollar in the future.

Since 2008, we have hedged part of our foreign currency exposures against the U.S. dollar using foreign currency forward or option contracts in order to limit our exposure to fluctuations in foreign exchange rates. In addition to collateral requirements to enter into hedging contracts, there are notional limits on the size of the hedging transactions that we may enter into with any particular counterparty at any given time. The effectiveness of our hedging program may be limited due to cost effectiveness, cash management, exchange rate visibility and downside protection. We recorded a loss on change in foreign currency derivatives of $4.4 million 2012, a gain on change in foreign currency derivatives of $10.8 million in 2013, and a gain on change in foreign currency derivatives of $19.7 million in 2014. The gains or losses on change in foreign currency derivatives are related to our hedging program.

Volatility in foreign exchange rates will hamper, to some extent, our ability to plan our pricing strategy. To the extent that we are unable to pass along increased costs resulting from exchange rate fluctuations to our customers, our profitability may be adversely impacted. As a result, fluctuations in foreign currency exchange rates could have a material and adverse effect on our financial condition and results of operations.

A change in our effective tax rate can have a significant adverse impact on our business.

A number of factors may adversely impact our future effective tax rates, such as the jurisdictions in which our profits are determined to be earned and taxed; changes in the valuation of our deferred tax assets and liabilities; adjustments to provisional taxes upon finalization of various tax returns; adjustments to the interpretation of transfer pricing standards; changes in available tax credits; changes in stock-based compensation expenses; changes in tax laws or the interpretation of such tax laws (for example, proposals for fundamental U.S. international tax reform); changes in U.S. GAAP; expiration

or the inability to renew tax rulings or tax holiday incentives; and the repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes. A change in our effective tax rate due to any of these factors may adversely influence our future results of operations.

Seasonal variations in demand linked to construction cycles and weather conditions may influence our results of operations.

Our business is subject to seasonal variations in demand linked to construction cycles and weather conditions. Purchases of solar power products tend to decrease during the winter months in our key markets, such as Canada, due to adverse weather conditions that can complicate the installation of solar power systems and negatively impact the construction schedules of our solar power projects. Demand from other countries, such as the U.S. and China, may also be subject to significant seasonality. Seasonal variations could adversely affect our results of operations and make them more volatile and unpredictable.

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

Our future success depends partly on our ability to maintain and expand our solar components manufacturing capacity. If we are unable to do so, we may be unable to expand our business, maintain our competitive position, and improve our profitability. Our ability to expand our solar components production capacity is subject to risks and uncertainties, including:

- the need to raise significant additional funds to purchase raw materials and to build additional manufacturing facilities, which we may be unable to obtain on commercially reasonable terms or at all;
- delays and cost overruns as a result of a number of factors, many of which are beyond our control, including delays in equipment delivery by vendors;
- delays or denial of required regulatory approvals by relevant government authorities;
- diversion of significant management attention and other resources; and
- failure to execute our expansion plan effectively.

If we are unable to maintain and expand our internal production capacity, we may be unable to expand our business as planned. Moreover, even if we do maintain and expand our production capacity, we might still not be able to generate sufficient customer demand for our solar power products to support the increased production levels.

We may be unable to generate sufficient cash flows or have access to external financing necessary to fund planned operations and make adequate capital investments.

We anticipate that our operating and capital expenditures requirements may increase. To develop new products, support future growth, achieve operating efficiencies and maintain product quality, we may need to make significant capital investments in manufacturing technology, facilities and capital equipment, research and development, and product and process technology. We also anticipate that our operating costs may increase as we expand our manufacturing operations, hire additional personnel, increase our sales and marketing efforts, invest in joint ventures and acquisitions, and continue our research and development efforts with respect to our products and manufacturing technologies.

Our operations are capital intensive. We rely on working capital financing primarily from PRC commercial banks for our daily operations. Although we are currently able to obtain new working capital financing from PRC commercial banks, we cannot guarantee that we will continue to be able to do so on commercially reasonable terms or at all. See "—Our dependence on Chinese banks to extend

our existing loans and provide additional loans exposes us to funding risks, which may materially and adversely affect our operations." Also, even though we are a publicly-traded company, we may not be able to raise capital via public equity and debt issuances due to market conditions and other factors, many of which are beyond our control. Our ability to obtain external financing is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for financing activities by manufacturers of solar power products; and
- economic, political and other conditions in the PRC and elsewhere.

If we are unable to obtain funding in a timely manner and on commercially acceptable terms, our growth prospects and future profitability may be adversely affected.

Construction of our solar power projects may require us to obtain project financing. There can be no assurance that we will be able to do so on terms acceptable to us or at all. If we are unable to obtain project financing, or if it is only available on terms which are not acceptable to us, we may be unable to fully execute our business plan. In addition, we generally expect to sell our projects to tax-oriented, strategic industry and other investors. Such investors may not be available or may only have limited resources, in which case our ability to sell our projects may be hindered or delayed and our business, financial condition, and results of operations may be adversely affected. There can be no assurance that we will be able to generate sufficient cash flows, find other sources of capital to fund our operations and solar power projects, make adequate capital investments to remain competitive in terms of technology development and cost efficiency required by our projects. If adequate funds and alternative resources are not available on acceptable terms, our ability to fund our operations, develop and construct solar power projects, develop and expand our manufacturing operations and distribution network, maintain our research and development efforts or otherwise respond to competitive pressures would be significantly impaired. Our inability to do the foregoing could have a material and adverse effect on our business and results of operations.

Our dependence on Chinese banks to extend our existing loans and provide additional loans exposes us to funding risks, which may materially and adversely affect our operations.

We require significant cash flow and funding to support our operations. As a result, we rely on short-term borrowings to provide working capital for our daily operations. Since the majority of our short-term borrowings come from Chinese banks, we are exposed to lending policy changes by the Chinese banks. In 2013 and 2014, we successfully extended our short-term borrowings and, as of December 31, 2014, we had outstanding short-term borrowings of $594.2 million with Chinese banks. Between January 1, 2015 and March 31, 2015, we obtained new borrowings of approximately $258.4 million from Chinese banks, including $43.3 million with due dates beyond December 31, 2015. Also, between January 1, 2015 and March 31, 2015, we renewed existing bank facilities of approximately $503.5 million from Chinese banks with due dates beyond December 31, 2015.

If the Chinese government changes its macroeconomic policies and forces Chinese banks to tighten their lending practices, or if Chinese banks are no longer willing to provide financing to solar power companies, including us, we may not be able to extend our short-term borrowings or make additional borrowings in the future. As a result, we may not be able to fund our operations to the same extent as in previous years, which may have a material and adverse effect on our operations.

Cancellations of customer orders may make us unable to recoup any prepayments made to suppliers.

In the past, we were required to make prepayments to certain suppliers of silicon wafers and cells and silicon raw materials. Although we require certain customers to make partial prepayments, there is generally a lag between the due date for the prepayment of purchased silicon wafers and cells and

silicon raw materials and the time that our customers make prepayments. In the event that our customers cancel their orders, we may not be able to recoup prepayments made to suppliers, which could adversely influence our financial condition and results of operations.

Credit terms offered to some of our customers expose us to the credit risks of such customers and may increase our costs and expenses, which could in turn materially and adversely affect our revenues, liquidity and results of operations.

We offer some customers unsecured short-term or medium-term credit based on their creditworthiness and market conditions. As a result, our claims for payments and sales credits rank as unsecured claims, which expose us to credit risk if our customers become insolvent or bankrupt.

From time to time, we sell our products to high credit risk customers in order to gain early access to emerging or promising markets, increase our market share in existing key markets or because of the prospects of future sales with a rapidly growing customer. There are high credit risks in doing business with these customers because they are often small, young and high-growth companies with significant unfunded working capital, inadequate balance sheets and credit metrics and limited operating histories. If these customers are not able to obtain satisfactory working capital, maintain adequate cash flow, or obtain construction financing for the projects where our solar products are used, they may be unable to pay for the products for which they have ordered or of which they have taken delivery. Our legal recourse under such circumstances may be limited if the customer's financial resources are already constrained or if we wish to continue to do business with that customer. Revenue recognition for this type of customer is deferred until cash is received. If more customers to whom we extend credit are unable to pay for our products, our revenues, liquidity and results of operations could be materially and adversely affected.

Our dependence on a limited number of suppliers of silicon wafers, cells and silicon, and the limited number of suppliers for certain other components, such as silver metallization paste, solar module back-sheet, and ethylene vinyl acetate encapsulant, could prevent us from delivering our products to our customers in the required quantities or in a timely manner, which could result in order cancellations and decreased revenues.

We purchase silicon raw materials, which include solar grade silicon, silicon wafers and solar cells, from a limited number of third-party suppliers. Our largest supplier of raw materials by dollar amount of purchases accounted for approximately 18.1%, 23.8% and 19.6% of our total raw materials purchases in 2012, 2013 and 2014, respectively.

In 2014, our major suppliers of silicon wafers include GCL, Konca Solar Cell., Ltd, or Konca, and Suzhou Dongtai Solar Energy Technology Co., Ltd., or Dongtai. Our major suppliers of solar cells in 2014 include Topcell Solar International Co., Ltd, or Topcell, Neo Solar and Motech Industries, Inc., or Motech. These suppliers may not always be able to meet our quantity requirements, or keep pace with the price reductions or quality improvements, necessary for us to price our products competitively. Supply may also be interrupted by accidents, disasters or other unforeseen events beyond our control. The failure of a supplier, for whatever reason, to supply silicon wafers, solar cells, silicon raw materials or other essential components that meet our quality, quantity and cost requirements in a timely manner could impair our ability to manufacture our products or increase our costs. The impact could be more severe if we are unable to access alternative sources on a timely basis or on commercially reasonable terms, and could prevent us from delivering our products to our customers in the required quantities and at prices that are profitable. Problems of this kind could cause order cancellations, reduce our market share, harm our reputation and cause legal disputes with our customers.

We are developing and commercializing higher conversion efficiency cells, but we may not be able to mass-produce these cells in a cost effective way, if at all.

Higher efficiency cell structures are becoming an increasingly important factor in cost competitiveness and brand recognition in the solar power industry. Such cells may yield higher power outputs at the same cost to produce as lower efficiency cells, thereby lowering the manufactured cost per watt. The ability to manufacture and sell solar modules made from such cells may also be an important competitive advantage because solar system owners can obtain a higher yield of electricity from the modules that have a similar infrastructure, footprint and system cost compared to systems with modules using lower efficiency cells. Higher conversion efficiency solar cells and the resulting higher output solar modules are also one of the considerations in maintaining a price premium over thin-film products. However, while we are making the necessary investments to develop higher conversion efficiency solar power products, there is no assurance that we will be able to commercialize some or any of these products in a cost effective way, or at all. In the near term, such products may command a modest premium. In the longer term, if our competitors are able to manufacture such products and we cannot do the same at all or in a cost efficient manner, we will be at a competitive disadvantage, which will likely influence our product pricing and our financial performance.

We may be subject to unexpected warranty expense that may not be adequately covered by our insurance policies.

Before June 2009, we typically sold our standard solar modules with a two-year guarantee for defects in materials and workmanship and a 10-year and 25-year warranty against declines of more than 10% and 20%, respectively, from the initial minimum power generation capacity at the time of delivery. In June 2009, we increased our warranty against defects in materials and workmanship to six years. Effective August 1, 2011, we increased our warranty against defects in materials and workmanship to ten years and we guarantee that, for a period of 25 years, our standard solar modules will maintain the following performance levels:

- during the first year, the actual power output of the module will be no less than 97% of the labeled power output;
- from year 2 to year 24, the actual annual power output decline will be no more than 0.7%; and
- by the end of year 25, the actual power output of the module will be no less than 80% of the labeled power output.

We believe our warranty periods are consistent with industry practice. Due to the long warranty period, we bear the risk of extensive warranty claims long after we have shipped our products and recognized revenue. We began selling specialty solar products in 2002 and began selling standard solar modules in 2004. Any increase in the defect rate of our products would require us to increase our warranty reserves and would have a corresponding negative impact on our results of operations. Although we conduct quality testing and inspection of our solar module products, our solar module products have not been and cannot be tested in an environment simulating the up-to-25-year warranty periods. In particular, unknown issues may surface after extended use. These issues could potentially affect our market reputation and adversely affect our revenues, giving rise to potential warranty claims by our customers. As a result, we may be subject to unexpected warranty costs and associated harm to our financial results as long as 25 years after the sale of our products. In addition, for utility-scale solar power projects built by us, we provide a limited workmanship or balance of system warranty against defects in engineering, design, installation and construction under normal use, operation and service conditions for a period of up to five years following the energizing of the solar power plant. In resolving claims under the workmanship or balance of system warranty, we have the option of remedying through repair, refurbishment or replacement of equipment. We have also entered into similar workmanship warranties with our suppliers to back up our warranties. See "Item 5. Operating

and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies—Warranty Cost."

As part of our total solutions business, before energizing solar power plants, we conduct performance testing to confirm that they meet the operational and capacity expectations set forth in the agreements. In limited cases, we also provide an energy generation performance test designed to demonstrate that the actual energy generation for up to the first three years meets or exceeds the modeled energy expectation. In the event that the energy generation performance test performs below expectations, we may incur liquidated damages capped at a percentage of the contract price.

In April 2010, we began entering into agreements with a group of insurance companies with high credit ratings to back up our warranties. Under the terms of the insurance policies, which are designed to match the terms of our solar module product warranty policy, the insurance companies are obliged to reimburse us, subject to certain maximum claim limits and certain deductibles, for the actual product warranty costs that we incur under the terms of our solar module product warranty policy. We record the insurance premiums initially as prepaid expenses and amortize them over the respective policy period of one year. Each prepaid policy provides insurance against warranty costs for panels sold within that policy year. However, potential warranty claims may exceed the scope or amount of coverage under this insurance and, if they do, they could materially and adversely affect our business.

We may not continue to be successful in developing and maintaining a cost-effective solar cell manufacturing capability.

We plan to continue expanding our in-house solar cell manufacturing capabilities to support our solar module manufacturing business. Our annual solar cell production capacity was at 1.5 GW as of December 31, 2014. To remain competitive going forward, we intend to expand our annual solar cell production capacity to meet expected growth in demand for our solar modules. However, we only have limited and recent operating experience in this area and may face significant product development challenges in our solar cell operations. Manufacturing solar cells is a complex process and we may not be able to produce solar cells of sufficient quality to meet our solar module manufacturing standards. Minor deviations in the manufacturing process can cause substantial decreases in yield and in some cases cause no yield output or production to be suspended. We will need to make capital expenditures to purchase manufacturing equipment for solar cell production and will also need to make significant investments in research and development to keep pace with technological advances in solar power technology. Any failure to successfully develop and maintain cost-effective solar cell manufacturing capability may have a material and adverse effect on our business and prospects. For example, we have in the past purchased a large percentage of solar cells from third parties. This negatively affected our margins compared with those of our competitors since it is less expensive to produce cells internally than to purchase them from third parties. Because third party solar cell purchases are usually made in a period of high demand, prices tend to be higher and availability reduced.

Although we intend to continue direct purchasing of solar cells and toll manufacturing arrangements through a limited number of strategic partners, our relationships with our solar cell suppliers may be disrupted if we engage in the large-scale production of solar cells ourselves. If solar cell suppliers discontinue or reduce the supply of solar cells to us, through direct sales or through toll manufacturing arrangements, and we are not able to compensate for the loss or reduction by manufacturing our own solar cells, our business and results of operations may be adversely affected.

It may be difficult to develop our internal production capabilities for silicon ingots and wafers or to achieve acceptable yields and product performance as a result of manufacturing problems.

We completed the initial phase of our silicon ingot and wafer plant in the third quarter of 2008 and reached a capacity of approximately 260 MW as of December 31, 2014. We have limited prior

operational experience in ingot and silicon wafer production and face significant challenges in further increasing our internal production capabilities. The technology is complex and requires costly equipment and highly skilled personnel. In addition, we may experience delays in further developing these capabilities and in obtaining the governmental permits required to carry on these operations.

In addition, we will need to continuously enhance and modify these capabilities in order to improve yields and product performance. Microscopic impurities such as dust and other contaminants, difficulties in the manufacturing process, disruptions in the supply of utilities or defects in the key materials and tools used to manufacture silicon wafers can cause a percentage of the silicon wafers to be rejected, which would negatively affect our yields. We may experience manufacturing difficulties that cause production delays and lower than expected yields.

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

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

We frequently look for and evaluate opportunities to acquire other businesses, make strategic investments or establish strategic relationships with third parties to improve our market position or expand our products and services. Investments, strategic acquisitions and relationships with third parties could subject us to a number of risks, including risks associated with integrating their personnel, operations, services, internal controls and financial reporting into our operations as well as the loss of control of operations that are material to our business. Moreover, it could be expensive to make strategic acquisitions, investments and establish and maintain relationships, and we may be subject to the risk of non-performance by a counterparty, which may in turn lead to monetary losses that materially and adversely affect our business. We cannot assure you that we will be able to successfully make strategic acquisitions and investments and successfully integrate them into our operations or establish strategic relationships with third parties that will prove to be effective for our business. Our inability to do so could materially and adversely affect our market penetration, our revenue growth and our profitability.

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

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

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

We sell a substantial portion of our solar module products to a limited number of customers, including distributors, system integrators, project developers and installers/EPC companies. Our top five customers by revenues collectively accounted for approximately 25.5%, 38.3% and 33.6% of our net

revenues in 2012, 2013 and 2014, respectively. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, any of the following events may cause material fluctuations or declines in our revenues:

- reduced, delayed or cancelled orders from one or more of our significant customers;
- the loss of one or more of our significant customers;
- a significant customer's failure to pay for our products on time; and
- a significant customer's financial difficulties or insolvency.

As we continue to expand our business and operations, our top customers continue to change. We cannot assure that we will be able to develop a consistent customer base.

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

We, along with other solar power product manufacturers, are exposed to risks associated with product liability claims if the use of our solar power products results in injury. Since our products generate electricity, it is possible that users could be injured or killed by our products due to product malfunctions, defects, improper installation or other causes. Although we carry limited product liability insurance, we may not have adequate resources to satisfy a judgment if a successful claim is brought against us. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. Even if the product liability claims against us are determined in our favor, we may suffer significant damage to our reputation.

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

As of March 31, 2015, Dr. Shawn Qu, our founder, Chairman, President and Chief Executive Officer, beneficially owned 13,387,961 common shares, or 24.0% of our outstanding shares. As a result, Dr. Qu has substantial influence over our business, including decisions regarding mergers and acquisition, consolidations and the sale of all or substantially all of our assets, the election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our other shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our common shares.

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

Our success depends on our ability to develop and use our technology and know-how and sell our solar power products without infringing the intellectual property or other rights of third parties. The validity and scope of claims relating to solar power technology patents involve complex scientific, legal and factual questions and analyses and are therefore highly uncertain. We may be subject to litigation involving claims of patent infringement or the violation of intellectual property rights of third parties. Defending intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. Additionally, we use both imported and China-made equipment in our production lines, sometimes without sufficient supplier guarantees that our use of such equipment does not infringe third-party intellectual property rights. This creates a potential source of litigation or infringement claims. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties or require us to seek licenses from third parties, pay ongoing royalties, redesign our products or subject us

to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also defer customers or potential customers or limit their purchase or use of our products until such litigation is resolved.

Compliance with environmental laws and regulations can be expensive, and noncompliance with these regulations may result in adverse publicity and potentially significant monetary damages, fines and the suspension or even termination of our business operations.

We are required to comply with all national and local environmental regulations. Our business generates noise, wastewater, gaseous wastes and other industrial waste in our operations and the risk of incidents with a potential environmental impact has increased as our business has expanded. We believe that we comply with all relevant environmental laws and regulations and have all necessary environmental permits to conduct our business as it is presently conducted. However, if more stringent regulations are adopted in the future, the costs of complying with these new regulations could be substantial. If we fail to comply with present or future environmental regulations, we may be required to pay substantial fines, suspend production or cease operations.

Our solar power products must comply with the environmental regulations of the jurisdictions in which they are installed, and we may incur expenses to design and manufacture our products to comply with such regulations. If compliance is unduly expensive or unduly difficult, we may lose market share and our financial results may be adversely affected. Any failure by us to control our use or to restrict adequately the discharge, of hazardous substances could subject us to potentially significant monetary damages, fines or suspensions of our business operations.

We may not be successful in establishing our brand name in important markets and the products we sell under our brand name may compete with the products we manufacture on an original equipment manufacturer, or OEM, basis for our customers.

We sell our products primarily under our own brand name but also on an OEM basis. In certain markets, our brand may not be as prominent as other more established solar power product vendors, and there can be no assurance that the brand names "Canadian Solar", or "CSI" or any of our possible future brand names will gain acceptance among customers. Moreover, because the range of products that we sell under our own brands and those we manufacture for our OEM customers may be substantially similar, we may end up directly or indirectly competing with our OEM customers, which could negatively affect our relationship with them.

Failure to protect our intellectual property rights in connection with new solar power products may undermine our competitive position.

As we develop and bring to market new solar power products, we may need to increase our expenditures to protect our intellectual property. Our failure to protect our intellectual property rights may undermine our competitive position. As of March 31, 2015, we had 300 patents and 142 patent applications pending in the PRC for products that contribute a relatively small percentage of our net revenues. We have three U.S. patents, issued in November 2009, February 2010 and December 2014, respectively. We also have one patent in Europe. We have registered the "Canadian Solar" trademark in the U.S., Australia, Canada, Europe, South Korea, Japan, the United Arab Emirates, Hong Kong and Peru and we have applied for registration of the "Canadian Solar" trademark in a number of other countries. As of March 31, 2015, we had 59 registered trademarks and five trademark applications pending in the PRC, and 43 registered trademarks and 30 trademark applications pending outside of China. These intellectual property rights afford only limited protection and the actions we take to protect our rights as we develop new solar power products may not be adequate. Policing the unauthorized use of proprietary technology can be difficult and expensive. In addition, litigation, which can be costly and divert management attention, may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others.

We have limited insurance coverage and may incur significant losses resulting from operating hazards, product liability claims or business interruptions.

Our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials, which may result in fires, explosions, spills and other unexpected or dangerous accidents causing personal injuries or death, property damages, environmental damages and business interruption. Although we currently carry third-party liability insurance against property damages, the policies for this insurance are limited in scope and may not cover all claims relating to personal injury, property or environmental damage arising from incidents on our properties or relating to our operations. See "Item 4. Information on the Company—B. Business Overview—Insurance." Any occurrence of these or other incidents which are not insured under our existing insurance policies could have a material adverse effect on our business, financial condition or results of operations.

We are also exposed to risks associated with product liability claims in the event that the use of our solar power products results in injury. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Product liability claims against us could result in adverse publicity and potentially significant monetary damages." Although we carry limited product liability insurance, we may not have adequate resources to satisfy a judgment if a successful claim is brought against us.

In addition, the normal operation of our manufacturing facilities may be interrupted by accidents caused by operating hazards, power supply disruptions, equipment failure, as well as natural disasters. While our manufacturing plants in China and elsewhere are covered by business interruption insurance, any significant damage or interruption to these plants could still have a material and adverse effect on our results of operations.

If our internal control over financial reporting or disclosure controls and procedures are not effective, investors may lose confidence in our reported financial information, which could lead to a decline in our share price.

We are subject to the reporting obligations under U.S. securities laws. The Securities and Exchange Commission, or SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring every public company to include a management report on its internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of its internal control over financial reporting. In addition, an independent registered public accounting firm must report on the effectiveness of the company's internal controls over financial reporting. As of December 31, 2014, our management concluded that our internal control over financial reporting was effective. However, we cannot assure you that material weaknesses in our internal controls over financial reporting will not be identified in the future. Any material weaknesses in our internal controls could cause us not to meet our periodic reporting obligations in a timely manner or result in material misstatements in our financial statements. Material weaknesses in our internal controls over financial reporting could also cause investors to lose confidence in our reported financial information, leading to a decline in our share price.

The audit report included in this annual report on Form 20-F was prepared by auditors who are not inspected by the Public Company Accounting Oversight Board and, as a result, you are deprived of the benefits of such inspection.

The independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as auditors of companies that are traded publicly in the U.S. and a firm registered with the Public Company Accounting Oversight Board (United States), or the PCAOB, is required by the laws of the U.S. to undergo regular inspections by the PCAOB to assess its compliance with the laws of the U.S. and professional standards. Because our auditors are located in

the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

If additional remedial measures are imposed on the Big Four PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC, with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

Beginning in 2011, the Chinese affiliates of the "big four" accounting firms (including our independent registered public accounting firm) were affected by a conflict between U.S. and Chinese law. Specifically, for certain U.S. listed companies operating and audited in the PRC, the SEC and the PCAOB sought to obtain access to the audit work papers and related documents of the Chinese affiliates of the "big four" accounting firms. The accounting firms were, however, advised and directed that, under China law, they could not respond directly to the requests of the SEC and the PCAOB and that such requests, and similar requests by foreign regulators for access to such papers in China, had to be channeled through the China Securities Regulatory Commission, or CSRC.

In late 2012, this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the "big four" accounting firms (including our independent registered public accounting firm). A first instance trial of these proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms, including a temporary suspension of their right to practice before the SEC. Implementation of the latter penalty was postponed pending review by the SEC Commissioners. On February 6, 2015, before a review by the Commissioner had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If the firms fail to follow these procedures and meet certain other specified criteria, the SEC retains the authority to impose a variety of additional remedial measures, including, as appropriate, an automatic six-month bar on a firm's ability to perform certain audit work, commencement of new proceedings against a firm or, in extreme cases, the resumption of the current administrative proceeding against all four firms.

In the event that the SEC restarts administrative proceedings, depending upon the final outcome, listed companies in the U.S. with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in their financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against the firms may cause investor uncertainty regarding China-based, U.S.-listed companies and the market price of their shares to be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of our shares from the NASDAQ Stock Market LLC, or Nasdaq, or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our shares in the U.S.

You may have difficulty enforcing judgments obtained against us.

We are a corporation organized under the laws of Canada and a substantial portion of our assets is located outside of the U.S. A substantial portion of our current business operations is conducted in the PRC. In addition, a majority of our directors and officers are nationals and residents of countries other than the U.S. A substantial portion of the assets of these persons is located outside the U.S. As a result, it may be difficult for you to effect service of process within the U.S. upon these persons. It may also be difficult for you to enforce in U.S. court judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, many of whom are not residents of the U.S. and whose assets are located in significant part outside of the U.S. In addition, there is uncertainty as to whether the courts of Canada or the PRC would recognize or enforce judgments of U.S. courts against us or our officers and directors predicated upon the civil liability provisions of the securities laws of the U.S. or any state. In addition, it is uncertain whether the Canadian or PRC courts would be competent to hear original actions brought in Canada or the PRC against us or our officers and directors predicated upon the securities laws of the U.S. or any state.

Risks Related to Doing Business in China

The enforcement of the labor contract law and increases in labor costs in the PRC may adversely affect our business and our profitability.

The Labor Contract Law came into effect on January 1, 2008, and was later revised on December 28, 2012; the Implementation Rules and the amendment thereunder became effective on September 18, 2008 and July 1, 2013, respectively. The Labor Contract Law and the Implementation Rules imposed stringent requirements on employers with regard to executing written employment contracts, hiring temporary employees, dismissing employees, consultation with the labor union and employee assembly, compensation upon termination and overtime work, collective bargaining and labor dispatch business. In addition, under the Regulations on Paid Annual Leave for Employees, which came into effect on January 1, 2008, and their Implementation Measures, which were promulgated and became effective on September 18, 2008, employees who have served for more than one year with an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of the employer must be compensated for each vacation day waived at a rate equal to three times their normal daily salary. According to the Interim Provisions on Labor Dispatching, which came into effect on January 3, 2014, where the number of dispatched workers used by an employer prior to the implementation hereof exceeds 10% of its total number of workers, the employer shall formulate a plan to adjust its worker employment situations, and reduce the said percentage to within the required range within two years from the effective date. Our labor costs are expected to continue to increase due to these new laws and regulations. Higher labor costs and labor disputes with our employees stemming from these new rules and regulations could adversely affect our business, financial condition, and results of operations.

In recent years, our subsidiaries have lost certain tax benefits and we expect to pay additional PRC taxes as a result, which could have a material and adverse impact on our financial condition and results of operations.

On January 1, 2008, the Enterprise Income Tax Law, or the EIT Law, came into effect in China. Under the EIT Law, both foreign-invested enterprises and domestic enterprises are subject to a uniform enterprise income tax rate of 25%. There is a transition period for enterprises that were established prior to March 16, 2007 (the promulgation date of the EIT Law) and were given preferential tax treatment under the previous tax law. Enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires, subject to certain limitations. The EIT Law provides for preferential tax treatment for certain categories of industries and projects that are strongly supported and encouraged by the state. For example, enterprises classified as a "High and New Technology Enterprise," or HNTE, are entitled to a 15% enterprise income tax rate provided that such HNTE satisfies other applicable statutory requirements.

Certain of our PRC subsidiaries, such as CSI Solar Manufacture Inc., or CSI Manufacturing, CSI Cells Co. Ltd., or CSI Cells, Canadian Solar Manufacturing (Luoyang) Inc., or CSI Luoyang Manufacturing, Canadian Solar Manufacturing (Changshu) Inc., or CSI Changshu Manufacturing, once enjoyed preferential tax benefits, such as a reduced enterprise income tax rate of 12.5%. However, these benefits have now expired. In 2014, only Suzhou Sanysolar Materials Technology Co., Ltd., which is recognized as an HNTE and satisfies applicable statutory requirements, enjoys a reduced enterprise income tax rate of 15%. As most of the preferential tax benefits enjoyed by our PRC subsidiaries expired, their effective tax rates increased significantly.

There are significant uncertainties in our tax liabilities regarding our income under the EIT Law.

We are a Canadian company with substantially all of our manufacturing operations in China. Under the EIT Law and its implementation regulations, both of which became effective on January 1, 2008, enterprises established outside China whose "de facto management body" is located in China are considered PRC tax residents and will generally be subject to the uniform 25% enterprise income tax rate on their global income. Under the implementation regulations, the term "de facto management body" is defined as substantial and overall management and control over aspects such as the production and business, personnel, accounts and properties of an enterprise. The Circular on Identification of China-controlled Overseas-registered Enterprises as Resident Enterprises on the Basis of Actual Management Organization, or Circular 82, further provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled offshore incorporated enterprise is located in the PRC. The criteria include whether (i) the premises where the senior management and the senior management bodies responsible for the routine production and business management of the enterprise perform their functions are mainly located within the PRC, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. Although Circular 82 only applies to offshore enterprises controlled by enterprises or enterprise groups located within the PRC, the determining criteria set forth in the Circular 82 may reflect the tax authorities' general position on how the "de facto management body" test may be applied in determining the tax resident status of offshore enterprises. As the tax resident status of an enterprise is subject to the determination by the PRC tax authorities, uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities. As a substantial number of the members of our management team are located in China, we may be considered as a PRC tax resident under the EIT Law and, therefore, subject to the uniform 25% enterprise income tax rate on our global income. If our global income is subject to PRC enterprise

income tax at the rate of 25%, our financial condition and results of operation may be materially and adversely affected.

Dividends paid by us to our non-Chinese shareholders and gains on the sale of our common shares may be subject to PRC enterprise income tax liabilities or individual income tax liabilities.

The implementation regulations of the EIT Law provide that (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends and capital gains will be treated as China-sourced income.

Currently there are no detailed rules governing the procedures and specific criteria for determining what it means to be domiciled in the PRC. As a result, it is not clear how the concept of "China domicile" will be interpreted under the EIT Law. The concept of domicile may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC tax resident enterprise for tax purposes, any dividends we pay to our overseas shareholders as well as any gains realized by such holders from the transfer of our common shares may be regarded as China-sourced income and, consequently, be subject to PRC withholding tax at a rate of up to 10% or a lower treaty rate for enterprises.

Under the Law of the People's Republic of China on Individual Income Tax, or IIT Law, individual income tax is payable on PRC-source dividend income. The implementation regulations of the IIT Law provide that income from dividends derived from companies, enterprises and other economic organizations in China is considered derived from sources inside China, regardless of whether the place of payment was inside China. Therefore, if we are treated as a PRC resident enterprise for tax purposes, any dividends we pay to our overseas individual shareholders as well as any gains realized by such holders from the transfer of our notes or common shares may be regarded as China-sourced income and, consequently, be subject to PRC individual income tax at a rate of up to 20% or a lower treaty rate for individuals. The investment returns of our overseas investors, and the value of their investments in us, may be materially and adversely affected if any interest or dividends we pay to them, or any gains realized by them on the transfer of our common shares, are subject to PRC tax.

We face uncertainty from the PRC State Administration of Taxation's Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises.

The PRC State Administration of Taxation, or the SAT, issued the Circular on Strengthening the Management of Enterprise Income Tax Collection of Income Derived by Non-resident Enterprises from Equity Transfers, or Circular 698, on December 10, 2009. Under Circular 698, an overseas investor (actual controlling party) who "indirectly transfers" the equity of a PRC resident enterprise, is required to report such transfer to the PRC tax authority if certain statutory requirements are satisfied. In March 2015, the SAT issued the Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or Announcement 7, which further regulated and strengthened the administration of enterprise income tax on indirect transfer of properties such as equity in a Chinese resident enterprise, and the above stipulations of Circular 698 were repealed simultaneously.

Under Announcement 7, where a non-resident enterprise indirectly transfers properties, such as equity of Chinese resident enterprises, without any reasonable commercial purposes with the aim of avoiding payment of enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity of a Chinese resident enterprise. Properties such as equity in Chinese resident enterprises mentioned in Announcement 7 mean the properties, or Chinese taxable properties, which are directly held by non-resident enterprises and subject the transfer income to enterprise income tax in China according to the provisions of Chinese tax law. Indirect transfers of Chinese taxable properties

are transactions which transfer the equity of enterprises abroad that directly or indirectly hold Chinese taxable properties (not including Chinese resident enterprises registered abroad). To estimate reasonable commercial purposes, all arrangements related to the indirect transfer of Chinese taxable properties must be considered comprehensively and certain factors, such as whether the main value of the equity of enterprises abroad is directly or indirectly from the Chinese taxable properties, must be comprehensively analyzed. Except for the circumstances stipulated therein, the overall arrangements related to the indirect transfer of Chinese taxable properties that fall in any of the following circumstances simultaneously are deemed as having no reasonable commercial purposes: (i) more than 75% of the equity of enterprises abroad is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (not including cash) of enterprises abroad is directly or indirectly composed of investment in the territory of China at any time in the year before the indirect transfer of Chinese taxable properties, or more than 90% of the income of enterprises abroad is directly or indirectly from the territory of China in the year before the indirect transfer of Chinese taxable properties; (iii) although the enterprises abroad and their subordinate enterprises directly or indirectly hold Chinese taxable properties have registered in the host country (region) in order to satisfy the organization form required by law, the functions actually performed and the risks undertaken are limited and are not sufficient to prove the economic essence; or (iv) the burden of income tax of indirect transfer of Chinese taxable properties payable abroad is lower than the possible burden of taxation in China as for the direct transfer of Chinese taxable properties. However, a non-resident enterprise's income obtained from indirect transfer of Chinese taxable properties by purchasing and selling equity of the same listed enterprise abroad in the open market will not be taxed under Announcement 7.

There is uncertainty as to the application of Announcement 7 and it is understood that the relevant PRC tax authorities have jurisdiction regarding reasonable commercial purposes. As a result, we may become at risk of being taxed under Announcement 7 and we may be required to expend valuable resources to comply with Announcement 7 or to establish that we should not be taxed under Announcement 7, which may materially adversely affect our financial condition and results of operations.

Generally, we do not believe that the transfer of our common shares or the notes by our non-PRC shareholders would be treated as an indirect transfer of equity in our PRC subsidiaries subject to Announcement 7, as the equity transfer is seldom carried out without reasonable commercial purposes. Especially, according to Announcement 7, it shall not be reclassified as a direct transfer of equity in Chinese resident enterprise that a non-resident enterprise obtains income from indirect transfer of Chinese taxable properties by purchasing and selling equity of the same listed enterprise abroad in the open market. However, there is uncertainty as to the interpretation and application of Announcement 7 by the PRC tax authorities in practice. If you are required to pay PRC tax on the transfer of our shares or notes, your investment in us may be materially and adversely affected. In addition, we cannot predict how Announcement 7 will affect our financial condition or results of operations.

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

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

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

Uncertainties with respect to the Chinese legal system could materially and adversely affect us.

We conduct substantially all of our manufacturing operations through our subsidiaries in China. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to wholly foreign-owned enterprises and joint venture companies. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system is still developing, the implementation and enforcement of many laws, regulations and rules may be inconsistent, which may limit legal protections available to us. In addition, any litigation in China may be protracted and may result in substantial costs and divert our resources and the attention of our management.

Risks Related to Our Common Shares

We may issue additional common shares, other equity or equity-linked or debt securities, which may materially and adversely affect the price of our common shares. Hedging activities may depress the trading price of our common shares.

We may issue additional equity, equity-linked or debt securities for a number of reasons, including to finance our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to satisfy our obligations for the repayment of existing indebtedness, to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding warrants or options or for other reasons. Any future issuances of equity securities or equity-linked securities could substantially dilute the interests of our existing shareholders and may materially and adversely affect the price of our common shares. We cannot predict the timing or size of any future issuances or sales of equity, equity-linked or debt securities, or the effect, if any, that such issuances or sales, may have on the market price of our common shares. Market conditions could require us to accept less favorable terms for the issuance of our securities in the future.

The market price for our common shares may be volatile.

The market price for our common shares has been highly volatile and subject to wide fluctuations. During the period from November 9, 2006, the first day on which our common shares were listed on the Nasdaq, until December 31, 2014, the market price of our shares has ranged from $1.95 to $51.80 per share. The closing market price of our common shares on December 31, 2014 was $24.19 per share. From January 1, 2015 to April 20, 2015, the market price of our common shares has ranged from $18.68 to $36.48 per share. The closing market price of our common shares on April 20, 2015 was $35.25.The market price of our common shares may continue to be volatile and subject to wide fluctuations in response to a wide variety of factors, including the following:

- announcements of technological or competitive developments;
- regulatory developments in our target markets affecting us, our customers or our competitors;
- actual or anticipated fluctuations in our quarterly operating results;

- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of other solar power companies;
- the departure of executive officers and key research personnel;
- patent litigation and other intellectual property disputes;
- litigation and other disputes with our long-term suppliers;
- fluctuations in the exchange rates between the U.S. dollar, the Japanese yen, the RMB, the Canadian dollar and the Euro;
- SEC investigation or private securities litigation;
- the release or expiration of lock-up or other transfer restrictions on our outstanding common shares; and
- sales or anticipated sales of additional common shares.

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

Substantial future sales of our common shares in the public market, or the perception that such sales could occur, could cause the price of our common shares to decline.

Sales of our common shares in the public market, or the perception that such sales could occur, could cause the market price of our common shares to decline. As of December 31, 2014, we had 55,161,856 common shares outstanding. The number of common shares outstanding and available for sale will increase when our employees and former employees who are holders of restricted share units and options to acquire our common shares become entitled to the underlying shares under the terms of their units or options. To the extent these shares are sold into the market, the market price of our common shares could decline.

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

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

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

The following provisions in our amended articles of continuance may deprive our shareholders of the opportunity to sell their shares at a premium over the prevailing market price by delaying or preventing a change of control of our company:

- Our board of directors has the authority, without approval from the shareholders, to issue an unlimited number of preferred shares in one or more series. Our board of directors may

establish the number of shares to be included in each such series and may fix the designations, preferences, powers and other rights of the shares of a series of preferred shares.

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

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

Based on the current and anticipated value of our assets and the composition of our income and assets, we do not believe we were a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our taxable year ended December 31, 2014. A non-U.S. corporation such as ourselves will be treated as a PFIC for U.S. federal income tax purposes for any taxable year if applying applicable look-through rules, either (i) at least 75% of its gross income for such year is passive income or (ii) at least 50% of the value of its assets (determined based on a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. However, the determination of PFIC status is based on an annual determination that cannot be made until the close of a taxable year, involves extensive factual investigation, including ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income that we earn, and is subject to uncertainty in several respects. Accordingly, we cannot assure you that we will not be a PFIC for any taxable year or that the U.S. Internal Revenue Service will not take a contrary position. If we are a PFIC for any taxable year during which a U.S. Holder (as defined in "Item 10. Additional Information—E. Taxation—U.S. Federal Income Taxation") holds a common share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See "Item 10. Additional Information—E. Taxation—U.S. Federal Income Taxation—Passive Foreign Investment Company."

ITEM 4. *INFORMATION ON THE COMPANY*

A. History and Development of the Company

Our legal and commercial name is Canadian Solar Inc. We were incorporated under the laws of the Province of Ontario, Canada in October 2001. We changed our jurisdiction by continuing under the Canadian federal corporate statute, the CBCA, effective June 1, 2006. As a result, we are governed by the CBCA. See "Item 4. Information on the Company—C. Organizational Structure" for additional information on our corporate structure, including a list of our major subsidiaries.

Our principal executive office and principal place of business is located at 545 Speedvale Avenue West, Guelph, Ontario, Canada N1K 1E6. Our telephone number at this address is (1-519) 837-1881 and our fax number is (1-519) 837-2550.

All inquiries to us should be directed at the address and telephone number of our principal executive office set forth above. Our website is www.canadiansolar.com. The information contained on or accessible through our website does not form part of this annual report.

B. Business Overview

Overview

We are one of the world's largest and foremost solar power companies. We are a leading vertically integrated provider of solar power products and system solutions with operations in North America, South America, Europe, Africa, the Middle East, Australia and Asia.

We design, develop, and manufacture solar wafers, solar cells and solar power products. Our solar power products include standard solar modules and specialty solar products. We are incorporated in Canada and conduct most of our manufacturing operations in China. Our products include a range of solar modules built to general specifications for use in a wide range of residential, commercial and industrial solar power generation systems. Specialty solar products consist of customized solar modules that our customers incorporate into their own products and complete specialty products, such as portable solar home systems. We sell our products primarily under our "Canadian Solar" brand name.

In recent years, we have increased our investment in, and management attention on, our total solutions business, which consists primarily of solar power project development, EPC services, O&M services, electricity revenue generation and sales of solar system kits. As we continued to expand our business into the downstream segment of the industry, our total solutions business accounted for 44.5% of our net revenues in 2014, an increase from 28.6% in 2013. In 2015, we intend to hold more project assets to generate revenue from the sales of electricity. At the end of February of 2015, we had a late-stage project pipeline, comprising self-owned and joint venture projects and EPC contracts, in Canada, Japan, the U.S. and China, totaling approximately 1.4 GW (DC). In March 2015, we acquired Recurrent, a leading solar energy developer with solar power projects located principally in California and Texas. As a result of this acquisition, our total solar project pipeline increased to approximately 8.5 GW (DC), and our late-stage solar project pipeline increased to 2.4 GW (DC). See "Item 4. Information on the Company—B. Business Overview—Sales and Marketing—Solar Power Project Development" for a description of the status of our solar power projects.

We believe that we offer one of the broadest crystalline silicon solar power product lines in the industry. Our product lines range from modules of medium power to high efficiency, high-power output mono-crystalline modules, as well as a range of specialty products. We currently sell our products to a diverse customer base in various markets worldwide, including China, Japan, the U.S., Germany, Spain, Italy, France, the Czech Republic, Canada, India and the United Kingdom, among other countries. Our customers primarily include distributors, system integrators, project developers and installers/EPC companies.

We employ a flexible vertically integrated business model that combines internal manufacturing capacity with direct material purchases of both cells and wafers. We believe this approach has benefited us by lowering the cost of materials of our solar module products. We also believe that this approach provides us with greater flexibility to respond to short-term demand increases.

As of December 31, 2014, we had:

- 3.0 GW of total annual solar module manufacturing capacity, approximately 500 MW of which is located in Ontario, Canada with the balance located in China;
- 1.5 GW of total annual solar cell manufacturing capacity located in China; and
- 260 MW of total annual ingot and wafer manufacturing capacity located in China.

We intend to use substantially all of the silicon wafers that we manufacture to supply our own solar cell plants and to use substantially all of the solar cells that we manufacture to produce our own solar module products. We also intend to use our solar module products in our total solutions business. Our total manufacturing costs in China, including purchased polysilicon, wafers and cells, decreased

from $0.52 per watt for the year ended December 31, 2013 to $0.48 per watt for the year ended December 31, 2014. We expect to continue to decrease the manufacturing costs for our production of wafers, cells and modules.

We continue to focus on reducing our manufacturing costs by improving solar cell conversion efficiency, enhancing manufacturing yields and reducing raw material costs. In January 2009, we established a new solar cell efficiency research center to develop more efficient cell structures, and we have been making ongoing improvements in solar cell conversion efficiency and product cost control. We began shipping new products, such as higher efficiency modules, in late 2011 and expect to increase the sales volumes of these products in the future.

Our Products and Services

Our solar power products include standard solar modules and specialty solar products. In recent years, we have increasingly focused on our total solutions business, which consists primarily of solar power project development, EPC services, O&M services, electricity revenue generation and sales of solar system kits.

Standard Solar Modules

Our standard solar modules are arrays of interconnected solar cells in weatherproof encapsulation. We produce a wide variety of standard solar modules, ranging from 3 W to over 310 W in power and using multi-crystalline or mono-crystalline cells in several different design patterns. Our mainstream solar modules include standard CS6V (50 cells), CS6P (60 cells), CS6X (72 cells) and Diamond CS6K-P-PG (60 cells, double-glass) modules, in which 6-inch solar wafers are used, the majority being multi-crystalline wafers. The mainstream modules are designed for residential, commercial and utility applications. Small modules are for specialty applications.

We launched our Quartech modules in March 2013. Quartech modules use 4-busbar solar cell technology which improves module reliability and efficiency. We produced and shipped Quartech modules in large volume in 2014. CS6P (6 x 10 cell layout) Quartech modules have power output between 250 W and 265 W, which enables us to offer customers modules with high power. We launched and started shipping Diamond modules in October 2014. Diamond modules are designed with double-glass encapsulation, which is more reliable for harsh environments and ready for 1500V solar systems.

We design our standard solar modules to be durable under harsh weather conditions and easy to transport and install. We sell our standard solar modules primarily under our brand name. Since we began selling our solar module products in March 2002, we have increased our annual module production capacity to 3.0 GW as of December 31, 2014.

Solar Power Project Development

We develop, build and sell solar power projects. Our solar power project development activities have grown over the past several years through a combination of organic growth and acquisitions. Our global solar power project business develops projects primarily in Canada, Japan, the U.S., China, Brazil and the United Kingdom. Our team of experts specializes in project development, evaluations, system designs, engineering, managing project coordination and organizing financing. See "Item 4. Information on the Company—B. Business Overview—Sales and Marketing—Solar Power Project Development" for a description of the status of our solar power projects.

Specialty Solar Products

Our specialty solar products mainly include Andes Solar Home System and Maple Solar System.

Andes Solar Home System, or Andes SHS, is an off-grid solar system, designed to provide an economical source of electricity to homes and communities without access to grid electricity or where electricity supply is scarce. The Andes SHS is portable, light-weight, and easy to set-up, making it ideal for situations where emergency power is required.

Maple Solar System is an economical, safe and clean energy solution for families who burn kerosene for lighting when darkness falls. It is a very convenient mobile power source for outdoor activities, such as camping, boating and hiking. Maple Solar System includes a solar panel, energy-efficient LED lights, Li-ion batteries and multiple cell phone charger plugs.

EPC Services

In late 2010, we began entering into EPC contracting arrangements primarily in Canada and China. Under these arrangements, the solar power project developer owns the project and we are contracted to perform the engineering, procurement and construction work for the project. The EPC contracts in China were completed through our affiliated company, Suzhou Gaochuangte New Energy Sources Development Co., Ltd., or Gaochuangte, in which we own a 40% equity interest.

O&M Services

In the second half of 2012, we started to provide O&M services for solar power projects in commercial operation. Our O&M services include inspections, repair and replacement of plant equipment, site management and administrative support services.

Electricity Revenue Generation

In the fourth quarter of 2014, we began to operate certain of our project assets in China for the purpose of generating income from the sale of electricity. In the future, we may hold more project assets to generate revenue from the sales of electricity.

Solar System Kits

A solar system kit is a ready-to-install package consisting of solar modules produced by us and components, such as inverters, racking system and other accessories, supplied by third parties. We began selling solar system kits in 2010, and today we sell them primarily to the Japanese and Canadian markets.

Supply Chain Management

Our business depends on our ability to obtain a stable and cost-effective supply of polysilicon, silicon wafers and solar cells. Our major suppliers of silicon wafers in 2014 include GCL, Konca and Dongtai. Our major suppliers of solar cells in 2014 include Topcell, Neo Solar and Motech.

In the third quarter of 2010, supply of silicon wafer and polysilicon tightened compared to previous years. However, these raw materials began to decrease in price during the fourth quarter of 2010 and moved back into oversupply in 2011. The oversupply environment continued into 2012 and 2013 across the entire solar supply chain, particularly at the polysilicon production stage. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Long-term supply agreements may make it difficult for us to adjust our raw material costs should prices decrease. Also, if we terminate any of these agreements, we may not be able to recover all or any part of the advance payments we have made to these suppliers and we may be subject to litigation."

Through the third quarter of 2010, polysilicon remained relatively inexpensive at $45 to $55 per kilogram. In late 2010, polysilicon increased to approximately $80 to $90 per kilogram, but decreased to $24.66 per kilogram by December 31, 2012 due to oversupply, and further decreased to approximately

$17.89 per kilogram by December 31, 2013, and increased to approximately $20.6 per kilogram by December 31, 2014 due to more balanced supply and demand. In 2015, we expect that there will be a modest oversupply of polysilicon materials and that polysilicon prices will remain low. We plan to continue purchasing most of our silicon wafers and all of our polysilicon requirements externally. We are currently diversifying our wafer and polysilicon suppliers, with a focus on top tier international suppliers.

Silicon Raw Materials and Solar Wafers

Silicon feedstock, which consists of high-purity solar grade silicon, is the starting point of the silicon based solar module supply chain.

Our silicon wafer agreements set forth price and quantity information, delivery terms and technical specifications. While the contracts set forth specific price terms, most of them also include mechanisms to change the price, either upwards or downwards, based on market conditions.

In 2007 and 2008, we entered into a number of long-term supply agreements with several silicon and wafer suppliers in order to secure a stable supply of raw materials to meet our production requirements. These suppliers included GCL, Neo Solar, Deutsche Solar, LDK and a UMG-Si supplier. In 2009 and thereafter, we amended our agreements with certain of these suppliers to adjust the purchase price to prevailing market prices at the time we place a purchase order and to reduce the quantity of products that we are required to purchase. Under our agreements with certain suppliers, and consistent with historical industry practice, we made advance payments prior to scheduled delivery dates. The advance payments were made without collateral and were to be credited against the purchase prices payable by us.

See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Long-term supply agreements may make it difficult for us to adjust our raw material costs should prices decrease. Also, if we terminate any of these agreements, we may not be able to recover all or any part of the advance payments we have made to these suppliers and we may be subject to litigation."

Solar Cells

In addition to manufacturing our own solar cells and toll manufacturing arrangements with our solar cell suppliers, we purchase solar cells from a number of international and local suppliers.

Our solar cell agreements set forth price and quantity information, delivery terms and technical specifications. These contracts generally provide for a period of time during which we can inspect the product and request the seller to make replacements for damaged goods. We generally require the seller to bear the costs and risks of transporting solar cells until they have been delivered to the location specified in the contract. We currently do not have any long-term supply contracts for solar cells with fixed price or quantity terms.

As we expand our business, we expect to increase our solar cell manufacturing capacity and diversify our solar cell supply channel to ensure we have the flexibility to adapt to future changes in the supply of, and demand for, solar cells.

Solar Module Manufacturing

We assemble our solar modules by interconnecting multiple solar cells by tabbing and stringing them into a desired electrical configuration. We lay the interconnected cells, laminate them in a vacuum, cure them by heating and package them in a protective lightweight anodized aluminum frame. We seal and weatherproof our solar modules to withstand high levels of ultraviolet radiation, moisture and extreme temperatures.

We selectively use automation to enhance the quality and consistency of our finished products and to improve the efficiency of our manufacturing processes. Key equipment in our manufacturing process includes automatic laminators, simulators and solar cell testers. The design of our assembly lines provides flexibility to adjust the ratio of automated equipment to skilled labor in order to maximize quality and efficiency.

Quality Control and Certifications

We have registered our quality control system according to the requirements of ISO 9001:2008 and ISO/TS 16949 standards. TUV Rheinland Group, a leading international service company that documents the safety and quality of products, systems and services, audits our quality systems. We inspect and test incoming raw materials to ensure their quality. We monitor our manufacturing processes to ensure quality control and we inspect finished products by conducting reliability and other tests.

We have obtained IEC 61215 and IEC 61730 (previously TUV Class II safety) European standards for sales in Europe. We have also obtained certifications of CAN ORD-UL 1703 and UL 1703, which allow us to sell products in North America. In 2009, we obtained the necessary certifications to sell our modules in Japan, South Korea and Great Britain and to several of the Chinese solar programs, including Golden Sun. In 2011, we completed IEC61215/61730 and UL1703 certification for modules designed to be assembled from metal wrap-through cells. We also completed DLG ammoniac resistance testing and obtained the salt mist certification for our leading module CS6P-P in 2011. In 2012, we achieved the highest ratings possible in the two most significant standard tests for ammonia resistance of solar modules, which were the IEC62716 draft C ammonia corrosion test and the DLG standard test. In 2013, we extended the salt mist certification under IEC 61701 ed.2 Severity 1 to all of our standard modules at VDE. In addition, we were able to register more key module types at JET for Japan; enhanced the maximum system voltage up to 1000V for our CSA certification (North America), allowing significant cost reduction for our EPC partners; and again raised the ranking of CEC PTC ratings. In 2013, we extended our IEC and UL certifications to cover higher-power modules, up to 275 W for 60 cell models and 330 W for 72 cell models, through key technology improvements such as introduction of 4 bus bar cell design. We also again improved our CEC PTC ratings for the spearhead CS6P-P model, and have demonstrated suitability of our product portfolio for reliable long-term operation under various climates, through SGS IEC60068-2-68 sand blowing certification and extensive Potential Induced Degradation, or PID, resistance testing at respected laboratories (such as Fraunhofer ISE, VDE, TUV SUD).

The new half-cell module designed by our R&D team was fully certified by CSA and VDE, two worldwide recognized certification bodies, in 2012. We also started providing our customers with third-party-approved PAN files (testing per IEC61853-1) for all our key module series, allowing more accurate energy yield simulation and better return-on-investment analysis for their projects. In 2013, we obtained certifications for double glasses and DC-to-AC module designs. We will continue our efforts for general improvements in module and component designs and seek to obtain corresponding certifications. With the emergence of new markets that we are expanding into, we have made and expect to make efforts to comply with new certification schemes that apply to us, such as INMETRO for Brazil and the UNI9177 fire test for Italy that we have now complied with.

In 2014, we received JET certification for our new high efficiency module series CS6V targeting the residential market, and also extended the highest power range of our mainstream CS6P-P model to 275 W in JET. We also completed full certification for our new Quartech (4 busbar cells), covering VDE/CSA/MCS-BBA/JET, which allows us to launch these products worldwide. Several state-of-the-art demonstration trials were implemented, such as a 5 kW system located in the desert-like environment of Australian Alice Springs DKASC center.

Our PV test laboratory is registered with the ISO 17025 quality improvement program, and has been accepted for the Mutual Data Acceptance Program by the CSA in Canada, VDE in Germany, Intertek in the U.S. and CGC in China. The PV test laboratory allows us to conduct some product certification testing in-house, which should decrease time-to-market and certification costs.

Markets and Customers

Our primary customers are distributors, system integrators, project developers and installers/EPC companies.

A small number of customers have historically accounted for a major portion of our net revenues. In 2012, 2013 and 2014, our top five customers by net revenues collectively accounted for approximately 25.5%, 38.3% and 33.6%, respectively, of our total net revenues. Sales to our largest customer in those years accounted for 8.4%, 13.3% and 7.4%, respectively, of our total net revenues.

The following table sets forth, for the periods indicated, certain information relating to our total net revenues derived from our customers categorized by their geographic locations for the periods indicated:

	Years Ended December 31,					
	2012		2013		2014	
Region	Total Net Revenues	%	Total Net Revenues	%	Total Net Revenues	%
	(In thousands of $, except for percentages)					
Asia and others	296,117	22.9	885,741	53.5	924,879	31.2
Americas	342,252	26.4	588,279	35.6	1,795,490	60.7
Europe	656,460	50.7	180,336	10.9	240,258	8.1
Total	**1,294,829**	**100.0**	**1,654,356**	**100.0**	**2,960,627**	**100.0**

As we expand our manufacturing capacity and enhance our brand name, we continue to develop new customer relationships in a wider range of geographic markets to decrease our market concentration. In 2013, we significantly increased our total number of customers and achieved a leading market share in Canada, Japan, India, Thailand, Pakistan and the Central America, which we maintained in 2014. In 2015, we will seek to maintain a leading market share in these markets and, at the same time, explore several emerging solar markets, including Southeast Asia, Africa, Central Asia and Latin America. While we expect to expand into new markets, we expect that our near term major markets will be North America and the Asia Pacific region.

Sales and Marketing

We market and sell solar modules worldwide for residential, commercial, and utility-scale solar energy solutions. We primarily sell our products to distributors and large-scale installers through our own, home-grown sales teams, who operate throughout Europe, the Americas, the Middle East and the Asia-Pacific regions.

Our marketing activities include brand sponsorship, social media discussions and digital marketing. Our teams also develop channel marketing programs to support our customers marketing our business and products, while also providing various services such as product training, new product briefing, and sales training. Additionally, our marketing team also focuses heavily on public relations and crisis management to safeguard our public image. By working closely with our sales teams and other leading solar research companies, our marketing team provides up-to-date market information on a constant basis, supporting the efforts of our sales team. Our marketing staff is located throughout the U.S., Canada, Europe, Japan, Australia, and South Korea.

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Standard Solar Modules

We sell our products primarily under three types of arrangements: (i) sales contracts to distributors; (ii) sales to systems integrators, installers/EPC companies and project developers; and (iii) OEM/tolling manufacturing arrangements.

Specialty Solar Products

We target our sales and marketing efforts for our specialty solar products at companies in selected industry sectors, including the automotive, telecommunications and light-emitting diode, or LED, lighting sectors. As standard solar modules increasingly become commoditized and technology advancements allow solar power to be used in more off-grid applications, we intend to expand our sales and marketing focus on our specialty solar products and capabilities. Our sales and marketing team works with our specialty solar products development team to take into account changing customer preferences and demands to ensure that our sales and marketing team is able to effectively communicate to customers our product development changes and innovations. We intend to establish additional relationships in other market sectors as the specialty solar products market expands.

Solar Power Project Development

At the end of February 2015, we had a geographically diverse pipeline of late stage solar power projects and EPC contracts totaling approximately 1.4 GW (DC). In March 2015, we acquired Recurrent, a leading solar energy developer with solar power projects located principally in California and Texas for approximately $265 million. The acquisition increased our total solar project pipeline by approximately 4.0 GW (DC) to 8.5 GW (DC), and our late-stage, utility-scale solar project pipeline by approximately 1.0 GW (DC) to 2.4 GW (DC).

In Canada

During 2014, we completed the construction of, and sold twelve solar power projects totaling approximately 164.2 MW. Also during 2014, we sold two solar power projects totaling approximately 25.5 MW with EPC contracts to complete their construction entered into simultaneously.

The following table summarizes the status of our project pipeline in Canada as of March 2, 2015:

Project Pipeline	MW (DC)	Status	COD[1] or Expected COD	End Buyer
Alfred	14.1	Engineering	2015 Q4	TBD
Illumination LP	14.0	Engineering	2015 Q4	DIF
Gold Light LP[2]	14.0	Commercial Operation	2015 Q1	DIF
Beam Light LP	14.0	Engineering	2015 Q4	DIF
Earth Light LP	14.1	Engineering	2015 Q4	Concord
Lunar Light LP	14.0	In Construction	2015 Q3	BluEarth
Glenarm LP	14.0	Sale closed in Q1 2015	—	DIF
Aria LP	14.8	Engineering	2015 Q4	Concord
City Lights LP[2]	14.0	Commercial Operation	2015 Q1	RET
Total	**127.0**			

(1) Commercial Operation Date

(2) The sale of these two projects closed in the first quarter of 2015.

In Japan

The following table summarizes the status of our project pipeline in Japan as of March 5, 2015:

Japan Late Stage Pipeline	MW (DC)	Average Feed-in-Tariff (Yen/KWh)	Expected COD
	1.2	40.0	Connected
	80.0	36.0	2015
	244.6	37.0	2016
	279.8	37.0	2017
Total	**605.6**		

In Japan, the backlog of projects that are expected to be built and connected to the grid over the next three years currently stands at 606 MW (DC), of which approximately 262 MW (DC) have full grid connection approval (*Keitou Renkei Shoudakusho*) and approximately 100 MWp are either in construction or near ready to start construction. We expect to complete construction and grid connection of approximately 80 MWp of projects in Japan during 2015. Out of our total late-stage, utility-scale solar project pipeline in Japan, two projects totaling approximately 125 MWp are affected by the recent changes in curtailment rules. We are working with the local utility to evaluate the potential impact of the curtailment rule changes on these projects.

In the U.S.

As of March 5, 2015, our late-stage, utility-scale solar power project pipeline totaled approximately 26 MW (DC) and, in the first quarter of 2015 we sold several projects, including a 19.5 MW (DC) project in the development stage.

The acquisition of Recurrent added approximately 1.0 GW (DC) to our late-stage, utility-scale solar project pipeline in the U.S. as set out in the table below:

Recurrent Late Stage Pipeline	MW (DC)	State	Status	Expected COD
Astoria	131	CA	NTP[1] in 2015	2016
Astoria 2	100	CA	NTP in 2015	2016
Project A	78	CA	NTP in 2015	2016
Mustang	134	CA	NTP in 2015	2016
Tranquility	258	CA	NTP in 2015	2016
Project B	200	TEXAS	NTP in 2015	2016
Project C	120	CA	NTP in 2015	2016
Total	**1,021**			

(1) NTP is the Notice to Proceed, indicating the permitting process is complete and construction can start.

In China

We expect to build and connect 320 MW (DC) to the grid in 2015, of which 90 MW (DC) started construction in the fourth quarter of 2014 and approximately 30 MW (DC) have been connected to the grid. Currently, we have approximately 70 MW (DC) of utility-scale power plants and 30 MW (DC) of roof-top solar systems in operation in China.

The following table summarizes the status of our project pipeline in China as of March 5, 2015:

China Late Stage Pipeline	MW (DC)
Northern China	160
Eastern China	120
Xinjiang Province	30
Sichuan/Qinghai Provinces	20
Yunnan Province	10
Total	**340**

In Brazil

We have won the right to develop three solar power plants totaling 114 MW (DC) in Vazante, in the state of Minas Gerais. We expect these solar power plants to be connected to the grid in 2017. Once connected, the electricity generated will be purchased by a Brazilian government entity, under a 20-year power purchase agreement.

In the United Kingdom

In the United Kingdom, in January 2015, we acquired six solar power projects totaling 46 MW (DC). Four projects totaling 40.2 MWp have been energized. The two other projects totaling 5.5 MW (DC) are expected to be connected to the grid in the second quarter of 2015.

EPC Services

Beginning in late 2010, we started entering into EPC contracting arrangements in Canada and China. Under these arrangements, the solar power project developer owns the projects and we are contracted to perform the EPC work. We completed the EPC contracts in China through our affiliated company, Gaochuangte, in which we own a 40% equity interest.

In 2012, we completed approximately 0.3 MW (DC) of solar system EPC contracts in Ontario, Canada. In 2013, we completed approximately 30.2 MW (DC) of solar system EPC contracts in Ontario, Canada. In 2014, we completed approximately 180.5 MW (DC) of solar system EPC contracts in Ontario, Canada; and approximately 3.1 MW (DC) of solar system EPC contracts in Australia.

The following table summarizes the status of our EPC project pipeline in Canada as of March 2, 2015:

Project Pipeline	MW (DC)	Status	COD or Expected COD	End Buyer
Grand Renewable Ph. I (Samsung)	133.6	In Construction	2015 Q2	GRSP
Grand Renewable Ph. II (Samsung)	140.0	In Construction	2015 Q3	KSL
Gross Total	**273.6**			
Recognized using the percentage-of-completion method in previous years	125.0			
Net Total	**148.6**			

O&M Services

In the second half of 2012, we started to provide O&M services for solar power projects in commercial operation. Our O&M services include inspections, repair and replacement of plant equipment, site management and administrative support services.

Electricity Revenue Generation

In the fourth quarter of 2014, we began to operate certain of our project assets in China for the purpose of generating income from the sale of electricity. We recorded $2.9 million of electricity revenue in 2014. In the future, we may hold more project assets to generate revenue from the sales of electricity.

Solar System Kits

In 2010, we commenced the sale of solar system kits. A solar system kit is a ready-to-install package consisting of solar modules produced by us and components, such as inverters, racking system and other accessories, supplied by third parties. In 2014, we sold approximately 76.1 MW of system kits primarily in Japan and Canada.

Customer Support and Service

We typically sell our standard solar modules with a ten-year warranty against defects in materials and workmanship and a linear power performance warranty that guarantees that the actual power output of our modules will be no less than 97% of the labeled power output during the first year and will decline by no more than 0.7% annually so that, by the end of year 25, the actual power output will be no less than 80% of the labeled power output.

For utility-scale solar power projects built by us, we provide a limited workmanship or balance of system warranty against defects in engineering, design, installation and construction under normal use, operation and service conditions for a period of up to five years following the energizing of the solar power plant. In resolving claims under the workmanship or balance of system warranty, we have the option of remedying through repair, refurbishment or replacement of equipment. We have also entered into similar workmanship warranties with our suppliers to back up our warranties.

As part of our total solutions business, before energizing solar power plants, we conduct performance testing to confirm that they meet the operational and capacity expectations set forth in the agreements. In limited cases, we also provide an energy generation performance test designed to demonstrate that the actual energy generation for up to the first three years meets or exceeds the modeled energy expectation. In the event that the energy generation performance test performs below expectation, we may incur liquidated damages capped at a percentage of the contract price. In addition, a bonus payment may be received if the energy generation performance test results in over performance.

Our customer support and service handles technical inquiries and warranty-related issues. In 2014, we expanded our capacity in these areas to better enable us to handle our customer's questions and concerns in a timely and professional manner.

For 2015, we have renewed our product warranty insurance coverage to provide additional security to our customers. See "—Insurance" below. The customer support and service function will continue to expand and to improve services to our customers.

Competition

The market for solar power products is competitive and evolving. We compete with international companies such as First Solar and SunPower, and China-based companies such as Yingli, Trina, JA Solar and Jinko. Some of our competitors are developing or producing products based on alternative solar technologies, such as thin film PV materials, that may ultimately have costs similar to, or lower than, our projected costs. Solar modules produced using thin film materials, such as cadmium telluride and copper indium gallium selenide technology, are generally less efficient but require significantly less silicon to produce than crystalline silicon solar modules, such as our products, and are less susceptible to increases in silicon costs. Some of our competitors have also become vertically integrated, from upstream polysilicon manufacturing to solar system integration. In addition, the solar power market in general competes with other sources of renewable and alternative energy and conventional power generation.

We believe that the key competitive factors in the market for solar power products include:

- price;
- the ability to deliver products to customers on time and in the required volumes;
- product quality and associated service issues;
- nameplate power and other performance parameters of the module, such as power tolerances;
- value-added services such as system design and installation;
- value-added features such as those that make a module easier or cheaper to install;
- additional system components such as mounting systems, delivered as a package or bundle;
- brand equity and any good reputation resulting from the above items, including the willingness of banks to finance projects using modules produced by a particular supplier;
- customer relationships and distribution channels; and
- the aesthetic appearance of solar power products.

In the immediate future, we believe that our ability to compete depends on delivering a cost-effective product in a timely manner and developing and maintaining a strong brand name based on high quality products and strong relationships with downstream customers. Our competiveness also depends on our ability to effectively manage our cash flow and balance sheet and to maintain our relationships with the financial institutions that fund solar power projects. Consolidation of the solar industry is already occurring and is expected to continue in the near future. We believe that such consolidation will benefit our company in the long-term. We believe that the key to competing successfully in the long-term is to produce innovative, high quality products at competitive prices and develop an integrated sales approach that includes services, ancillary products, such as mounting systems and inverters, and value-added product features. We believe that a good marketing program and the strong relationships that we are building with customers and suppliers will support us in this competitive environment.

Insurance

We maintain property risk insurance policies with reputable insurance companies to cover our equipment, facilities, buildings and inventories. The coverage of these insurance policies includes losses due to natural hazards and losses arising from unforeseen accidents. Our manufacturing plants in China and elsewhere are covered by business interruption insurance. However, significant damage or interruption to any of our manufacturing plants, whether as a result of fire or other causes, could still have a material and adverse effect on our results of operations. We also maintain commercial general

liability (including product liability) coverage. We have been actively working with China Export & Credit Insurance Corporation, or Sinosure. Credit insurance is designed to offset the collection risk of our account receivables for certain customers within the credit limits approved by Sinosure. Risks related to marine, air and inland transit for the export of our products and domestic transportation of materials and products are covered under cargo transportation insurance. We also maintain director and officer liability insurance.

In April 2010, we began entering into agreements with a group of insurance companies to reduce some of the risks associated with our warranties. Under the terms of the insurance policies, the insurance companies are obliged to reimburse us, subject to certain maximum claim limits and certain deductibles, for the actual product warranty costs that we incur under the terms of our warranty against defects in workmanship and material and our warranty relating to power output. The warranty insurance is renewable annually. We believe that our warranty improves the marketability of our products and our customers are willing to pay more for products with warranties backed by insurance.

Environmental Matters

Except for as disclosed in the "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China," we believe we have obtained the environmental permits necessary to conduct the business currently carried on by us at our existing manufacturing facilities. We have also conducted environmental studies in conjunction with our solar power projects to assess and reduce the environmental impact of such projects.

Our products must comply with the environmental regulations of the jurisdictions in which they are installed. We make efforts to ensure that our products comply with the EU's Restriction of Hazardous Substances Directive, which took effect in July 2006, by reducing the amount of lead and other restricted substances used in our solar module products.

Our operations are subject to regulation and periodic monitoring by local environmental protection authorities. If we fail to comply with present or future environmental laws and regulations, we could be subject to fines, suspension of production or cessation of operations.

Government Regulations

This section sets forth a summary of certain significant regulations or requirements that affect our business activities in China or our shareholders' right to receive dividends and other distributions from us.

Renewable Energy Law and Other Government Directives

In February 2005, China enacted its Renewable Energy Law, which became effective on January 1, 2006 and was revised in December 2009. The revised Renewable Energy Law, which became effective on April 1, 2010, sets forth policies to encourage the development and use of solar energy and other non-fossil energy and their on-grid generation. It also authorizes the relevant pricing authorities to set favorable prices for the purchase of electricity generated by solar and other renewable power generation systems.

The law also sets forth the national policy to encourage the installation and use of solar energy water-heating systems, solar energy heating and cooling systems, solar PV systems and other solar energy utilization systems. It also provides financial incentives, such as national funding, preferential loans and tax preferences for the development of renewable energy projects subject to certain regulations of the relevant authorities.

In November 2005, the NDRC promulgated the Renewable Energy Industry Development Guidance Catalogue, in which solar power figured prominently. In January 2006, the NDRC

promulgated two implementation directives with respect to the Renewable Energy Law. In January 2007, the NDRC promulgated another related implementation directive. These directives set forth specific measures for setting the price of electricity generated by solar and other renewable power generation systems, for sharing additional expenses, and for allocating administrative and supervisory authority among different government agencies at the national and provincial levels. They also stipulate the responsibilities of electricity grid companies and power generation companies with respect to the implementation of the Renewable Energy Law.

In August 2007, the NDRC promulgated the Medium and Long-Term Development Plan for the Renewable Energy Industry. This plan sets forth national policy to provide financial allowance and preferential tax regulations for the renewable energy industry. A similar demonstration of the PRC government's commitment to renewable energy was also stipulated in the Eleventh Five-Year Plan for Renewable Energy Development, which was promulgated by the NDRC in March 2008. The Outline of the Twelfth Five-Year Plan for National Economic and Social Development of the PRC, which was approved by the National People's Congress in March 2011, and the Twelfth Five-Year Plan for Renewable Energy Development, which was promulgated by the National Energy Administration in August 2012 also demonstrates a commitment to promote the development of renewable energy to enhance the competitiveness of the renewable energy industry.

China's Ministry of Housing and Urban-Rural Development (formerly, the Ministry of Construction) also issued a directive in June 2005 which seeks to expand the use of solar energy in residential and commercial buildings and encourages the increased application of solar energy in different townships. Similarly, China's State Council promulgated a directive in July 2005, which sets forth specific measures to conserve energy resources. In November 2005, China's Ministry of Housing and Urban-Rural Development promulgated the Administrative Provisions on Energy Conservation for Civil Constructions which encourages the development of solar energy. In August 2006, the State Council issued the Decision on Strengthening the Work of Energy Conservation which encourages the great development of the solar energy and other renewable energy. In addition, on April 1, 2008, the PRC Energy Conservation Law came into effect. Among other objectives, this law encourages the installation of solar power facilities in buildings to improve energy efficiency. In July 2009, China's Ministry of Finance and Ministry of Housing and Urban-Rural Development jointly promulgated "the Urban Demonstration Implementation Program of the Renewable Energy Building Construction" and "the Implementation Program of Acceleration in Rural Application of the Renewable Energy Building Construction" to support the development of the new energy industry and the new energy-saving industry.

In March 2009, China's Ministry of Finance promulgated the Interim Measures for Administration of Government Subsidy Funds for Application of Solar Photovoltaic Technology in Building Construction, or the Interim Measures, to support the development of solar PV technology in China. Local governments are encouraged to issue and implement supporting policies. Under the Interim Measures, a subsidy, which is set at RMB20 per Watt-peak for 2009, will cover solar PV technology integrated into building construction. The Interim Measures do not apply to projects completed before the promulgation date of the Interim Measures. Also in March 2009, China's Ministry of Finance and Ministry of Housing and Urban-Rural Development jointly promulgated the Implementation Opinion on Acceleration in the Application of Solar Photovoltaic Technology in Building Construction. On March 8, 2011, China's Ministry of Finance and Ministry of Housing and Urban-Rural Development jointly promulgated the Notice on Further Application of Renewable Energy in Building Construction, which aims to raise the percentage of renewable energy used in buildings.

In July 2009, China's Ministry of Finance and Ministry of Science and Technology and the National Energy Administration jointly published an announcement containing the guidelines for the "Golden Sun" demonstration program. Under the program, the PRC government will provide a 50%-70% subsidy for the capital costs of PV systems and the relevant power transmission and distribution systems

for up to 20 MW of PV system projects in each province, with the aim to industrialize and expand the scale of China's solar power industry. The program requires that each PV project must have a minimum capacity of 300 kW, be completed within one year and have an operational term of not less than 20 years. On September 21, 2010 and November 19, 2010, China's Ministry of Finance, Ministry of Science and Technology, Ministry of Housing and Urban-Rural Development and the National Energy Administration published two announcements regarding the "Golden Sun" demonstration program to specify the terms for bid solicitation for key equipment and the standards for subsidies and supervision and management of projects.

In September 2009, the PRC State Council approved and circulated the Opinions of the National Development and Reform Commission and other Nine Governmental Authorities on Restraining the Production Capacity Surplus and Duplicate Construction in Certain Industries and Guiding the Industries for Healthy Development. These opinions concluded that polysilicon production capacity in China has exceeded the demand and adopted the policy of imposing more stringent requirements on the construction of new polysilicon manufacturing projects in China. These opinions also stated in general terms that the government should encourage polysilicon manufacturers to enhance cooperation and affiliation with downstream solar product manufacturers to extend their product lines. However, these opinions do not provide any detailed measures for the implementation of this policy. As we are not a polysilicon manufacturer and do not expect to manufacture polysilicon in the future, we believe the issuance and circulation of these opinions will not have any material impact on our business or our silicon wafer, solar cell and solar module capacity expansion plans.

In July 2011, the NDRC issued the Circular on Improving the On-Grid Price Policy for Photovoltaic Power, which aims to stimulate the PV power industry by regulating the price of PV power. On August 21, 2012, China's Ministry of Finance and Ministry of Housing and Urban-Rural Development jointly promulgated the Notice on Improving Policies for Application of Renewal Energy in Building and Adjusting Fund Allocation and Management Method, which aims to promote the use of solar energy and other new energy products in public facilities and residences, further amplifying the effect of the policies for application of renewable energy in buildings.

In June 2014, the General Office of the State Council issued its Notice on Printing and Distributing the Action Plan for the Energy Development Strategy (2014-2020), which requested accelerating the development of solar power generation, including promoting the construction of photovoltaic base construction, among others.

Environmental Regulations

As we have expanded our ingot, silicon wafer and solar cell manufacturing capacities, we have begun to generate material levels of noise, wastewater, gaseous wastes and other industrial waste. Additionally, as we expand our internal solar components production capacity, our risk of facility incidents that would negatively affect the environment also increases. We are subject to a variety of governmental regulations related to the storage, use and disposal of hazardous materials. The major environmental laws and regulations applicable to us include the PRC Environmental Protection Law, which became effective in 1989, as recently amended and promulgated in 2014, the PRC Law on the Prevention and Control of Noise Pollution, which became effective in 1997, the PRC Law on the Prevention and Control of Air Pollution, which became effective in 1988, as amended and promulgated in 1995 and 2000, the PRC Law on the Prevention and Control of Water Pollution, which became effective in 1984, as amended and promulgated in 1996 and 2008, the PRC Law on the Prevention and Control of Solid Waste Pollution, which became effective in 1996, as amended and promulgated in 2004 and 2013, the PRC Law on Evaluation of Environmental Affects, which became effective in 2003, the PRC Law on Promotion of Clean Production, which became effective in 2003, as amended and promulgated in 2012, and the Regulations on the Administration of Construction Project Environmental Protection, which became effective in 1998.

Some of our PRC subsidiaries are located in Suzhou, China, which is adjacent to Taihu Lake, a nationally renowned and protected body of water. As a result, production at these subsidiaries is subject to the Regulations on the Administration of Taihu Basin, which became effective on 2011, the Regulation of Jiangsu Province on Preventing Water Pollution in Taihu Lake, which became effective in 1996 and was further revised and promulgated in 2007, 2010 and 2012, and the Implementation Plan of Jiangsu Province on Comprehensive Treatment of Water Environment in Taihu Lake Basin, which was promulgated in February 2009. Because of these regulations, the environmental protection requirements imposed on nearby manufacturing projects, especially new projects, have increased noticeably, and Jiangsu Province has stopped approving construction of new manufacturing projects that increase the amount of nitrogen and phosphorus released into Taihu Lake.

Admission of Foreign Investment

The principal regulation governing foreign ownership of solar power businesses in the PRC is the Foreign Investment Industrial Guidance Catalogue. Under the current catalogue, which was amended in March 2015 and became effective on April 10, 2015, the solar power related business is classified as an "encouraged foreign investment industry." Companies that operate in encouraged foreign investment industries and satisfy applicable statutory requirements are eligible for preferential treatment, including exemption from customs of certain self-used equipment and priority consideration in obtaining land use rights provided by certain local governments.

While the 2004 catalogue only applied to the construction and operation of solar power stations, the 2007 catalogue expanded its application also applies to the production of solar cell manufacturing machines, the production of solar powered air conditioning, heating and drying systems and the manufacture of solar cells, and the 2011 catalogue and the current 2015 catalogue also covers the manufacture of solar light collector glass and etc.

Administration of Foreign Invested Companies

The establishment, approval, registered capital requirement and day-to-day operational matters of wholly foreign-owned enterprises, are regulated by the Wholly Foreign-Owned Enterprise Law of the PRC, effective in 1986 and amended in 2000, and the Implementation Rules of the Wholly Foreign-owned Enterprise Law of the PRC, effective in 1990 and amended in 2001. The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC, or the Company Law, effective in 1994 and amended in 1999, 2004, 2005 and 2013. The Company Law is applicable to our PRC subsidiaries unless PRC laws on foreign investment stipulate otherwise.

Income Tax and VAT

PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles. Our major operating subsidiaries, CSI Solartronics (Changshu) Co., Ltd., or CSI Solartronics, CSI Manufacturing, CSI Cells, CSI Solar Technologies Inc., or CSI Technologies, CSI Changshu Manufacturing and CSI Luoyang Manufacturing, are governed by the EIT Law, which became effective on January 1, 2008.

Under the EIT Law, both foreign-invested enterprises and domestic enterprises are subject to a uniform enterprise income tax rate of 25%. There is a transition period for enterprises that were given preferential tax treatment under the previous tax law. Enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires, subject to certain limitations.

The EIT Law provides for preferential tax treatment for certain categories of industries and projects that are strongly supported and encouraged by the state. For example, enterprises classified as

HNTEs are entitled to a 15% enterprise income tax rate, provided that such HNTEs satisfy other applicable statutory requirements.

Certain of our subsidiaries, such as CSI Manufacturing, CSI Cells, CSI Luoyang Manufacturing and CSI Changshu Manufacturing, once enjoyed preferential tax benefits, such as a reduced enterprise income tax rate of 12.5%. However, these benefits have now expired. In 2014, only Suzhou Sanysolar Materials Technology Co., Ltd., which is recognized as an HNTE and satisfies applicable statutory requirements, enjoys a reduced enterprise income tax rate of 15%. As most of the preferential tax benefits enjoyed by our PRC subsidiaries expired, their effective tax rates increased significantly.

The EIT Law also provides that enterprises established outside China whose "de facto management body" is located in China are considered PRC tax residents and will generally be subject to the uniform 25% enterprise income tax rate on their global income. Under the implementation regulations, the term "de facto management body" is defined as substantial and overall management and control over aspects such as the production and business, personnel, accounts and properties of an enterprise. Circular 82 further provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled offshore incorporated enterprise is located in the PRC. The criteria include whether (i) the premises where the senior management and the senior management bodies responsible for the routine production and business management of the enterprise perform their functions are mainly located within the PRC, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. Although Circular 82 only applies to offshore enterprises controlled by enterprises or enterprise groups located within the PRC, the determining criteria set forth in the Circular 82 may reflect the tax authorities' general position on how the "de facto management body" test may be applied in determining the tax resident status of offshore enterprises. As the tax resident status of an enterprise is subject to the determination by the PRC tax authorities, uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities. As a substantial number of the members of our management team are located in China, we may be considered as a PRC tax resident under the EIT Law and, therefore, subject to the uniform 25% enterprise income tax rate on our global income.

Under the EIT Law and implementing regulations issued by the State Council, the PRC withholding tax rate of 10% is generally applicable to interest and dividends payable to investors from companies that are not "resident enterprises" in the PRC, to the extent such interest or dividends have their sources within the PRC. If our Canadian parent entity is deemed a PRC tax resident under the EIT Law based on the location of our "de facto management body," dividends distributed from our PRC subsidiaries to our Canadian parent entity could be exempt from Chinese dividend withholding tax. However, in that case, dividends from us to our shareholders may be regarded as China-sourced income and, consequently, be subject to Chinese withholding tax at the rate of 10%, or at a lower treaty rate if applicable. Similarly, if we are considered a PRC tax resident, any gain realized by our shareholders from the transfer of our common shares is also subject to Chinese withholding tax at the rate of 10% if such gain is regarded as income derived from sources within the PRC. It is unclear whether any dividends that we pay on our common shares or any gains that our shareholders may realize from the transfer of our common shares would be treated as income derived from sources within the PRC and subject to PRC tax.

In addition, under Announcement 7, where a non-resident enterprise indirectly transfers properties, such as equity in Chinese resident enterprises, without any reasonable commercial purposes with the aim of avoiding payment of enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in a Chinese resident enterprise. Properties such as equity in Chinese

resident enterprises mentioned in Announcement 7 mean the properties, or Chinese taxable properties, which are directly held by non-resident enterprises and subject the transfer income to enterprise income tax in China according to the provisions of Chinese tax law. Indirect transfers of Chinese taxable properties are transactions which transfer the equity of enterprises abroad that directly or indirectly hold Chinese taxable properties (not including Chinese resident enterprises registered abroad). To estimate reasonable commercial purposes, all arrangements related to the indirect transfer of Chinese taxable properties must be considered comprehensively and certain factors, such as whether the main value of the equity of enterprises abroad is directly or indirectly from the Chinese taxable properties, must be comprehensively analyzed. Except for the circumstances stipulated therein, the overall arrangements related to the indirect transfer of Chinese taxable properties that fall in any of the following circumstances simultaneously are deemed as having no reasonable commercial purposes: (i) more than 75% of the equity of enterprises abroad is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (not including cash) of enterprises abroad is directly or indirectly composed of investment in the territory of China at any time in the year before the indirect transfer of Chinese taxable properties, or more than 90% of the income of enterprises abroad is directly or indirectly from the territory of China in the year before the indirect transfer of Chinese taxable properties; (iii) although the enterprises abroad and their subordinate enterprises directly or indirectly hold Chinese taxable properties have registered in the host country (region) in order to satisfy the organization form required by law, the functions actually performed and the risks undertaken are limited and are not sufficient to prove the economic essence; or (iv) the burden of income tax of indirect transfer of Chinese taxable properties payable abroad is lower than the possible burden of taxation in China as for the direct transfer of Chinese taxable properties. However, a non-resident enterprise's income obtained from indirect transfer of Chinese taxable properties by purchasing and selling equity of the same listed enterprise abroad in the open market will not be taxed under Announcement 7.

There is uncertainty as to the application of Announcement 7 and it is understood that the relevant PRC tax authorities have jurisdiction regarding reasonable commercial purposes. As a result, we may become at risk of being taxed under Announcement 7 and we may be required to expend valuable resources to comply with Announcement 7 or to establish that we should not be taxed under Announcement 7, which may materially adversely affect our financial condition and results of operations.

Pursuant to a November 2008 amendment to the Provisional Regulation of the PRC on Value Added Tax issued by the PRC State Council, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are required to pay VAT. Gross proceeds from sales and importation of goods and provision of services are generally subject to VAT at a rate of 17%, with exceptions for certain categories of goods that are taxed at a rate of 13%. When exporting certain goods, the exporter is entitled to a refund of a portion or all of the VAT that it has already paid or borne.

Under the amended Provisional Regulation of the PRC on Value Added Tax and its implementation rules, which became effective in 2009 and were amended in 2011, and relevant regulations, fixed assets (mainly including equipment and manufacturing facilities) are now eligible for credit for input VAT. Previously, input VAT on fixed assets purchases was not deductible from the current period's output VAT derived from the sales of goods, but had to be included in the cost of the assets. The new rule permits this deduction except in the case of equipment purchased for non-taxable projects or tax-exempted projects where the deduction of input VAT is not allowed. However, the qualified fixed assets could also be eligible for input VAT if the fixed assets are used for both taxable projects and non-taxable projects or tax-exempted projects. Presently, no further detailed rules clarify under what circumstance the fixed assets are considered as being used for both taxable and non-taxable

or tax exempt projects. Because of the new VAT rules, our PRC subsidiaries may benefit from future input VAT credit on our capital expenditures.

Under the former rules, equipment imported for qualified projects was entitled to an import VAT exemption and domestic equipment purchased for qualified projects were entitled to a VAT refund. However, such exemption and refund were both eliminated as of January 1, 2009.

Foreign Currency Exchange

Foreign currency exchange regulation in China is primarily governed by the Foreign Currency Administration Rules, which became effective in 1996 and were amended in 1997 and 2008, and the Settlement, Sale and Payment of Foreign Exchange Administration Rules (1996), or the Settlement Rules.

Currently, the Renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of the Renminbi for most capital account items, such as direct investment, security investment and repatriation of investment, however, is still subject to limitation and requires the approval of registration with SAFE.

However, SAFE began to reform the foreign exchange administration system and issued the Notice on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises on March 30, 2015, which allows a foreign-invested enterprise with a business scope including "investment" to use the RMB capital converted from foreign currency registered capital for equity investments within the PRC.

Under the Settlement Rules, foreign-invested enterprises may buy, sell and/or remit foreign currencies only at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of most capital account item transactions, obtaining approval from or registration with SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, which include approvals by or registration with the Ministry of Commerce, SAFE and the State Reform and Development Commission.

Dividend Distribution

The principal regulations governing distribution of dividends paid by wholly foreign owned enterprises include the Wholly Foreign-Owned Enterprise Law of the PRC, effective in 1986 and amended in 2000, the Implementation Rules of the Wholly Foreign-Owned Enterprise Law of the PRC, effective in 1990 and amended in 2001, the Company Law effective in 1994 and amended in 1999, 2004, 2005 and 2013 and the EIT Law and its implementation rules, both effective in 2008.

Under these laws, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign owned enterprise in China is required to set aside at least 10% of its after-tax profits determined in accordance with PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reach 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

Employment

The major laws and regulations governing the employment relationship, including wage and hour requirements, working and safety conditions, social insurance, housing funds and other welfare. The PRC Labor Law which became effective on January 1, 1995 and amended on August 27, 2009, the

Labor Contract Law of the People's Republic of China, which became effective on January 1, 2008, and was later revised on December 28, 2012, its Implementing Regulation and the amendment thereunder, which became effective on September 18, 2008 and July 1, 2013, respectively, permit workers in both state-owned and private enterprises in the PRC to bargain collectively. The PRC Labor Law and the PRC Labor Contract Law provide for collective contracts to be developed through collaboration between the labor unions (or worker representatives in the absence of a union) and management that specify such matters as working conditions, wage scales, and hours of work. The PRC Labor Contract Law and its Implementing Regulation impose certain requirements with respect to human resources management, including, among other things, signing labor contracts with employees, terminating labor contracts, paying remuneration and compensation and making social insurance contributions. In addition, the PRC Labor Contract Law requires employers to provide remuneration packages that meet the relevant local minimum standards. The PRC Labor Contract Law has enhanced rights for the nation's workers, including permitting open-ended labor contracts and severance payments. It requires employers to provide written contracts to their workers, restricts the use of temporary labor and makes it harder for employers to lay off employees. It also requires that employees with fixed-term contracts be entitled to an indefinite-term contract after a fixed-term contract is renewed twice or the employee has worked for the employer for a consecutive ten-year period. According to the Interim Provisions on Labor Dispatching, which came into effect on January 3, 2014, where the number of dispatched workers used by an employer prior to the implementation hereof exceeds 10% of its total number of workers, the employer shall formulate a plan to adjust its worker employment situations, and reduce the said percentage to within the required range within two years from the effective date.

Under applicable PRC laws, rules and regulations, including the Social Insurance Law promulgated by the Standing Committee of the National People's Congress and effective as of July 1, 2011, the Rules on Implementing the Social Insurance Law issued by Ministry of Human Resource and Social Security and effective as of July 1, 2011, the Interim Regulations on the Collection and Payment of Social Security Funds promulgated by the State Council and effective as of January 22, 1999, the Interim Measures Concerning Maternity Insurance promulgated by the Ministry of Labor and effective as of January 1, 1995, the Regulations on Occupational Injury Insurance promulgated by the State Council and effective as of January 1, 2004 and amended on December 20, 2010, and the Regulations on the Administration of Housing Accumulation Funds promulgated by the State Council and effective as of April 3, 1999 and amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to remediate on payments within a stipulated time period.

C. Organizational Structure

The following table sets out our major subsidiaries, including their place of incorporation and our ownership interest, as of March 31, 2015.

Name of entity	Place of incorporation	Ownership interest
CSI Solartronics (Changshu) Co., Ltd.	PRC	100%
CSI Solar Technologies Inc.	PRC	100%
CSI Solar Manufacture Inc.	PRC	100%
Canadian Solar Manufacturing (Luoyang) Inc.	PRC	100%
Canadian Solar Manufacturing (Changshu) Inc.	PRC	100%
CSI Cells Co., Ltd.	PRC	100%
Canadian Solar (USA) Inc.	USA	100%
CSI Project Consulting GmbH	Germany	70%
Canadian Solar Japan K.K.	Japan	90.67%
Canadian Solar Solutions Inc.	Canada	100%
CSI Solar Power (China) Inc.	PRC	100%
Canadian Solar EMEA GmbH	Germany	100%
Canadian Solar (Australia) Pty., Ltd.	Australia	100%
Canadian Solar International Ltd.	Hong Kong	100%
Canadian Solar O&M (Ontario) Inc.	Canada	100%
Suzhou Sanysolar Materials Technology Co., Ltd.	PRC	80%
Canadian Solar South East Asia Pte., Ltd.	Singapore	100%
Canadian Solar Manufacturing (Suzhou) Inc.	PRC	61%
Canadian Solar South Africa Pty., Ltd.	South Africa	100%
Canadian Solar Brasil Servicos De Consultoria EM Energia Solar Ltda.	Brazil	100%
Canadian Solar Middle East Ltd.	United Arab Emirates	100%
Canadian Solartronics (Suzhou) Co., Ltd.	PRC	100%
Canadian Solar (Thailand) Ltd.	Thailand	100%
Canadian Solar Construction (USA), LLC	USA	100%
CSI-GCL (Yancheng) Solar Manufacturing Co., Ltd	PRC	80%
Changshu Tegu New Materials Technology Co., Ltd.	PRC	75%
Changshu Tlink Co., Ltd.	PRC	100%
Canadian Solar Trading (Changshu) Inc.	PRC	100%
Recurrent Energy, LLC	USA	100%
Pt Canadian Solar Indonesia	Indonesia	67%

D. Property, Plant and Equipment

The following is a summary of our material properties, including information on our manufacturing facilities and office buildings as of the date of this annual report:

- CSI Changshu Manufacturing holds a land use rights certificate for approximately 40,000 square meters of land in Changshu, on which we have built manufacturing facilities of approximately 23,559 square meters. Production in these facilities began in April 2008. We also constructed a canteen, a dormitory for employees and a liquefied gas station in September 2010 with a total floor area of 11,316 square meters. The property ownership certificates were granted in 2011.

- CSI Changshu Manufacturing also holds a land use rights certificate for approximately 180,000 square meters of land in Changshu, on which we have built two module manufacturing facilities, two warehouses and other buildings with a total floor area of approximately 60,576 square

meters. Construction of the central warehouses was completed in April 2010. We also completed the construction of a module manufacturing facility with an additional warehouse and three other buildings, which have approximately 46,539 square meters of floor area, in the first half of 2011.

- CSI Luoyang Manufacturing holds a land use rights certificate for approximately 35,345 square meters of land in Luoyang (Phase I), on which we have constructed manufacturing facilities. The floor area of Phase I is approximately 6,761 square meters. The property ownership certificates were granted in June 2008. In 2008, CSI Luoyang Manufacturing obtained the land use rights for approximately 79,685 square meters of adjacent land (Phase II), on which we have constructed manufacturing facilities. The floor area of Phase II is approximately 29,811 square meters. The property ownership certificates were granted in September 2013.

- CSI Cells holds a land use rights certificate for approximately 65,661 square meters of land in Suzhou. We completed the construction of our first solar cell manufacturing facilities on this site in the first quarter of 2007. The Phase I manufacturing facilities have 14,077 square meters, for which we obtained the property ownership certificate. The Phase II cell manufacturing facilities, with 30,102 square meters of workshop space, were completed in 2009. The Phase III cell manufacturing facilities, with a total floor area of approximately 21,448 square meters of manufacturing and office space, were completed in August 2011. We have passed the required inspection and are in the process of obtaining property ownership certificate from the competent government authority. CSI Cells merged with CSI Solar New Energy (Suzhou) Co., Ltd. in 2012. CSI Solar New Energy (Suzhou) Co., Ltd. had a land use rights certificate for approximately 10,000 square meters of land in Suzhou and a property ownership certificate for approximately 4,833 square meters of floor area. The process of recertification of the land use rights certificate and property ownership certificate have been completed and both are now registered under the name of CSI Cells.

- Canadian Solar Manufacturing (Suzhou) Inc. holds a parcel of land of approximately 96,249 square meters which it purchased in 2012.

- In Ontario, we lease approximately 14,851 square meters of manufacturing facilities in Guelph, Ontario, Canada for a term of 10 years commencing September 1, 2010 and approximately 8,685 square meters of manufacturing facilities in London, Ontario, Canada for a term of 5 years commencing October 1, 2013. We also lease a warehouse of 7,912 square meters and an office building of 1,146 square meters on the same premises as the Guelph, Ontario, Canada manufacturing facilities for the same term.

ITEM 4A. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 5. *OPERATING AND FINANCIAL REVIEW AND PROSPECTS*

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information—D. Risk Factors" or in other parts of this annual report on Form 20-F.

A. Operating Results

The most significant factors that affect our financial performance and results of operations are:

- government subsidies and the availability of financing for solar projects;
- industry and seasonal demand;
- solar power products pricing;
- solar wafers and cells and silicon raw materials costs relative to the selling prices of modules;
- impact of certain of our long-term purchase commitments;
- solar power project development and EPC services; and
- foreign exchange.

Government Subsidies and the Availability of Financing for Solar Projects

We believe that the near-term growth of the market for on-grid applications depends in large part on the availability and size of government subsidies and economic incentives and the availability and size of financing for solar projects.

For a detailed discussion of the impact of government subsidies and incentives, possible changes in government policy and associated risks to our business, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Governments may revise, reduce or eliminate subsidies and economic incentives for solar energy, which could cause demand for our products to decline." and "Item 4. Information on the Company—B. Business Overview—Markets and Customers."

For a detailed discussion of the impact of the continuing weak global economy and uncertain global economic outlook, especially in Europe, and associated risks to the availability and cost of debt or equity for solar power projects and our customers' ability to finance the purchase of our products or to construct solar power projects, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—The execution of our growth strategy depends upon the continued availability of third-party financing arrangements for our customers, which is affected by general economic conditions. Tight credit markets could depress demand or prices for solar power products, hamper our expansion and materially affect our results of operations."

Industry and Seasonal Demand

Our business and revenue growth depend on the demand for solar power. Although solar power technology has been used for several decades, the solar power market has only started to grow significantly in the past few years. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—If sufficient demand for solar power products does not develop or takes longer to develop than we anticipate, our revenues may not increase or may even continue to decline, and we may be unable to sustain our profitability." Industry demand is affected by seasonality. Demand tends to be lower in winter, particularly in Europe, where adverse weather conditions can complicate the installation of solar power systems, thereby decreasing demand for solar modules. Seasonal changes can also significantly impact the construction schedules of our solar power projects in countries such as Canada, the U.S. and China thereby also decreasing demand. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Seasonal variations in demand linked to construction cycles and weather conditions may influence our results of operations."

Solar Power Products Pricing

Before 2004, all of our net revenues were generated from sales of specialty solar modules and products. We began selling standard solar modules in 2004. In 2012, we generated net revenues of 88.5% from our solar module business, which primarily comprises sales of standard solar modules and specialty solar modules, with the remainder coming from our total solutions business, which comprises primarily solar power project development, EPC services, sales of solar system kits, among others. In 2013 and 2014, we generated 71.4% and 55.5%, respectively, of our net revenues from our solar module business with 28.6% and 44.5%, respectively, coming from our total solutions business.

Our standard solar modules are priced based on either the actual flash test result or the nameplate capacity of our panels, expressed in Watts-peak. The actual price per watt is affected by overall demand in the solar power industry and increasingly also by the total power of the module. Higher-powered modules usually command slightly higher prices per watt. We price our standard solar modules based on the prevailing market price at the time we enter into sales contracts with our customers, taking into account the size of the contract, the strength and history of our relationship with each customer and our silicon wafer, solar cell and silicon raw materials costs. During the first few years of our operations, the average selling prices for standard solar modules rose year-to-year across the industry, primarily because of high demand. Correspondingly, the average selling price of our standard solar module products ranged from $3.62 to $4.23 during the period from 2004 to 2008. Following a peak in the third quarter of 2008, the industry-wide average selling price of solar modules has declined sharply, as market demand has declined and competition increased due to the worldwide credit crisis, reduction in subsidies in certain solar markets, and increased manufacturing output. In 2009, the average selling price of our standard solar modules continued to fall, with an average selling price of $1.93 per watt in the fourth quarter of 2009. Thereafter, the average selling price of our standard solar modules has generally continued to fall due to an oversupply of solar modules and, in the fourth quarter of 2012, the average selling price was $0.67 per watt. In both 2013 and 2014, the average selling price of our standard solar modules was approximately $0.67 per watt. Industry solar module average selling prices have begun to show signs of stabilization in several markets since 2010 after a long period of significant decline but remain low relative to the prior five-year period.

Solar Wafers and Cells and Silicon Raw Materials Costs Relative to the Pricing of Modules

We produce solar modules, which are an array of interconnected solar cells encased in a weatherproof frame, and products that use solar modules. Solar cells are the most important component of solar modules. Our solar cells are currently made from mono-crystalline and multi-crystalline silicon wafers through multiple manufacturing steps. Silicon wafers are the most important material for making solar cells. If we are unable to procure silicon, wafers and cells at prices that decline in line with our solar module pricing, our revenues and margins could be adversely impacted, either due to relatively high costs compared to our competitors or further write-downs of inventory, or both. Our market share could decline if competitors are able to offer better pricing than we are.

Impact of Certain of Our Long-term Purchase Commitments

Currently, we acquire a large percentage of our requirements of solar wafers through purchasing arrangements. We also acquire a large portion of our requirements of solar cells through purchase arrangements. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry —Long-term supply agreements may make it difficult for us to adjust our raw material costs should prices decrease. Also, if we terminate any of these agreements, we may not be able to recover all or any part of the advance payments we have made to these suppliers and we may be subject to litigation."

Solar Power Project Development and EPC Services

In 2014, 44.5% of our total net revenues were generated from our total solutions business. The majority of these revenues came from the sale of solar power projects and the provision of EPC services. Our solar power project development activities have grown over the past several years through a combination of organic growth and acquisitions.

Solar power project development and EPC services involve numerous risks and uncertainties. For a detailed discussion of these risks and uncertainties, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Our future success depends partly on our ability to expand the pipeline of our total solutions business in several key markets, which exposes us to a number of risks and uncertainties" and "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Our project development and construction activities may not be successful; projects under development may not receive required permits, property rights, power purchase agreements, interconnection and transmission arrangements; and financing or construction of projects may not commence or continue as scheduled, all of which could increase our costs, delay or cancel a project, and have a material adverse effect on our revenue and profitability."

In 2014, we recognized $1,208.5 million of revenues from the sale of solar power projects and the provision of EPC services. See "Item 4. Information on the Company—B. Business Overview" for additional information on our solar power project development and EPC services.

Foreign Exchange

The majority of our sales in 2014 were denominated in Canadian dollars, U.S. dollars and Japanese yen, with the remainder in other currencies such as Euros, Renminbi and Australian dollars. Our Renminbi costs and expenses are primarily related to the sourcing of solar cells, silicon wafers and silicon, other raw materials, toll manufacturing fees, labor costs and local overhead expenses within the PRC. From time to time, we enter into loan arrangements with Chinese commercial banks that are denominated primarily in Renminbi or U.S. dollars. The greater part of our cash and cash equivalents and restricted cash are denominated in Renminbi. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Fluctuations in exchange rates could adversely affect our business, including our financial condition and results of operations."

Overview of Financial Results

We evaluate our business using a variety of key financial measures.

Net Revenues

Revenues generated from our solar module business, which comprises primarily sales of standard solar modules and specialty solar modules, accounted for 88.5%, 71.4% and 55.5% of our net revenues in 2012, 2013 and 2014, respectively. Revenues generated from our total solutions business, which comprises primarily solar power project development, EPC services, O&M, services, electricity revenue generation and sales of solar system kits, represented 11.5%, 28.6% and 44.5% of our net revenues in 2012, 2013 and 2014, respectively. In 2015, we intend to hold more project assets to generate revenue from the sales of electricity. We believe this strategy of focusing on the downstream segment of the business will help to put us in a good competitive position and possibly increase our margins and overall profitability.

The main factors affecting our net revenues from our solar module business include average selling prices per watt and unit volumes shipped, both of which depend on product supply and demand.

Our revenues are also affected by the timing of the completion of solar power projects. See "Item 4. Information on the Company—B. Business Overview—Sales and Marketing—Solar Power Project Development" for a description of the status of our solar power projects.

In addition, revenue recognition for our solar power projects are, in many cases, not linear in nature due to the timing of when all relevant revenue recognition criteria have been met. During 2014, we recognized $754.2 million and $137.7 million of revenue from the sale of solar power projects using the full accrual method and the percentage-of-completion method, respectively. Our revenue recognition policies for the solar power project development are described in "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies—Revenue Recognition."

Our revenues from sales to customers are recorded net of estimated returns.

Cost of Revenues

Our cost of revenues consists primarily of the costs of:

- solar cells;
- silicon wafers;
- high purity and solar grade silicon materials;
- materials used in solar cell production, such as metallic pastes;
- installation components in solar system kits, such as inverters and racking systems;
- other materials for the production of solar modules such as glass, aluminum frames, EVA (ethylene vinyl acetate, an encapsulant used to seal the module), junction boxes and polymer back sheets;
- production labor, including salaries and benefits for manufacturing personnel;
- warranty costs;
- overhead, including utilities, production equipment maintenance, share-based compensation expenses for options granted to employees in our manufacturing department and other support expenses associated with the manufacture of our solar power products;
- depreciation and amortization of manufacturing equipment and facilities, which are increasing as we expand our manufacturing capabilities;
- inventory write-downs;
- depreciation charges relating to under-utilized assets;
- acquisition costs of solar power projects;
- development costs (including interconnection fees and permitting costs) of solar power projects;
- project management and engineering costs;
- EPC costs (consisting of costs of the components of solar power system other than solar modules, such as inverters, electrical and mounting hardware, trackers, grid interconnection equipment, wiring and other devices);
- interest costs capitalized for solar power projects during construction period; and
- site-specific costs.

Our cost of revenues decreased in 2012 and increased in 2013 and 2014, in each instance in line with our change in net revenues for the year.

Before June 2009, we typically sold our standard solar modules with a two-year guarantee for defects in materials and workmanship and a 10-year and 25-year warranty against declines of more than 10% and 20%, respectively, from the initial minimum power generation capacity at the time of delivery. In June 2009, we increased our warranty against defects in materials and workmanship to six years. Effective August 1, 2011, we increased our warranty against defects in materials and workmanship to ten years and we guarantee that, for a period of 25 years, our standard solar modules will maintain the following performance levels:

- during the first year, the actual power output of the module will be no less than 97% of the labeled power output;
- from year 2 to year 24, the actual annual power output decline of the module will be no more than 0.7%; and
- by the end of year 25, the actual power output of the module will be no less than 80% of the labeled power output.

In resolving claims under the workmanship warranty, we have the option of remedying through repair, refurbishment or replacement of equipment.

In resolving claims under the performance warranty, we have the right to repair or replace solar modules at our option.

For utility-scale solar power projects built by us, we provide a limited workmanship or balance of system warranty against defects in engineering design, installation and construction under normal use, operation and service conditions for a period of up to five years following the energizing of the solar power plant. In resolving claims under the workmanship or balance of system warranty, we have the option of remedying through repair, refurbishment or replacement of equipment. We have entered into similar workmanship warranties with our suppliers to back up our warranties.

We maintain warranty reserves to cover potential liabilities that could arise under these guarantees and warranties. We currently take a 1% warranty provision against our revenue for sales of solar power products.

In April 2010, we began entering into agreements with a group of insurance companies with high credit ratings to back up our warranties. Under the terms of the insurance policies, which are designed to match the terms of our solar module product warranty policy, the insurance companies are obliged to reimburse us, subject to certain maximum claim limits and certain deductibles, for the actual product warranty costs that we incur under the terms of our solar module product warranty policy. We record the insurance premiums initially as prepaid expenses and amortize them over the respective policy period of one year. Each prepaid policy provides insurance against warranty costs for panels sold within that policy year. The warranty insurance is renewable annually. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies—Warranty Cost."

Write-downs of inventory included in our cost of revenue were $3.1 million, $0.7 million and $17.0 million in 2012, 2013 and 2014, respectively.

On occasion, we enter into firm purchase commitments to acquire materials from our suppliers. A firm purchase commitment represents an agreement that specifies all significant terms, including the price and timing of the transactions, and includes a disincentive for non-performance that is sufficiently large to make performance probable. This disincentive is generally in the form of a take-or-pay provision, which requires us to pay for committed volumes regardless of whether we actually acquire the materials. We evaluate these agreements and record a loss, if any, on firm purchase commitments

using the same lower of cost or market approach as that used to value inventory. We record the expected loss only as it relates to the succeeding year, as we are unable to reasonably estimate future market prices beyond one year, in cost of revenues in the consolidated statements of operations. As a result, changes in the cost of materials or sales price of modules will directly affect the computation of the estimated loss on firm purchase commitments and our consolidated financial statements in the following years. We did not record a loss on firm purchase commitments for the years ended December 31, 2012, 2013 and 2014.

In addition, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Long-term supply agreements may make it difficult for us to adjust our raw material costs should prices decrease. Also, if we terminate any of these agreements, we may not be able to recover all or any part of the advance payments we have made to these suppliers and we may be subject to litigation."

Gross Profit/Gross Margin

Our gross profit is affected by a number of factors, including the success of and contribution from our total solutions business, the average selling price of our solar power products, our product mix, loss on firm purchase commitments under long-term supply agreements, and our ability to cost-effectively manage our supply chain.

Operating Expenses

Our operating expenses include selling expenses, general and administrative expenses, and research development expenses. Our operating expenses increased in 2012, decreased in 2013 and increased in 2014. We expect our operating expenses to increase as our net revenues grow in the future. On a percentage basis, however, we expect our operating expenses to remain constant with the growth of our operations.

Selling Expenses

Selling expenses consist primarily of salaries and benefits, transportation and customs expenses for delivery of our products, sales commissions for our sales personnel and sales agents, advertising, promotional and trade show expenses, and other sales and marketing expenses. Our selling expenses increased in 2012, decreased in 2013 and increased in 2014. We expect as we increase our sales volume in the future, our selling expenses will increase as we hire additional sales personnel, target more markets and initiate additional marketing programs to reach our goal of continuing to be a leading global brand.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and benefits for our administrative and finance personnel, consulting and professional service fees, government and administration fees and insurance fees. Our general and administrative expenses increased in 2012, decreased in 2013 and increased in 2014. We expect our general and administrative expenses to increase to support the anticipated growth of our business.

Research and Development Expenses

Research and development expenses consist primarily of costs of raw materials used in our research and development activities, salaries and benefits for research and development personnel and prototype and equipment costs related to the design, development, testing and enhancement of our products and our silicon reclamation program. In 2012, 2013 and 2014, our research and development expenses accounted for 1.0%, 0.7% and 0.4% of our total net revenues. We expect that our research

and development expenses will increase as we devote more efforts to research and development in the future.

Share-based Compensation Expenses

Under our share incentive plan, as of December 31, 2014, we had outstanding:

- 846,113 stock options;
- 1,610,219 restricted share units; and
- 349,500 restricted shares.

For a description of the stock options, restricted share units and restricted shares granted, including the exercise prices and vesting periods, see "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Share-based Compensation—Share Incentive Plan." We recognize share-based compensation to employees as expenses in our statement of operations based on the fair value of the equity awarded on the date of the grant. The compensation expense is recognized over the period in which the recipient is required to provide services in exchange for the equity award.

We have made an estimate of expected forfeitures and are recognizing compensation costs only for those equity awards that we expect to vest. We estimate our forfeitures based on past employee retention rates and our expectations of future retention rates. We will prospectively revise our forfeiture rates based on actual history. Our share-based compensation expenses may change based on changes to our actual forfeitures.

For the year ended December 31, 2014, we recorded share-based compensation expenses of approximately $5.1 million, compared to approximately $4.5 million for the year ended December 31, 2013. We have categorized these share-based compensation expenses in our:

- cost of revenues;
- selling expenses;
- general and administrative expenses; and
- research and development expenses,

depending on the job functions of the individuals to whom we granted the options, restricted shares and restricted share units. The following table sets forth, for the periods indicated, the allocation of our share-based compensation expenses both in absolute amounts and as a percentage of total share-based compensation expenses.

	Years Ended December 31,					
	2012		2013		2014	
	(In thousands of $, except for percentages)					
Share-based compensation expenses included in:						
Cost of revenues	870	16.8%	740	16.4%	807	15.9%
Selling expenses	964	18.6	760	16.9	974	19.1
General and administrative expenses	3,037	58.5	2,661	59.0	3,008	59.1
Research and development expenses	315	6.1	347	7.7	298	5.9
Total share-based compensation expenses	5,186	100.0%	4,508	100.0%	5,087	100.0%

We expect to incur additional share-based compensation expenses as we expand our operations.

Interest Expense

Interest expense consists primarily of interest incurred with respect to our short and long-term borrowings from Chinese commercial banks and $150 million convertible senior notes issued in February 2014.

Gain (Loss) on Change in Fair Value of Derivatives

The loss on change in fair value of derivatives in our 2012 financial statements and the gain on change in fair value of derivatives in our 2013 and 2014 financial statements were associated with hedging part of our expected cash flows and balances denominated in foreign currencies, mainly in Japanese yen, Euros, Canadian dollars and Renminbi.

Income Tax Expense

We recognize deferred tax assets and liabilities for temporary differences between the financial statement and income tax bases of assets and liabilities. Valuation allowances are provided against deferred tax assets when management cannot conclude that it is more likely than not that some portion or all deferred tax assets will be realized.

We are governed by the CBCA, a federal statute of Canada and are registered to carry on business in Ontario. This subjects us to both Canadian federal and Ontario provincial corporate income taxes. Our combined tax rates were all 26.5% for the years ended 2012, 2013 and 2014.

PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles with a uniform enterprise income tax rate of 25%. Our major operating subsidiaries, CSI Solartronics, CSI Manufacturing, CSI Cells, CSI Luoyang Manufacturing, CSI Technologies and CSI Changshu Manufacturing, are subject to taxation in China. Certain of these subsidiaries once enjoyed preferential tax benefits, such as a reduced enterprise income tax rate of 12.5%. However, these benefits have now expired. In 2014, only Suzhou Sanysolar Materials Technology Co., Ltd., which is recognized as an HNTE and satisfies applicable statutory requirements, enjoys a reduced enterprise income tax rate of 15%. As most of the preferential tax benefits enjoyed by our PRC subsidiaries expired, their effective tax rates increased significantly.

The EIT Law provides that enterprises established outside China whose "de facto management body" is located in China are considered PRC tax residents and will generally be subject to the uniform 25% enterprise income tax rate on their global income. Under the implementation regulations, the term "de facto management body" is defined as substantial and overall management and control over such aspects as the production and business, personnel, accounts and properties of an enterprise. Circular 82 further provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled offshore incorporated enterprise is located in the PRC. The criteria include whether (i) the premises where the senior management and the senior management bodies responsible for the routine production and business management of the enterprise perform their functions are mainly located within the PRC, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. Although Circular 82 only applies to offshore enterprises controlled by enterprises or enterprise groups located within the PRC, the determining criteria set forth in the Circular 82 may reflect the tax authorities' general position on how the "de facto management body" test may be applied in determining the tax resident status of offshore enterprises. As the tax resident status of an enterprise is subject to the determination by the PRC tax authorities, uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities. As a substantial number of the members of our

management team are located in China, we may be considered as a PRC tax resident under the EIT Law and, therefore, subject to the uniform 25% enterprise income tax rate on our global income.

Under the EIT Law and implementing regulations issued by the State Council, the PRC withholding tax rate of 10% is generally applicable to interest and dividends payable to investors that are not "resident enterprises" in the PRC, to the extent such interest or dividends have their sources within the PRC. We consider the undistributed earnings of our PRC subsidiaries (approximately $155.6 million at December 31, 2014) to be indefinitely reinvested in China, and, consequently, we have made no provision for withholding taxes for those amounts.

Critical Accounting Policies

We prepare financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities, (ii) the disclosure of our contingent assets and liabilities at the end of each fiscal period and (iii) the reported amounts of revenues and expenses during each fiscal period. We regularly evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and reasonable assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing our financial statements, the following should be considered: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition

We recognize revenues for solar product sales when persuasive evidence of an arrangement exists, delivery of the product has occurred and title and risk of loss has passed to the customers, the sales price is fixed or determinable and the collectability of the resulting receivable is reasonably assured. If collectability is not reasonably assured, we recognize revenue only upon collection of cash. Revenues also include reimbursements received from customers for shipping and handling costs. Sales agreements typically contain the customary product warranties but do not contain any post-shipment obligations nor any return or credit provisions.

A majority of our contracts provide that products are shipped under the terms of free on board, or FOB, ex-works, or cost, insurance and freight, or CIF, and delivered duty paid, or DDP. Under FOB, we fulfill our obligation to deliver when the goods have passed over the ship's rail at the named port of shipment. The customer has to bear all costs and risks of loss or damage to the goods from that point. Under ex-works, we fulfill our obligation to deliver when we have made the goods available at our premises to the customer. The customer bears all costs and risks involved in taking the goods from our premises to the desired destination. Under CIF, we must pay the costs, marine insurance and freight necessary to bring the goods to the named port of destination, but the risk of loss of or damage to the goods as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel, is transferred to the customer when the goods pass the ship's rail in the port of shipment. Under DDP, we are responsible for making a safe delivery of goods to a named destination, paying all transportation expenses and the duty. We bear the risks and costs associated with supplying the goods to the delivery location.

As of December 31, 2012, 2013 and 2014, we had inventories of $18.4 million, $8.2 million and $7.5 million, respectively, relating to sales to customers where revenues were not recognized because the collection of payment was not reasonably assured. The delivered products remain as inventories on our consolidated balance sheets, regardless of whether title has been transferred. In such cases, we recognize revenues, adjust inventories and recognize cost of revenues when payment is collected from customers.

Our revenues from sales to customers are recorded net of estimated returns. We periodically accrue an estimate for sales returns at the time of sale using our judgment based on historical results and anticipated returns as a result of current period sales. As of December 31, 2012, 2013 and 2014, we had a sales return reserve of $1.0 million, $0.2 million and $0.1 million, respectively. To the extent actual returns differ from these estimates, revisions may be required.

We enter into toll manufacturing arrangements in which we receive cells and returns finished modules. In such cases, the title of the cells received and risk of loss remains with the seller. As a result, we do not recognize inventory on the consolidated balance sheets. We recognize a service fee as revenue when the processed modules are delivered. During the years ended December 31, 2012, 2013 and 2014, we recognized revenue of $7.9 million, $14.0 million and $16.6 million, respectively, under the toll manufacturing arrangements.

We use the percentage-of-completion method to recognize revenues for which we provide EPC services, unless we cannot make reasonably dependable estimates of the costs to complete the contract, in which case we would use the completed contract method. The percentage-of-completion method is considered appropriate in circumstances in which reasonably dependable estimates can be made and in which all the following conditions exist: (i) contracts executed by the parties normally include provisions that clearly specify the enforceable rights regarding goods or services to be provided and received by the parties, the consideration to be exchanged, and the manner and terms of settlement; (ii) the buyer can be expected to satisfy all obligations under the contract; and (iii) the contractor can be expected to perform all contractual obligations. We use the cost-to-cost method to measure the percentage of completion and recognize revenue based on the estimated progress to completion. We periodically revise our profit estimates based on changes in facts, and immediately recognize any losses that are identified on contracts. Incurred costs include all direct material, labor, subcontractor cost, and other associated costs. We recognize job material costs as incurred costs when the job materials have been permanently attached or fitted to the solar power projects as required by the engineering design. The construction periods normally extend beyond six months and less than one year.

We recognize revenue from the sale of project assets in accordance with Accounting Standards Codification, or ASC, 360-20, Real Estate Sales. For these transactions, we have determined that the project assets, which represent the costs of constructing solar power projects, represent "integral" equipment and as such, the entire transaction is in substance the sale of real estate and subject to the revenue recognition guidance under ASC 360-20 Real Estate Sales. We record the sale as revenue using one of the following revenue recognition methods, based upon evaluation of the substance and form of the terms and conditions of such real estate sales arrangements: (i) Full accrual method. We record revenue for certain sales arrangements after construction of discrete portions of a project or after the entire project is substantially complete. We recognize revenue and profit using the full accrual method when all of the following requirements are met: (a) the sales are consummated; (b) the buyer's initial and continuing investments are adequate to demonstrate its commitment to pay; (c) the receivable is not subject to any future subordination; and (d) we have transferred the usual risk and rewards of ownership to the buyer. Specifically, we consider the following factors in determining whether the sales have been consummated: (a) the parties are bound by the terms of a contract; (b) all consideration has been exchanged; (c) permanent financing for which the seller is responsible has been arranged; and (d) all conditions precedent to closing have been performed, and we do not have any substantial continuing involvement with the project. (ii) Percentage-of-completion method. We apply the

percentage-of-completion method, as further described below, to certain real estate sales arrangements where we convey control of land or land rights, (a) when a sale has been consummated; (b) we have transferred the usual risks and rewards of ownership to the buyer; (c) the initial and continuing investment criteria have been met; (d) we have the ability to estimate its costs and progress toward completion, and (e) all other revenue recognition criteria have been met. The initial and continuing investment requirements, which demonstrate a buyer's commitment to honor their obligations for the sales arrangement, can typically be met through the receipt of cash or an irrevocable letter of credit from a highly creditworthy lending institution. When evaluating whether the usual risks and rewards of ownership have transferred to the buyer, we consider whether we have or may be contingently required to have any prohibited forms of continuing involvement with the project. Prohibited forms of continuing involvement in a real estate sales arrangement may include us retaining risks or rewards associated with the project that are not customary with the range of risks or rewards that an EPC contractor may assume. (iii) Installment method. Depending on whether the initial and continuing investment requirements have been met, and whether collectability from the buyer is reasonably assured, we may align our revenue recognition and release of project assets or deferred project costs to cost of sales with the receipt of payment from the buyer if the sale has been consummated and we have transferred the usual risks and rewards of ownership to the buyer.

During 2014, we recognized $754.2 million and $137.7 million of revenue from the sale of solar power projects using the full accrual method and percentage-of-completion method, respectively.

We allocate revenue for transactions involving multiple-element arrangements to each unit of accounting on a relative fair value basis. We estimate fair value on each unit of accounting on the following basis (i) vendor-specific objective evidence of selling price, if it exists, otherwise, (ii) third-party evidence of selling price. If neither (i) nor (ii) exists, management's best estimate of the selling price for that unit of accounting is used. We recognize revenue for each unit of accounting when the revenue recognition criteria have been met.

We recognize electricity revenue when persuasive evidence of an arrangement exists, electricity has been generated and transmitted to the grid, the price of electricity is fixed or determinable and the collectability of the resulting receivable is reasonably assured.

We recognize government subsidy of electricity revenue generated from solar power systems when the condition attached to it has been met and there is reasonable assurance that the grant will be received. During the year ended December 31, 2014, we recognized government subsidy of $2.0 million related to electricity generated from solar power systems in revenue.

Warranty Cost

Before June 2009, we typically sold our standard solar modules with a two-year guarantee for defects in materials and workmanship and a 10-year and 25-year warranty against declines of more than 10% and 20%, respectively, from the initial minimum power generation capacity at the time of delivery. In June 2009, we have increased our warranty against defects in materials and workmanship to six years. Effective August 1, 2011, we have increased our warranty against defects in materials and workmanship to ten years and we guarantee that, for a period of 25 years, our standard solar modules will maintain the following performance levels:

- during the first year, the actual power output of the module will be no less than 97% of the labeled power output;
- from year 2 to year 24, the actual annual power output decline of the module will be no more than 0.7%; and
- by the end of year 25, the actual power output of the module will be no less than 80% of the labeled power output.

In resolving claims under the workmanship warranty, we have the option of remedying through repair, refurbishment or replacement of equipment. In resolving claims under the performance warranty, we have the right to repair or replace solar modules, at our option.

For utility-scale solar power projects built by us, we provide a limited workmanship or balance of system warranty against defects in engineering design, installation and construction under normal use, operation and service conditions for a period of up to five years following the energizing of the solar power plant. In resolving claims under the workmanship or balance of system warranty, we have the option of remedying through repair, refurbishment or replacement of equipment. We have entered into similar workmanship warranties with our suppliers to back up our warranties.

We maintain warranty reserves to cover potential liabilities that could arise under these guarantees and warranties. Due to limited warranty claims to date, we accrue the estimated costs of warranties based on an assessment of our competitors' and our own actual claim history, industry-standard accelerated testing, estimates of failure rates from our quality review, and other assumptions that we believe to be reasonable under the circumstances. Actual warranty costs are accumulated and charged against the accrued warranty liability. To the extent that accrual for warranty costs differs from the estimates, we will prospectively revise our accrual rate. We currently record a 1% warranty provision against our revenue for sales of solar power products.

In April 2010, we began entering into agreements with a group of insurance companies with high credit ratings to back up our warranties. Under the terms of the insurance policies, which are designed to match the terms of our solar module product warranty policy, the insurance companies are obliged to reimburse us, subject to certain maximum claim limits and certain deductibles, for the actual product warranty costs that we incur under the terms of our solar module product warranty policy. We record the insurance premiums initially as prepaid expenses and amortize them over the respective policy period of one year. Each prepaid policy provides insurance against warranty costs for panels sold within that policy year.

The warranty obligations we record relate to defects that existed when the product was sold to the customer. The event which we are insured against through our insurance policies is the sale of products with these defects. Accordingly, we view the insured losses attributable to the shipment of defective products covered under its warranty as analogous to potential claims, or claims that have been incurred as of the product ship date, but not yet reported. We expect to recover all or a portion of its obligation through insurance claims. Therefore, our accounting policy is to record an asset for the amount determined to be probable of recovery from the insurance claims (not to exceed the amount of the total losses incurred), consistent with the guidance set forth at ASC 410-30.

We consider the following factors in determining whether an insurance receivable that is probable and recoverability can be reasonably estimated:

- reputation and credit rating of the insurance company;
- comparison of the solar module product warranty policy against the terms of the insurance policies, to ensure valid warranty claims submitted by customers will be covered by the policy and therefore reimbursed by the insurance companies; and
- with respect to specific claims submitted, written communications from the insurance company are monitored to ensure the claim has been promptly submitted to and accepted by the insurance company, and reimbursements have been subsequently collected. The successfully processed claims provide further evidence that the insurance policies are functioning as anticipated.

To the extent uncertainties regarding the solvency of insurance carriers or the legal sufficiency of insurance claims (including if they became subject to litigation) were to arise, we will establish a

provision for uncollectible amounts based on the specific facts and circumstances. To date, no provision had been determined to be necessary. In addition, to the extent that accrual for warranty costs differs from the estimates and we prospectively revise our accrual rate, this change may result in a change to the amount expected to be recovered from insurance.

As the warranty obligation and related recovery asset do not meet the criteria for offsetting, the gross amounts are reported in our consolidated balance sheets. The asset is expected to be realized over the life of the warranty obligation, which is 25 years and is treated as a non-current asset consistent with the underlying warranty obligation. When a specific claim is submitted, and the corresponding insurance proceeds will be collected within twelve months of the balance sheet date, we will reclassify that portion of the receivable as being current. The insurance receivable amounts were $27.9 million and $43.4 million at the end of 2013 and 2014, respectively, and were included as a component of other non-current assets.

We made downward adjustments to our accrued warranty costs of $31.4 million and other non-current assets of $17.7 million, for the year ended December 31, 2013, to reflect the general declining trend of the average selling price of solar modules, which is a primary input into the estimated warranty costs. Accrued warranty costs (net effect of adjustments) of $12.5 million, $(16.5) million and $18.6 million are included in cost of revenues for the years ended December 31, 2012, 2013 and 2014, respectively.

Impairment of Long-lived Assets

We assess the recoverability of the carrying value of long-lived assets when an indicator of impairment has been identified. We review the long-lived assets each reporting period to assess whether impairment indicators are present. For purposes of recognition and measurement of an impairment loss, a long-lived asset or assets is grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For long-lived assets, when impairment indicators are present, we compare undiscounted future cash flows, including the eventual disposition of the asset group at market value, to the asset group's carrying value to determine if the asset group is recoverable. Assessments also consider changes in asset group utilization, including the temporary idling of capacity and the expected timing of placing this capacity back into production. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, we will recognize an impairment loss based on the fair value of the assets. No impairment charge was recorded during the year ended December 31, 2012. We recorded impairment charges of $3.7 million and $1.6 million related to the write-down of mono-crystalline ingot furnaces in 2013 and wafer sorting machine and other fixed assets in Luoyang in 2014, respectively.

Allowance for Doubtful Accounts

We conduct credit evaluations of our customers and generally do not require collateral or other security from them. We establish allowances for doubtful accounts primarily based upon the age of our receivables and factors surrounding the credit risk of specific customers. As of December 31, 2012, 2013 and 2014, an allowance for doubtful accounts receivable of $47.6 million, $38.5 million and $31.8 million, respectively, was established for certain customers for whom management sees a credit risk on the collection of accounts receivable balances. The allowance for doubtful accounts receivable as of December 31, 2012, 2013 and 2014 included $18.7 million, $19.2 million and $14.8 million, respectively relating to one customer in China with severe liquidity issues. We began purchasing insurance from Sinosure since 2009 for certain of its accounts receivable trade in order to reduce its exposure to bad debt loss. We establish allowances for all doubtful accounts according to our allowance policy regardless of whether such accounts are covered by Sinosure insurance. For the amounts recoverable from Sinosure, we recorded $9.5 million, $0.5 million and $0.6 million in prepaid expenses and other current assets as of December 31, 2012, 2013 and 2014, respectively.

With respect to advances to suppliers, primarily suppliers of solar cells, solar wafers and silicon raw materials, we perform ongoing credit evaluations of their financial condition. We generally do not require collateral or security against advances to suppliers, as they tend to be recurring supply partners. However, we maintained a reserve for potential credit losses for advances to suppliers as of December 31, 2012, 2013 and 2014 of $38.5 million, $40.0 million and $37.7 million, respectively. The reserves as of December 31, 2014 include allowances on advances to LDK of $9.8 million, allowances on advances to a UMG-Si supplier of $10.5 million, and allowances on advances to Deutsche Solar of $16.3 million.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the weighted-average method. Cost of inventories consists of direct materials and, where applicable, direct labor costs, tolling costs and those overhead costs that have been incurred in bringing the inventories to their present location and condition.

Adjustments are recorded to write down the cost of obsolete and excess inventories to the estimated market value based on historical and forecast demand. The write-down of inventories for the years ended December 31, 2012, 2013 and 2014 were $3.1 million, $0.7 million and $17.0 million, respectively.

We outsource portions of our manufacturing process. These outsourcing arrangements may or may not include transfer of title of the raw materials inventory to third-party manufacturers. Such raw materials are recorded as raw materials inventory when purchased from suppliers. For those outsourcing arrangements in which the title is not transferred, we maintain such inventory on our consolidated balance sheets as raw materials inventory while it is in physical possession of the third-party manufacturer. Upon receipt, processed inventory is reclassified to work-in-process inventory and a processing fee is paid to the third-party manufacturer.

For those outsourcing arrangements, characterized as sales, in which title (including risk of loss) is transferred to the third-party manufacturer, we are constructively obligated, through raw materials sales agreements and processed inventory purchase agreements, which have been entered into with the third-party manufacturer simultaneously, to repurchase the inventory once processed. In this case, the raw materials remain classified as raw material inventory while in physical possession of the third-party manufacturer and cash is received, which is classified as "advances from customers" on the consolidated balance sheets and not as revenue or deferred revenue. Cash payments for outsourcing arrangements, which require prepayments for repurchase of the processed inventory, are classified as "advances to suppliers" on the consolidated balance sheets. There is no right of offset for these arrangements and accordingly, "advances from customers" and "advances to suppliers" remain on the consolidated balance sheets until the processed inventory is repurchased.

On occasion, we enter into firm purchase commitments to acquire materials from its suppliers. A firm purchase commitment represents an agreement that specifies all significant terms, including the price and timing of the transactions, and includes a disincentive for non-performance that is sufficiently large to make performance probable. This disincentive is generally in the form of a take-or-pay provision, which requires us to pay for committed volumes regardless of whether we actually acquire the materials. We evaluate these agreements and record a loss, if any, on firm purchase commitments using the same lower of cost or market approach as that used to value inventory. We record the expected loss only as it relates to the succeeding year, as we are unable to reasonably estimate future market prices beyond one year, in cost of revenues in the consolidated statements of operations. As a result, changes in the cost of materials or sales price of modules will directly affect the computation of the estimated loss on firm purchase commitments and our consolidated financial statements in the following years.

Project Assets

Project assets consist primarily of direct costs relating to solar power projects in various stages of development that are capitalized prior to the sale of the solar power projects. A project asset is initially recorded at the actual cost. For a self-developed project asset, the actual cost capitalized is the amount of the expenditure incurred for the application of the feed-in tariff or other similar contracts, permits, consents, construction costs, interest costs capitalized, and other costs. For a project asset acquired from third parties, the initial cost is the acquisition cost which includes the consideration transferred and certain direct acquisition costs.

We review project assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We consider a project commercially viable or recoverable if it is anticipated to be sold for a profit once it is either fully developed or fully constructed. We consider a partially developed or partially constructed project commercially viable or recoverable if the anticipated selling price is higher than the carrying value of the related project assets. We examine a number of factors to determine if the project will be recoverable, the most notable of which include whether there are any changes in environmental, ecological, permitting, market pricing or regulatory conditions that impact the project. Such changes could cause the costs of the project to increase or the selling price of the project to decrease. If a project is not considered recoverable, we impair the respective project assets and adjust the carrying value to the estimated recoverable amount, with the resulting impairment recorded within operations. We recorded impairment charges for project assets of nil, $1.6 million and $2.3 million for the years ended December 31, 2012, 2013 and 2014, respectively.

Project assets expected to be sold within twelve months as of each balance sheet date are recorded as current assets and project assets expected to be sold after twelve months are recorded as non-current assets on our consolidated balance sheets. The cash flows associated with the acquisition, construction, and sale of projects assets are classified as operating activities in our consolidated statements of cash flows. Project assets are often held in separate legal entities which are formed for the special purpose of constructing the project assets, which we refer to as "project companies". We consolidate project companies as described in Note 2 "Summary of Principal Accounting Policies—(b) Basis of consolidation" to our consolidated financial statements for the year ended December 31, 2014 included in this annual report on Form 20-F. The cash paid to the non-controlling interest in connection with disposal of such project companies was recorded as a financing activity in the consolidated statement of cash flows.

We did not depreciate the project assets. If circumstances change, and we begin to operate the project assets for the purpose of generating income from the sale of electricity, the project assets will be reclassified to property, plant and equipment. In 2014, project assets in China totaling $98.0 million were reclassified to property, plant and equipment.

Income Taxes

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net tax loss carry-forwards and credits using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible for tax purposes. We have recognized a valuation allowance of $57.2 million and $53.0 million as at December 31, 2013 and 2014, respectively.

Current income taxes are provided for in accordance with the laws of the relevant taxing jurisdictions. The components of the deferred tax assets and liabilities are individually classified as

current and non-current based on the characteristics of the underlying assets and liabilities, or the expected timing of their use when they do not relate to a specific asset or liability.

Income tax expense includes (i) deferred tax expense, which generally represents the net change in the deferred tax asset or liability balance during the year plus any change in valuation allowances; (ii) current tax expense, which represents the amount of tax currently payable to or receivable from a taxing authority; and (iii) non-current tax expense, which represents the increases and decreases in amounts related to uncertain tax positions from prior periods and not settled with cash or other tax attributes. We only recognize tax benefits related to uncertain tax positions when such positions are more likely than not of being sustained upon examination. For such positions, the amount of tax benefit that we recognize is the largest amount of tax benefit that is more than fifty percent likely of being sustained upon the ultimate settlement of such uncertain tax position. We record penalties and interests associated with the uncertain tax positions as a component of income tax expense.

Recently Issued Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2014-08, a new pronouncement which amends the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business or a major equity method investment. The amendments in the ASU are effective in the first quarter of 2015. Early adoption is permitted. We do not expect the adoption of ASU 2014-08 to have a significant impact on our financial statement disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards. An entity has the option to apply the provisions of ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application. ASU 2014-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2016, and early adoption is not permitted. We are still in the process of assessing the potential financial impact to us.

In June 2014, the FASB issued ASU 2014-12, a new pronouncement which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. We do not expect the adoption of ASU 2014-12 to have a significant impact on our financial statement disclosures.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40)—Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 provides guidance regarding management's responsibility to (i) evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and (ii) provide related footnote disclosures. ASU 2014-15 is effective for fiscal years and interim periods within those years beginning after December 15, 2016. We do not expect the adoption of ASU 2014-15 to have a significant impact on our financial statement disclosures.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810)—Amendments to the Consolidation Analysis. ASU 2015-02 modifies existing consolidation guidance related to (i) limited partnerships and similar legal entities, (ii) the evaluation of variable interests for fees paid to decision makers or service providers, (iii) the effect of fee arrangements and related parties on the primary

beneficiary determination, and (iv) certain investment funds. These changes are expected to limit the number of consolidation models and place more emphasis on risk of loss when determining a controlling financial interest. ASU 2015-02 is effective for fiscal years and interim periods within those years beginning after December 15, 2015. We are still in the process of assessing the potential financial impact to us.

Results of Operations

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations and each item expressed as a percentage of our total net revenues. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the years ended December 31,					
	2012		2013		2014	
	(in thousands of $, except percentages)					
Net revenues	$ 1,294,829	100.0%	$ 1,654,356	100.0%	$ 2,960,627	100.0%
Cost of revenues	1,204,468	93.0%	1,378,661	83.3%	2,379,633	80.4%
Gross profit	90,361	7.0%	275,695	16.7%	580,994	19.6%
Operating expenses:						
Selling expenses	91,053	7.0%	88,426	5.3%	125,797	4.2%
General and administrative expenses	128,826	9.9%	44,768	2.7%	76,826	2.6%
Research and development expenses	12,998	1.0%	11,685	0.7%	12,057	0.4%
Total operating expenses	232,877	18.0%	144,879	8.8%	214,680	7.3%
Income from continuing operations	(142,516)	(11.0)%	130,816	7.9%	366,314	12.4%
Other income (expenses)						
Interest expense	(53,304)	(4.1)%	(46,244)	(2.8)%	(48,906)	(1.7)%
Interest income	13,360	1.0%	11,973	0.7%	14,363	0.5%
Gain (loss) on change in fair value of derivatives	(4,369)	(0.34)%	10,764	0.7%	19,656	0.7%
Investment loss	(1,082)	(0.08)%	—	—%	—	—%
Foreign exchange gain (loss)	(10,708)	(0.83)%	(51,469)	(3.1)%	(32,219)	(1.1)%
Others	—	—%	428	0.03%	1,623	0.1%
Income (loss) before income taxes	(198,619)	(15.3)%	56,268	3.4%	320,831	10.9%
Income tax (expense) benefit	5,433	4.2%	(7,639)	(0.5)%	(77,431)	(2.6)%
Equity in earnings (loss) of unconsolidated investees	(1,969)	(0.2)%	(3,064)	(0.2)%	487	0.0%
Net income (loss)	(195,155)	(15.1)%	45,565	2.8%	243,887	8.2%
Less: Net income attributable to non-controlling interest	314	0.0%	13,906	0.8%	4,385	0.1%
Net income (loss) attributable to Canadian Solar Inc.	(195,469)	(15.1)%	31,659	1.9%	239,502	8.1%

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net Revenues. Our total net revenues increased by $1,306.3 million, or 79.0%, from $1,654.4 million for the year ended December 31, 2013 to $2,960.6 million for the year ended December 31, 2014. The increase was primarily due to an increase in revenue contribution from our total solutions business, combined with higher shipments from our solar module business from 1,736 MW in 2013 to 2,358 MW in 2014.

Revenues generated from our solar module business increased by $461.8 million, or 39.1%, from $1,181.7 million in 2013 to $1,643.5 million in 2014. The increase was primarily due to an increase of $404.5 million attributed to the 35.9% increase of shipments of our solar modules.

Our total solar module shipments were 2,813 MW in 2014, an increase of 48.5% from 1,894 MW in 2013. Shipments to non-European markets increased by 848.7 MW from 1,605.2 MW in 2013 to 2,453.9 MW in 2014, primarily to customers in the U.S. and Japan. Shipments to European markets increased by 69.7 MW from 289.0 MW in 2013 to 358.7 MW in 2014.

The average selling price of our solar modules in 2014 was $0.67, the same as in 2013.

Revenues generated from our total solutions business increased by $844.4 million, or 178.6%, from $472.7 million in 2013 to $1,317.1 million in 2014. $886.6 million of the increase was attributable to increased sales of solar power projects and revenue from EPC services, partially offset by $45.6 million decrease in sales of solar system kits.

Cost of Revenues. Our cost of revenues increased by $1,001.0 million, or 72.6%, from $1,378.7 million in 2013 to $2,379.6 million in 2014. The increase was primarily due to further growth of our total solutions business and increased shipments from our solar module business. Cost of revenues as a percentage of total net revenues decreased from 83.3% in 2013 to 80.4%.

Gross Profit. As a result of the foregoing, our gross profit increased by $305.3 million, or 110.7%, from $275.7 million in 2013 to $581.0 million in 2014. Our gross profit margin increased from 16.7% in 2013 to 19.6% in 2014, primarily due to the increased contribution of our higher margin total solutions business, increased shipments from our solar module business and continued decrease in our solar module manufacturing costs, partially offset by cash deposits of approximately $36.0 million related to countervailing and anti-dumping rulings in the U.S. that were charged to our cost of revenues. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal and Administrative Proceedings."

Operating Expenses. Our operating expenses increased by $69.8 million, or 48.2%, from $144.9 million in 2013 to $214.7 million in 2014. Operating expenses as a percentage of our total net revenues decreased from 8.8% in 2013 to 7.3% in 2014.

Selling Expenses. Our selling expenses increased by $37.4 million, or 42.3%, from $88.4 million in 2013 to $125.8 million in 2014. The increase was primarily due to $21.7 million increase in shipping and handling costs, $10.3 million increase in salary and bonus and $3.4 million increase in storage charges. Selling expenses as a percentage of our net total revenues decreased from 5.3% in 2013 to 4.2% in 2014.

General and Administrative Expenses. Our general and administrative expenses increased by $32.1 million, or 71.6%, from $44.8 million in 2013 to $76.8 million in 2014. The increase was primarily due to $31.5 million reversal in 2013 of provision for the unfavorable arbitration award related to LDK, $8.3 million increase in salary and bonus and $4.4 million increase in professional service fee, partially offset by $8.5 million reversal of bad debt allowance. General and administrative expenses as a percentage of our total net revenues decreased from 2.7% in 2013 to 2.6% in 2014.

Research and Development Expenses. Our research and development expenses increased by $0.4 million, or 3.2%, from $11.7 million in 2013 to $12.1 million in 2014. Research and development expenses as a percentage of our total net revenues were 0.7% in 2013 and 0.4% in 2014.

Interest Expense, Net. Our interest expense, net, increased by $0.3 million, or 0.8%, from $34.3 million in 2013 to $34.5 million in 2014. Interest expense increased by $2.7 million, or 5.8%, from $46.2 million in 2013 to $48.9 million in 2014. The increase was primarily due to interest expenses related to the convertible senior notes of $150 million issued in February 2014. Interest income increased by $2.4 million, or 20.0%, from $12.0 million in 2013 to $14.4 million.

Gain/(Loss) On Change in Fair Value of Derivatives. We recorded a gain of $19.7 million on change in fair value of derivatives in 2014, compared to a gain of $10.8 million in 2013. The gain in

2014 was attributable to gains on foreign currency forward contracts that we purchased to mitigate the impact of changes in exchange rates of foreign currencies, mainly Japanese yen, Euro, Canadian dollar and Renminbi.

Foreign Exchange Loss. We recorded a foreign exchange loss of $32.2 million in 2014, compared to a loss of $51.5 million in 2013. The loss in 2014 was primarily attributable to the depreciation of Renminbi, Japanese yen and Canadian dollar against the U.S. dollar.

Income Tax Expense. Our income tax expense was $77.4 million in 2014, compared to an expense of $7.6 million in 2013. The increase in income tax provision in 2014 was primarily due to our higher profit before income tax.

Equity in Earnings (Loss) of Unconsolidated Investees. Our share of the earnings of unconsolidated investees was net earnings of $0.5 million in 2014, compared to a net loss of $3.1 million in 2013.

Net Income Attributable to Non-Controlling Interest. The net income attributable to non-controlling interest is the share of net income attributable to the interests of non-controlling shareholders in certain of our subsidiaries or project companies in Canada, China, Germany, Japan and the U.S. In many cases, we acquire or establish project companies in which third parties hold minority equity interests, which are reported as non-controlling interests in our consolidated financial statements. When the projects are sold to third parties, we allocate the percentage attributable to non-controlling interests accordingly. The amounts of net income generated in connection with the sale of project assets which was attributable to minority interests was $4.4 million in 2014 and $13.9 million in 2013.

Net Income (Loss) Attributable to Canadian Solar Inc. As a result of the foregoing, we recorded net income of $239.5 million in 2014, which was a $207.8 million, or 656.5%, increase over our net income of $31.7 million in 2013.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net Revenues. Our total net revenues increased by $359.5 million, or 27.8%, from $1,294.8 million in 2012 to $1,654.4 million in 2013. The increase in our net revenues was primarily due to an increase in revenue contribution from our total solutions business and increased shipments from our solar module business from 1,490 MW in 2012 to 1,736 MW in 2013, partially offset by a decrease in average selling price of our solar modules from $0.77 per watt in 2012 to $0.67 per watt in 2013.

Revenues generated from our solar module business increased by $35.7 million, or 3.1%, from $1,146.0 million in 2012 to $1,181.7 million in 2013. The increase was primarily due to an increase of $205.3 million attributed to the 16.5% increase of shipments of our solar modules, partially offset by a decrease of $169.6 million attributed to the 13.0% decline in average selling price of our solar modules.

Our total solar module shipments were 1,894 MW in 2013, an increase of 22.7% from 1,543 MW in 2012. Our shipments to non-European markets increased by 961.6 MW from 643.6 MW in 2012 to 1,605.2 MW in 2013. The increase in shipments to non-European markets primarily came from Japan and Canada among others. Our shipments to European markets decreased by 610.5 MW from 899.5 MW in 2012 to 289.0 MW in 2013, primarily due to the provisional anti-dumping duties imposed by the EU, the subsequent undertaking agreement that fixed the price of Chinese made modules at a relatively high level, and overall decline in the demand for solar modules in the EU countries.

Our average selling price of our solar modules declined from $0.77 in 2012 to $0.67 in 2013, primarily due to the fact that the supply of solar products was generally greater than demand. This adversely affected the prices of solar products across the entire value chain.

Revenues generated from our total solutions business increased by $323.8 million, or 217.5%, from $148.9 million in 2012 to $472.7 million in 2013. $266.2 million of the increase was attributable to

increased sales of solar power projects and provision of EPC services and $57.1 million was attributable to increased sales of solar system kits.

We periodically make estimates of our sales returns based on historical experience and record those estimates as a reduction of revenues. As of December 31, 2012 and 2013, we had a sales return reserve of $1.0 million and $0.2 million, respectively. Actual returns could differ from these estimates.

Cost of Revenues. Our cost of revenues increased by $174.2 million, or 14.5%, from $1,204.5 million in 2012 to $1,378.7 million in 2013. The increase in our cost of revenues was primarily due to growth of our total solutions business and increased shipments from our solar module business, partially offset by lower manufacturing costs of solar modules. Cost of revenues as a percentage of total net revenues decreased from 93.0% in 2012 to 83.3%.

In 2013, we made downward adjustments of accrued warranty costs and insurance receivable amounts to reflect the general declining trend of the average selling price of solar modules, which is a primary input into the estimated warranty costs. The net effect of the downward adjustments was $13.7 million.

Our inventory write-downs for 2012 and 2013 were $3.1 million and $0.7 million, respectively. The decrease in inventory write-downs was primarily due to the stabilization of the prices of solar modules and continued lowering of our manufacturing costs, which decreased at a steeper rate than the decline in the market prices during 2013, as compared with 2012.

Gross Profit. As a result of the foregoing, our gross profit increased by $185.3 million, or 205.1%, from $90.4 million in 2012 to $275.7 million in 2013. Our gross profit margin increased from 7.0% in 2012 to 16.7% in 2013, primarily due to contribution from our higher margin total solutions business, lower manufacturing costs as well as the net effect of the above-mentioned downward adjustments, partially offset by a decline in average selling price of our solar modules during the period.

Operating Expenses. Our operating expenses decreased by $88.0 million, or 37.8%, from $232.9 million in 2012 to $144.9 million in 2013. Operating expenses as a percentage of our total net revenues decreased from 18.0% in 2012 to 8.8% in 2013.

Selling Expenses. Our selling expenses decreased by $2.6 million, or 2.9%, from $91.1 million in 2012 to $88.4 million in 2013. The decrease in our selling expenses was primarily due to a $8.0 million decrease in shipping and handling expenses and a $7.2 million decrease in marketing expenses, partially offset by a $5.2 million increase in salary expenses, a $2.0 million increase in sales commission, a $1.6 million increase in rental expenses and a $1.1 million increase in insurance expenses. Selling expenses as a percentage of our net total revenues decreased from 7.0% in 2012 to 5.3% in 2013.

General and Administrative Expenses. Our general and administrative expenses decreased by $84.1 million, or 65.2%, from $128.8 million in 2012 to $44.8 million in 2013. The decrease in our general and administrative expenses was primarily due to the reversal of a $30.0 million provision related to the arbitration decision against us by the CIETAC Shanghai Branch in favor of LDK and a $32.9 million decrease in bad debt expense. General and administrative expenses as a percentage of our total net revenues decreased from 9.9% in 2012 to 2.7% in 2013.

Research and Development Expenses. Our research and development expenses decreased by $1.3 million, or 10.1%, from $13.0 million in 2012 to $11.7 million in 2013. Research and development expenses as a percentage of our total net revenues were 1.0% in 2012 and 0.7% in 2013.

Interest Expense, Net. Our interest expense, net decreased by $5.7 million, or 14.2%, from $39.9 million in 2012 to $34.3 million in 2013. Interest expense decreased from $53.3 million in 2012 to $46.2 million in 2013, or 13.2%, primarily due to an increase in interest expense capitalized for our

solar power projects and a decrease in bank borrowings, partially offset by an increase in discount charges. Interest income decreased from $13.4 million in 2012 to $12.0 million in 2013, or 10.4%.

Gain/(Loss) On Change in Fair Value of Derivatives. In 2013, we recorded a gain on change in fair value of derivatives of $10.8 million, compared to a loss on change in fair value of derivatives of $4.4 million in 2012. The gain or loss on change in fair value of derivatives represents gain or loss on the foreign currency hedges that we employed to hedge against part of our exposure to the fluctuation of exchange rates of foreign currencies, mainly in Euro, Renminbi, Canadian dollar and Japanese yen, by means of foreign currency forward or option contracts.

Foreign Exchange Loss. We recorded a foreign exchange loss of $51.5 million in 2013, compared to a foreign exchange loss of $10.7 million in 2012. The foreign exchange loss in 2013 was mainly due to the appreciation of the Renminbi against the U.S. dollar as well as the depreciation of the Japanese yen and Canadian dollar against the U.S. dollar.

Income Tax Benefit (Expense). Our income tax expense was $7.6 million in 2013, compared to an income tax benefit of $5.4 million in 2012. The income tax expense in 2013 was primarily due to our return to profitability.

Equity in Earnings (Loss) of Unconsolidated Investees. Our equity in earnings of unconsolidated investees was a net loss of $3.1 million in 2013, compared to a net loss of $2.0 million in 2012.

Net Income Attributable to Non-Controlling Interest. The net income attributable to non-controlling interest was related to the share of net income by the non-controlling shareholders in certain of our subsidiaries or project companies in Canada, China, Germany, Japan and the U.S. As part of negotiating the acquisition of project assets, we often acquire or set up project companies for the purpose of holding the project assets which are partially held by third parties which are reported as non-controlling interests in our consolidated financial statements. When these projects assets are sold to third parties, we allocate the percentage attributable to non-controlling interests accordingly. The amounts of net income generated in connection with the sale of project assets which was attributable to minority interests was nil and $12.2 million, for the years ended December 31, 2012 and 2013, respectively.

Net Income (Loss) Attributable to Canadian Solar Inc. As a result of the foregoing, we recorded a net income of $31.7 million in 2013, which was a $227.1 million increase over our net loss of $195.5 million in 2012.

B. Liquidity and Capital Resources

Cash Flows and Working Capital

We are generally required to make prepayments to suppliers of silicon raw materials. Even though we require some customers to make partial prepayments, there is typically a lag between the time we make our prepayments for silicon raw materials and the time our customers make their prepayments.

Our total solutions business required increased funding and use of working capital in 2014 and is expected to continue to require significant funding and use of working capital in the future. The time cycles of our solar power project development can vary substantially and can take up to many years to mature. As a result, we may need to make significant up-front investments of resources before the collection of any cash from the sale of these projects. These investments include payment of interconnection and other deposits, posting of letters of credit, and incurring engineering, permitting, legal, and other expenses. In addition, we may have to use our existing bank facilities to finance the construction of these solar power projects. Depending on the size and number of solar power projects that we are developing and self-financing, our liquidity requirements could be significant. Delays in

constructing or completing the sale of any of our projects which we are self-financing could also impact our liquidity.

In 2013, we reversed the provision related to the arbitration decision against us by the CIETAC Shanghai Branch in favor of LDK and we currently do not have any provision in our accounts for this amount. We dispute the merits of the proceedings brought against us by LDK and will defend ourselves vigorously against these claims. However, if we do not succeed, payment of the award to LDK could have an adverse effect on our liquidity. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal and Administrative Proceedings."

In 2014, we financed our operations primarily through cash flows from operations, short-term and long-term borrowings and proceeds from offerings of convertible senior notes and common shares. As of December 31, 2014, we had $549.5 million in cash and cash equivalents. Our cash and cash equivalents consist primarily of cash on hand, bank balances and demand deposits, which are unrestricted as to withdrawal and use, and have original maturities of three months or less.

As of March 31, 2015, we, inclusive of Recurrent, had contractual credit lines with an aggregate limit of approximately $911.1 million, of which $267.9 million had been drawn down with due dates beyond December 31, 2015 and $368.5 million had been drawn down with due dates before December 31, 2015. In addition, we had non-binding credit lines of approximately $418.8 million, of which $141.7 million had been drawn down with due dates before December 31, 2015, $197.7 million had been drawn down with due dates beyond December 31, 2015 and $79.4 million was subject to the lenders' discretion upon request for additional draw downs. Non-binding credit lines represent non-legally binding facility limits granted by lenders, which can be changed unilaterally by the lenders.

As of March 31, 2015, we, inclusive of Recurrent, had approximately $127.2 million of long-term borrowings (non-current portion), of which $42.9 million was secured by property, plant and equipment, and $82.1 million of long-term borrowings (current portion), of which $68.4 million was secured by restricted cash, property, plant and equipment and project assets. As of March 31, 2015, we had approximately $802.3 million of short-term borrowings, of which $364.4 million was secured by restricted cash, inventory, land use rights, project assets and property, plant and equipment. The long-term borrowings (non-current portion) mature at various times during the period from the second quarter of 2016 to the first quarter of 2031 and bear interest at rates ranging from nil to 9.11% per annum. The long-term borrowings (current portion) and the short-term borrowings mature at various times during 2015 and the first quarter of 2016 and bear interest at rates ranging from 0.26% to 13.0% per annum. Our bank lines contain no specific extension terms but, historically, we have been able to obtain new short-term loans on terms similar to those of the maturing short-term loans shortly before they mature.

On May 20, 2013, we entered into a RMB270 million loan agreement with China Development Bank. The loan facility has a fifteen-year maturity, including a one year grace period and was used to finance the construction of a 30 MW solar power project and its ancillary facility in the western part of China.

On October 16, 2013, we entered into a financing agreement with Deutsche Bank AG, Canada Branch, or Deutsche Bank, pursuant to which Deutsche Bank agreed to provide C$104.0 million in non-recourse, short-term construction financing to us for the construction of solar power projects in Ontario, Canada. The loans were repaid with sales proceeds of the financed projects in December 2014.

On November 28, 2013, we entered into a financing agreement with National Bank of Canada, pursuant to which National Bank of Canada agreed to provide C$35.0 million in short-term construction financing to us for the construction of solar power projects in Ontario, Canada. The projects were completed and sold and the loan was assumed by buyers in March 2014.

On December 4, 2013, we entered into a $40 million loan agreement with Harvest North Star Capital. The loan facility will be used to finance the development of several ground-mounted solar power projects in Japan totaling around 145.1 MW, with construction expected to commence during the second quarter of 2015.

In February 2014, we completed an offering of our common shares and convertible senior notes. Pursuant to the offering, we sold 3,194,700 common shares at a price of $36.00 per share and $150 million aggregate principal amount of 4.25% convertible senior notes. We received aggregate net proceeds of approximately $255.7 million from these offerings, after deducting discounts and commissions, but before offering expenses. The proceeds were used for general corporate purposes, including expanding manufacturing capacity, the development of solar power projects and working capital.

In February 2014, we signed a C$52 million ($44.8 million) loan agreement with Natixis, New York Branch/Norddeutsche Landesbank Girozentrale, New York Branch/Cooperative Centrale Raiffeisen-Boerenleenbank B.A., New York Branch. The loan facility has a maturity term of construction plus 10 years and was used to finance the 10 MW (AC) Glenarm utility-scale solar power project. The Glenarm plant reached commercial operation in November 2014 and was sold to an affiliate of DIF Infra 3 RE Canada (Ltd), or DIF, in January 2015. The loan was assumed by DIF in January 2015.

In February 2014, we signed a C$48 million ($41.4 million) loan agreement with Manufacturer's Life Insurance Company, or Manulife. The loan facility was used to finance our Val Caron solar power project located in Ontario, Canada. The Val Caron project was completed and sold to an affiliate of Concord Green Energy Inc., or Concord, and the loan was assumed by Concord, in June 2014.

In March 2014, we signed another loan agreement with Manulife for a C$50.5 million ($43.5 million) loan facility which was used to finance our Mighty Solar power project located in Ontario, Canada. The Mighty Solar project was completed and sold to an affiliate of Concord, and the loan was assumed by Concord, in September 2014.

In May 2014, we entered into a financing agreement with National Bank of Canada, or National Bank, pursuant to which National Bank agreed to provide C$115.5 million ($99.6 million) in short-term construction financing for the construction of three solar power projects in Ontario, Canada, totaling 30 MW (AC). The three solar power projects, Sparkle Light, Good Light and Lunar Light, have been awarded a 20-year power purchase contract. Good Light and Sparkle Light were sold to BluEarth Renewables Inc., or BluEarth, in August 2014 and December 2014, respectively, and the loans of these two projects were assumed by BluEarth. Lunar Light will be sold and the loan is expected to be assumed by the buyer, in the second quarter of 2015.

In October 2014, we signed another loan agreement with Manulife for a C$51 million ($44.0 million) construction and term financing which was used to finance our Raylight solar power plant located in Ontario, Canada. The Raylight project was completed and sold to an affiliate of Concord, and the loan was assumed by Concord, December 2014.

In March 2015, we signed a loan agreement with Credit Suisse AG, Singapore Branch to provide Recurrent a one year senior secured bridge loan of $150 million in conjunction with the acquisition of Recurrent. In addition, we obtained from Export Development Canada a performance security guarantee of up to approximately $75 million to backstop letters of credit against project development obligations by Recurrent.

Although no assurance can be given, we believe that we will be able to fully execute our business plans and to renew substantially all our existing bank borrowings as they become due if needed. We believe that adequate sources of liquidity will exist to fund our working capital and capital expenditures requirements and to meet our short-term debt obligations and other liabilities and commitments as they

become due. As of the date of this annual report, we were in compliance with all material terms of our borrowing agreements.

We expect that our accounts receivable, inventories and project assets, three of the principal components of our current assets, will increase in line with increases in our net revenues. Due to market competition, in many cases, we offer credit terms to our customers ranging from 30 days up to 120 days with small advance payments ranging from 5% to 20% of the sale prices. The prepayments are recorded as current liabilities under advances from customers, and amounted to $75.3 million as of December 31, 2013 and $112.0 million as of December 31, 2014. As the market demand for our products has changed and as we have diversified our geographical markets, we have increased and may continue to increase credit term sales to certain creditworthy customers after careful review of their credit standings and acceptance of export credit insurance by Sinosure, or other risk mitigation channels such as local credit insurance or factoring.

The following table sets forth a summary of our cash flows for the periods indicated:

	As of December 31,		
	2012	2013	2014
	(in thousands of $)		
Net cash provided by (used in) operating activities	(147,759)	229,549	265,106
Net cash used in investing activities	(306,491)	(37,509)	(116,049)
Net cash provided by (used in) financing activities	249,576	(104,900)	191,947
Net increase (decrease) in cash and cash equivalents	(202,027)	86,282	321,293
Cash and cash equivalents at the beginning of the year	343,995	141,968	228,250
Cash and cash equivalents at the end of the year	141,968	228,250	549,543

Operating Activities

Net cash provided by operating activities was $265.1 million in 2014, compared to a net cash provided by operating activities of $229.5 million in 2013. The change was primarily due to a significant increase in net income from $45.6 million in 2013 to $243.9 million in 2014, partially offset by increase in working capital investments.

Net cash provided by operating activities was $229.5 million in 2013, compared to net cash used in operating activities of $147.8 million in 2012. The change was primarily due to a net income in 2013 compared to a net loss in 2012 and overall improved working capital management.

Investing Activities

Net cash used in investing activities was $116.0 million in 2014, compared to $37.5 million in 2013. The change was primarily due to an increase in payments to acquire property, plant and equipment, an increase in restricted cash used as collateral to secure our bank acceptances and borrowings as well as an increase in loans receivable.

Net cash used in investing activities was $37.5 million in 2013, compared to $306.5 million in 2012. The decrease was primarily due to a smaller increase in restricted cash used as collateral to secure our bank acceptances and borrowings and a decrease in payments to acquire property, plant and equipment, partially offset by an increase in cash investment in affiliates.

Financing Activities

Net cash provided by financing activities was $191.9 million in 2014, compared to $104.9 million used in 2013. The change was primarily due to receipt of net proceeds of $108.9 million and $144.9 million from our offerings of common shares and convertible notes, respectively, during 2014.

Net cash used in financing activities was $104.9 million in 2013, compared to net cash provided by financing activities of $249.6 million in 2012. The change was primarily due to a net decrease in bank borrowings in 2013, partially offset by receipt of net proceeds of $47.9 million from our at-the-market offering of common shares.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and existing banking facilities will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for the 12 months ending December 31, 2015. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. The availability of commercial loans from Chinese commercial banks may be affected by administrative policies of the PRC government, which in turn may affect our plans for business expansion. If our existing cash or the availability of commercial bank borrowings is insufficient to meet our requirements, we may seek to sell additional equity securities or debt securities or borrow from other sources. We cannot assure that financing will be available in the amounts we need or on terms acceptable to us, if at all. The issuance of additional equity securities, including convertible debt securities, would dilute the holdings our shareholders. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

Capital Expenditures

We made capital expenditures of $60.5 million, $23.1 million and $65.1 million in 2012, 2013 and 2014, respectively. Our capital expenditures were primarily to maintain and increase our ingot, wafer, cell and module manufacturing capacity and to develop solar power systems to generate electricity revenue. As of December 31, 2014, our short-term commitments for the purchase of property, plant and equipment were $30.8 million.

Restricted Net Assets

Our PRC subsidiaries are required under PRC laws and regulations to make appropriations from net income as determined under accounting principles generally accepted in the PRC, or PRC GAAP, to non-distributable reserves, which include a general reserve, staff welfare and bonus reserve. The general reserve is required to be made at not less than 10% of the profit after tax as determined under PRC GAAP. The board of directors of our PRC subsidiaries determines the staff welfare and bonus reserve. The general reserve is used to offset future extraordinary losses. Our PRC subsidiaries may, upon a resolution of their board of directors, convert the general reserve into capital. The staff welfare and bonus reserve is used for the collective welfare of the employees of the PRC subsidiaries. These reserves represent appropriations of the retained earnings determined under PRC law. In addition to the general reserve, our PRC subsidiaries are required to obtain approval from the local government authorities prior to decreasing and distributing any registered share capital to their shareholders. Accordingly, both the appropriations to general reserve and the registered share capital of our PRC subsidiaries are considered as restricted net assets. These restricted net assets amounted to $360.0 million, $365.0 million and $393.5 million as of December 31, 2012, 2013 and 2014, respectively.

Our operations in China are subject to certain restrictions on the transfer and use of cash within our company. Transfers of cash between our PRC subsidiaries and the Canadian parent company are restricted to normal trade business payments and any further capital contribution from the Canadian parent company may only be made under China's existing foreign currency regulations. Foreign exchange transactions by our PRC subsidiaries under most capital accounts continue to be subject to significant foreign exchange controls and require the approval of or registration with PRC governmental authorities. In particular, if we finance our PRC subsidiaries by means of additional

capital contributions, certain government authorities, including the Ministry of Commerce or its local counterparts, must approve these capital contributions. These limitations could affect the ability of our Chinese subsidiaries to obtain foreign exchange through equity financing.

As of December 31, 2014, $155.6 million of undistributed earnings in our PRC subsidiaries are considered to be indefinitely reinvested so that no provision of withholding taxes has been provided in our consolidated financial statements. Our PRC subsidiaries are required to make appropriations of at least 10% of net income, as determined under accounting principles generally accepted in the PRC, to a non-distributable general reserve. After making this appropriation, the balance of the $155.6 million of undistributed earnings is distributable. Should our PRC subsidiaries subsequently distribute the distributable earnings, they are subject to applicable withholding taxes to the PRC State Administration of Tax.

C. Research and Development

We have significantly expanded our research and development activities since 2009. We have two research and development centers with state-of-the-art equipment—the Center for Solar Cell Research and the Center for Photovoltaic Testing and Reliability Analysis. The Center for Solar Cell Research is focused on developing new high efficiency solar cells and advanced solar cell processing technologies. The Center for Photovoltaic Testing and Reliability Analysis has been accredited and running according to ISO/IEC17025 standard since 2009 and is focused on solar module and module components reliability testing and qualification, and solar module performance analysis. The Center for Photovoltaic Testing and Reliability Analysis actively participates in and contributes to IEC standard development on solar modules, such as IEC 62804 test method on PID and has been qualified by VDE, CSA, Intertek and TUV Rheinland in their Test Data Acceptance Programs.

As of December 31, 2014, we had approximately 190 employees in research, product development and engineering.

Our research and development activities have generally focused on the following areas:

- continuously improving solar cell conversion efficiency and developing new structures and technologies for higher efficiencies;
- developing modules with improved design and assembly methods to have higher power output;
- improving manufacturing yield and reliability of solar modules and reducing manufacturing costs;
- developing smart modules integrated with optimizer or micro-inverters;
- testing, data tracing and analysis for module performance and reliability;
- designing and developing customized solar modules and products to meet customer requirements; and
- developing new methods and equipment for analysis and quality control of incoming materials (such as polysilicon, wafers, cells and other module components).

Going forward, we will focus on the following research and development initiatives that we believe will enhance our competitiveness:

- *High efficiency cells.* We have begun commercializing our in-house developed black silicon technology on multi wafers. This self-developed wet chemical texturing is a unique, IP-protected and cost effective technology and will significantly increase solar cell efficiency due to advanced light absorption and surface passivation. We also have developed PERC (passivated emitter and rear contact) technology in order to further increase cell efficiency. Mass production will begin in the near future in a new facility. We also have very focused research and development

initiatives on N-type bifacial cell, heterojunction cell, IBC cell and other high efficiency cell designs. With these advanced technologies, we can significantly lower the LCOE (levelized cost of energy) on the system level and improve our products' market competitiveness.

- *Solar module manufacturing technologies.* Since the opening of our Center for Photovoltaic Testing and Reliability Analysis in 2006, we have focused on developing state-of-the-art testing and diagnostic techniques that improve solar module production yield, efficiency and reliability. We are among the first to begin mass production of four bus-bars cells and modules. We have developed new technology for PID-resistant modules, which have received certification by the TUV SUD and the VDE testing and certification institutes. Our black silicon module technology has improved the output power. We also started mass production of double-glass modules that are market-leading in yield, cell-to-module power loss and cost.

- *Power system integration and solar application products.* We recently began to explore power system integration products and expanded our research and development efforts in solar application products.

- *Solar power system development, energy storage system, off-grid power system, micro grid system and smart grid system.* As we continue to move into the downstream total solutions business, we plan to hire additional engineering staff and increase investment in these areas.

D. Trend Information

Other than as disclosed elsewhere in this annual report on Form 20-F, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

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F. Tabular Disclosure of Contractual Obligations

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2014:

	Payment Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(In thousands of $)				
Short-term debt obligations	725,513	725,513	—	—	—
Interest related to short-term debt obligations[1]	13,484	13,484	—	—	—
Operating lease obligations	13,829	3,419	6,113	3,123	1,174
Purchase obligations[2]	434,412	434,412	—	—	—
Long-term debt obligations	134,300	—	93,868	14,965	25,467
Interest related to long-term debt obligations[3]	26,404	8,494	9,201	3,850	4,859
Total	1,347,942	1,185,322	109,182	21,938	31,500

(1) Interest rates range from 0.68% to 9.75% per annum for short-term debt obligations.

(2) Includes commitments to purchase $30.8 million of production equipment and $403.7 million of raw materials.

(3) Interest rates range from 0% to 13% per annum for long-term debt obligations.

The above table excludes uncertain tax liabilities of $15.6 million, as we are unable to reasonably estimate the timing of future payments due to uncertainties in the timing of the effective settlement of these tax positions. For additional information, see the notes to our consolidated financial statements, included herein.

In April 2012, we entered into a purchase agreement with SkyPower to acquire a majority interest in 16 solar projects for a total consideration of approximately C$185 million, of which C$139.6 million, C$29.1 million and C$71.6 million was paid in 2012, 2013 and 2014, respectively, and the balance will be paid as the solar projects reach certain milestones. As of December 31, 2014, the outstanding balance was approximately C$2.91 million ($2.5 million).

Other than the contractual obligations and commercial commitments set forth above, we did not have any long-term debt obligations, operating lease obligations, purchase obligations or other long-term liabilities as of December 31, 2014.

G. Safe Harbor

This annual report on Form 20-F contains forward-looking statements that relate to future events, including our future operating results, our prospects and our future financial performance and condition, results of operations, business strategy and financial needs, all of which are largely based on our current expectations and projections. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as "may," "will," "expect," "anticipate," "future," "intend," "plan," "believe," "estimate," "is/are likely to" or similar expressions. Forward-looking statements involve inherent risks and uncertainties. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding the worldwide supply and demand for solar power products and the market demand for our products;

- our beliefs regarding the importance of environmentally friendly power generation;
- our expectations regarding governmental support for solar power;
- our beliefs regarding the fluctuation in availability of silicon, solar wafers and solar cells;
- our beliefs regarding our ability to resolve our disputes with suppliers with respect to our long-term supply agreements;
- our beliefs regarding the continued growth of the solar power industry;
- our beliefs regarding the competitiveness of our solar module products;
- our expectations with respect to increased revenue growth and improved profitability;
- our expectations regarding the benefits to be derived from our supply chain management and vertical integration manufacturing strategy;
- our beliefs and expectations regarding the use of UMG-Si and solar power products made of this material;
- our ability to continue developing our in-house solar components production capabilities and our expectations regarding the timing and production capacity of our internal manufacturing programs;
- our ability to secure adequate silicon and solar cells to support our solar module production;
- our beliefs regarding the effects of environmental regulation;
- our beliefs regarding the changing competitive landscape in the solar power industry;
- our future business development, results of operations and financial condition; and
- competition from other manufacturers of solar power products and conventional energy suppliers.

Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. See "Item 3. Key Information—D. Risk Factors" for a discussion of some risk factors that may affect our business and results of operations. These risks are not exhaustive. Other sections of this annual report may include additional factors that could adversely influence our business and financial performance. Moreover, because we operate in an emerging and evolving industry, new risk factors may emerge from time to time. We cannot predict all risk factors, nor can we assess the impact of these factors on our business or the extent to which any factor, or combination of factors, may cause actual result to differ materially from those expressed or implied in any forward-looking statement. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.

ITEM 6. *DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES*

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report on Form 20-F.

Name	Age	Position/Title
Shawn (Xiaohua) Qu	51	Chairman of the Board, President and Chief Executive Officer
Robert McDermott	73	Lead Independent Director
Lars-Eric Johansson	68	Independent Director
Harry E. Ruda	56	Independent Director
Andrew (Luen Cheung) Wong	57	Independent Director
Michael G. Potter	48	Senior Vice President and Chief Financial Officer
Guangchun Zhang	57	Chief Operations Officer
Yan Zhuang	51	Senior Vice President and Chief Commercial Officer

Directors

Dr. Shawn (Xiaohua) Qu has served as our chairman, president and chief executive officer since founding our company in October 2001. Through his leadership, we became a public listed company on the Nasdaq in 2006 and have since firmly established ourselves among the top ranked manufacturers of solar PV products globally. Prior to founding Canadian Solar, Dr. Shawn Qu held various positions in product engineering, business development and strategic planning at ATS Automation Tooling Systems, Inc., or ATS, and its solar subsidiary Photowatt International S.A. Prior to ATS, Dr. Shawn Qu was a research scientist at Ontario Power Generation where he worked as a process leader in its solar product commercialization team. In 2011, Dr. Shawn Qu became a visiting professor at Tsinghua University, one of the most prestigious universities in China. Dr. Shawn Qu has published research articles in academic journals including IEEE Quantum Electronics, Applied Physics Letter and Physical Review. He received a Ph.D. in material sciences in 1995 from the University of Toronto, focusing on semiconductor super lattice and optical effects. He also holds a Master of Science in physics from University of Manitoba and a Bachelor of Science in applied physics from Tsinghua University in Beijing.

Mr. Robert McDermott has served as lead independent director of our company since August 2006. Mr. McDermott is a corporate director and consultant. Before July 2011, he was a partner with McMillan LLP, a business law firm based in Canada, where he practiced business law, with an emphasis on mergers and acquisitions, securities and corporate finance, and advised boards and special committees of public companies on corporate governance matters. He is now a counsel to the firm. Mr. McDermott was admitted to the Ontario Bar in Canada in 1968. He has a Juris Doctor degree from the University of Toronto in 1966 and a Bachelor of Arts degree from the University of Western Ontario in 1963.

Mr. Lars-Eric Johansson has served as an independent director of our company since August 2006. Mr. Johansson has worked in finance and controls positions for more than thirty years in Sweden and Canada. He has been the president and chief executive officer of Ivanhoe Mines Ltd. (formerly Ivanplats Inc. and Ivanhoe Nickel & Platinum Ltd.), a Canadian public mining company since May 1, 2007. From 2004 to 2007, Mr. Johansson was a director and chairperson of the audit committee of Harry Winston Diamond Corporation, a specialist diamond company with assets in the mining and retail segments of the diamond industry. From May 2004 to April 2006, he was an executive vice president and the chief financial officer of Kinross Gold Corporation, a gold mining company dually listed on the Toronto Stock Exchange and the New York Stock Exchange. Between June 2002 and November 2003, Mr. Johansson was an executive vice president and chief financial officer of

Noranda Inc., a Canadian mining company dually listed on the Toronto Stock Exchange and the New York Stock Exchange. Until May 2004, Mr. Johansson served as a special advisor at Noranda Inc. From 1989 to May 2002, he was the chief financial officer and senior vice president of Falconbridge Limited, a mining and metals company in Canada listed on the Toronto Stock Exchange. He has chaired the audit committee of Golden Star Resources Ltd., a gold mining company dually listed on the Toronto Stock Exchange and American Stock Exchange, from 2006 to 2010. From 2002 to 2003, he was also a director of Novicor Inc., a company formerly listed on the Toronto Stock Exchange. Mr. Johansson holds an MBA, with a major in finance and accounting, from Gothenburg School of Economics in Sweden.

Dr. Harry E. Ruda has served as an independent director of our company since July 2011. He is the Director of the Centre for Advanced Nanotechnology, the Stanley Meek Chair in Nanotechnology and Professor of Applied Science and Engineering at the University of Toronto, Canada. From 1982 to 1984, he developed one of the first theories for electron transport in selectively doped two dimensional electron gas heterostructures, while working as an IBM post-doctoral fellow. From 1984 to 1989, he was a senior scientist at 3M Corporation, developing some of the first models for electronic transport and optical properties of wide bandgap II-VI semiconductors. Dr. Ruda joined the faculty of the University of Toronto in 1989 in the Materials Science and Engineering and Electrical and Computer Engineering Departments. His research interests focus on the fabrication and modeling of semiconductor nanostructures with applications in the fields of optoelectronics, energy and sensing. Dr. Ruda was one of the founders of a Canadian National Centre of Excellence in Photonics. He has served on the National Science and Engineering Council of Canada and on other government panels, including those of the Department of Energy, Environmental Protection Agency, National Science Foundation in the U.S. and the Royal Academy of Engineering and Engineering Physical Sciences Research Council in the United Kingdom. Dr. Ruda is a Fellow of the Royal Society of Canada, a Fellow of the Institute of Physics and a Fellow of the Institute of Nanotechnology. He obtained his PhD in semiconductor physics from the Massachusetts Institute of Technology in 1982.

Mr. Andrew (Luen Cheung) Wong has served as an independent director of our company since August 2014. Mr. Wong currently serves as the senior advisor to the vice chairman of the board of directors of Henderson Land Development Company Limited. Mr. Wong has served as a director and a member of the audit committee, nomination and remuneration committee of China CITIC Bank Corporation Limited, a company listed on The Stock Exchange of Hong Kong, since 2013. He has also served as a director of Ace Life Insurance Company Ltd. since 2008, and a director and a member of the audit committee and remuneration committee of Shenzhen Yantian Port (Group) Co. Ltd. since 2008. He is also a member of the board of directors of The Tsinghua University Education Foundation (HKSAR) Ltd. Previously, Mr. Wong was the director of Intime Retail (Group) Co. Ltd., a company listed on The Stock Exchange of Hong Kong, between 2013 and 2014, and was the director and a member of audit committee, risk management committee, nomination and remuneration committee of China Minseng Bank, a company listed on The Stock Exchange of Hong Kong, from 2006 to 2012. From 1982 to 2006, Mr. Wong held senior positions at the Royal Bank of Canada, the Union Bank of Switzerland, China Citicorp International Limited, a merchant banking arm of Citibank, Hang Seng Bank Limited and DBS Bank Limited, Hong Kong. Mr. Wong was awarded the National Excellent Independent Director by the Shanghai Stock Exchange in 2010 and received the Medal of Honour (Hong Kong SAR) from the Hong Kong SAR Government in 2011. Mr. Wong obtained his Bachelor of Social Sciences (Honours) degree from the University of Hong Kong in 1980 and a Master of Philosophy degree from Hong Kong Buddhist College in 1982.

Executive Officers

Mr. Michael G. Potter served as an independent director of our company from September 2007 until he was appointed our senior vice president and chief financial officer in July 2011. He continued

as a director until his resignation on November 11, 2013. Mr. Potter has worked in finance, controlling and audit positions with a variety of multinational companies for over 20 years. From February 2009 to April 2011, he served as the corporate vice president and chief financial officer of Lattice Semiconductor Corporation, a Nasdaq-listed semiconductor device company. Prior to that, he was senior vice president and chief financial officer of NYSE-listed NeoPhotonics Corporation, a leading provider of photonic integrated circuit-based modules, components and subsystems for use in optical communications networks with extensive operations in Shenzhen, China. Before joining NeoPhotonics Corporation in May 2007, he was the senior vice president and chief financial officer of STATS ChipPAC, a semiconductor assembly and test services company based in Singapore and listed on the Singapore Stock Exchange. Before that, he held a variety of executive positions at NYSE-listed Honeywell Inc. Mr. Potter is a Chartered Accountant and holds a Bachelor of Commerce degree from Concordia University, Canada and a Diploma of Accountancy from McGill University, Canada.

Mr. Guangchun Zhang has served as our chief operations officer since December 2012 and has over 18 years of experience in the PV industry. Prior to joining us, Mr. Zhang worked for Suntech Power Holdings Co., Ltd, most recently as senior vice president for research and development and industrialization of manufacturing technology since December 2005. Prior to joining Suntech, Mr. Zhang previously worked at the Centre for Photovoltaic Engineering at the University of New South Wales in Australia and Pacific Solar Pty. Limited from June 1994 to November 2005. Mr. Zhang was an associate professor in Shandong Technology University in China from February 1982 to May 1994. Mr. Zhang received his bachelor degree in 1982 from the School of Electronic Engineering at Shandong Industrial Institute.

Mr. Yan Zhuang has served as our chief commercial officer since May 2012. He also served as our senior vice president of global sales and marketing since July 2011, and prior to that as our vice president of global sales and marketing since June 2009. He was an independent director of our company from September 2007 to June 2009. Mr. Zhuang has worked in corporate branding, sales and marketing positions with, or provided consulting services to, a variety of multinational companies for over 15 years. In 2008, he founded and became a director of INS Research and Consulting. Mr. Zhuang was the head of Asia for Hands-on Mobile, Inc., a global media and entertainment company with operations in China, South Korea and India, from 2006 to 2007. He previously served as our senior vice president of business operations and marketing in Asia. Before joining Hands-on Mobile, Inc., he held various marketing and business operation positions with Motorola Inc., including as its Asia Pacific regional director of marketing planning and consumer insight. Prior to that, he was a marketing consultant in Canada and China. Mr. Zhuang holds a bachelor's degree in electrical engineering from Northern Jiaotong University, China, a Master of Science degree in applied statistics from the University of Alberta, Canada and a Master of Science degree in marketing management from the University of Guelph, Canada.

Duties of Directors

Under our governing statute, our directors have a duty of loyalty to act honestly and in good faith with a view to our best interests. They also have a duty to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. A shareholder has the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors include:

- convening shareholder meetings and reporting to shareholders at such meetings;
- declaring dividends and authorizing other distributions to shareholders;
- appointing officers and determining the term of office of officers;

- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the issuance of shares.

B. Compensation of Directors and Executive Officers

Cash Compensation

We paid our directors and executive officers aggregate cash remuneration, including salaries, bonuses and benefits in kind, of approximately $2.8 million for 2014. Of this amount, we paid approximately $0.3 million to our three independent directors and approximately $2.5 million to our executive officers.

Share-based Compensation

Share Incentive Plan

In March 2006, we adopted a share incentive plan, or the Plan.

The purpose of the Plan is to promote the success and enhance the value of our company by linking the personal interests of the directors, employees and consultants to those of the shareholders and providing the directors, employees and consultants with an incentive for outstanding performance to generate superior returns to the shareholders. The Plan is also intended to motivate, attract and retain the services of the directors, employees and consultants upon whose judgment, interest and effort the successful conduct of our operations is largely dependent.

In September 2010, the shareholders approved an amendment to the Plan to increase the maximum number of common shares which may be issued pursuant to all awards of restricted shares, options and restricted share units under the Plan to the sum of (i) 2,330,000 plus (ii) the sum of (a) 1% of the number of our outstanding common shares on the first day of each of 2007, 2008 and 2009 plus (b) 2.5% of our outstanding common shares on the first day of each calendar year after 2009. As at March 31, 2015, the maximum number of common shares which may be issued pursuant to all awards of restricted shares, options and restricted share units under the Plan was 10,184,000 common shares, of which 566,190 restricted shares, 3,380,032 options, and 2,885,346 restricted share units (in each case net of forfeitures) have been awarded, leaving 3,352,432 common shares available to be issued.

The following describes the principal terms of the Plan.

Types of Awards. We may make the following types of awards under the Plan:

- restricted shares, which are common shares that are subject to certain restrictions and may be subject to risk of forfeiture or repurchase;
- options, which entitle the holder to purchase our common shares; and
- restricted share units, which entitle the holder to receive our common shares

Plan Administration. The Compensation Committee of our board of directors administers the Plan, except with respect to awards made to our non-employee directors, where the entire board of directors administers the Plan. The Compensation Committee or the full board of directors, as appropriate, determines the provisions, terms, and conditions of each award.

Award Agreement. Awards are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award.

Eligibility. We may grant awards to employees, directors and consultants of our company or any of our related entities, which include our subsidiaries and any entities in which we hold a substantial ownership interest. We may, however, grant options that are intended to qualify as incentive share options only to our employees.

Acceleration of Awards upon Corporate Transactions. Outstanding awards will accelerate upon a change-of-control where the successor entity does not assume our outstanding awards. In such event, each outstanding award will become fully vested and immediately exercisable, the transfer restrictions on the awards will be released and the repurchase or forfeiture rights will terminate immediately before the date of the change-of-control transaction.

Exercise Price and Term of Options. In general, the Compensation Committee determines the exercise price of an option and sets out the price in the award agreement. The exercise price may be a fixed or variable price related to the fair market value of our common shares. If we grant an incentive share option to an employee who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of our share capital, the exercise price cannot be less than 110% of the fair market value of our common shares on the date of that grant and the share option is exercisable for no more than five years from the date of that grant.

The term of an award may not exceed ten years from the date of the grant.

Vesting Schedule. In general, the Compensation Committee determines the vesting schedule.

Restricted Shares

The following table summarizes, as of March 31, 2015, the restricted shares granted under the Plan to our executive officers and to other individuals, individually and each as a group. We have not granted any restricted shares to our directors. The restricted shares granted in May 2006 vested over a two-year period beginning in March 2006. The vesting periods for all other restricted shares are indicated in the notes below.

Name	Restricted Shares Granted	Restricted Shares Vested	Restricted Shares Forfeited	Date of Grant	Expiration
Employees					
Twelve individuals as a group	330,860	330,860	—	May 30, 2006	May 29, 2016
Hanbing Zhang[3]	116,500[4]	116,500	—	July 28, 2006	July 27, 2016
Employees as a group	**447,360**	**447,360**	—		
Other Individuals					
One individual	2,330[1]	2,330	—	May 30, 2006	May 29, 2016
One individual	116,500[2]	116,500	—	June 30, 2006	June 29, 2016
Other Individuals as a group	**118,830**	**118,830**	—		
Total Restricted Shares	**566,190**	**566,190**	—		

(1) Vest on accelerated termination.

(2) Vest over a two-year period from the date of grant.

(3) The wife of Dr. Shawn Qu, our founder, Chairman, President and Chief Executive Officer.

(4) Vest over a four-year period from the date of grant.

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Options

The following table summarizes, as of March 31, 2015, the options granted under the Plan to our directors and executive officers and to other individuals, individually and as a group. The options granted in May 2006 vest over a four-year period beginning in March 2006. The options granted to our independent directors vest immediately. Unless otherwise noted, all other options granted vest over a four-year period (one-quarter on each anniversary date) from the date of grant, and exercise prices are equal to the average of the trading prices of the common shares for the five trading days preceding the date of grant.

Name	Common Shares Underlying Options Granted	Common Shares Underlying Options Exercised	Common Shares Underlying Options Forfeited	Common Shares Underlying Options Outstanding	Exercise Price ($ per Share)	Date of Grant	Date of Expiration
Directors:							
Shawn (Xiaohua) Qu	20,000	—	—	20,000	3.18	March 12, 2009	March 11, 2019
	25,000	—	—	25,000	11.33	August 27, 2010	August 26, 2020
	18,779	—	—	18,779	9.33	May 20, 2011	May 19, 2021
Robert McDermott	46,600(1)	46,600	—	—	15.00(3)	August 8, 2006	August 7, 2016
	23,300(2)	23,300	—	—	9.88	July 1, 2007	June 30, 2017
	23,300(2)	—	—	23,300	41.75(4)	June 26, 2008	June 25, 2018
	23,300(2)	—	—	23,300	13.75(4)	June 29, 2009	June 28, 2019
	23,300(2)	—	—	23,300	12.09(4)	September 20, 2010	September 19, 2020
	23,300(2)	23,300	—	—	9.81(4)	June 27, 2011	June 26, 2021
	23,300(2)	23,300	—	—	3.03(4)	June 11, 2012	June 10, 2022
	23,300(2)	23,300	—	—	8.29(4)	June 7, 2013	June 6, 2023
Lars-Eric Johansson	46,600(2)	46,600	—	—	15.00(3)	August 8, 2006	August 7, 2016
	23,300(2)	23,300	—	—	9.88(4)	July 1, 2007	June 30, 2017
	23,300(2)	—	—	23,300	41.75(4)	June 26, 2008	June 25, 2018
	23,300(2)	23,300	—	—	13.75(4)	June 29, 2009	June 28, 2019
	23,300(2)	23,300	—	—	12.09(4)	September 20, 2010	September 19, 2020
	23,300(2)	23,300	—	—	9.81(4)	June 27, 2011	June 26, 2021
	23,300(2)	23,300	—	—	3.03(4)	June 11, 2012	June 10, 2022
	23,300(2)	—	—	23,300	8.29(4)	June 7, 2013	June 6, 2023
Harry E. Ruda	23,300(2)	23,300	—	—	8.31(4)	August 14, 2011	August 13, 2021
	23,300(2)	23,300	—	—	3.03(4)	June 11, 2012	June 10, 2022
	23,300(2)	—	—	23,300	8.29(4)	June 7, 2013	June 6, 2023
Directors as a Group	**553,079**	**349,500**	—	**203,579**			
Executive Officers:							
Michael G. Potter	23,300(2)	23,300	—	—	7.36(4)	September 24, 2007	September 23, 2017
	23,300(2)	—	—	23,300	41.75(4)	June 26, 2008	June 25, 2018
	23,300(2)	23,300	—	—	13.75(4)	June 29, 2009	June 28, 2019
	23,300(2)	—	—	23,300	12.09(4)	September 20, 2010	September 19, 2020
	23,300(2)	23,300	—	—	9.81(4)	June 27, 2011	June 26, 2021
	60,688	45,516	—	15,172	9.52	July 20, 2011	July 19, 2021
Yan Zhuang	23,300(2)	23,300	—	—	7.36	September 24, 2007	September 23, 2017
	23,300(2)	—	—	23,300	41.75	June 26, 2008	June 25, 2018
	80,000	80,000	—	—	9.37	May 23, 2009	May 22, 2019
	15,000	11,250	—	—	11.33	August 27, 2010	August 26, 2020
	11,268	5,634	—	2,817	9.33	May 20, 2011	May 19, 2021
Executive Officers as a Group	**330,056**	**242,167**	—	**87,889**			
Employees:							
Ten employees as a group	791,035	553,375	121,160	116,500	2.12	May 30, 2006	May 29, 2016
Twenty-eight employees as a group	126,170	90,968	33,202	2,000	4.29	May 30, 2006	May 29, 2016
One employee	2,330(6)	2,330	—	—	4.29	May 30, 2006	May 29, 2016
Two employees as a group	51,260	51,260	—	—	4.29	June 30, 2006	June 29, 2016
One employee	64,075	64,075	—	—	4.29	July 17, 2006	July 16, 2016

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Name	Common Shares Underlying Options Granted	Common Shares Underlying Options Exercised	Common Shares Underlying Options Forfeited	Common Shares Underlying Options Outstanding	Exercise Price ($ per Share)	Date of Grant	Date of Expiration
Hanbing Zhang[7]	46,600	—	—	46,600	4.29	July 28, 2006	July 27, 2016
One employee	46,600(1)	46,600	—	—	4.29	August 8, 2006	August 7, 2016
One employee	58,250	14,563	—	43,687	12.00(8)	August 8, 2006	August 7, 2016
Three employees as a group	11,650	9,903	1,747	—	12.00(8)	August 31, 2006	August 30, 2016
Three employees as a group	79,900	58,250	21,650	—	12.10	March 1, 2007	February 28, 2017
One employee	6,990	1,748	5,242	—	12.10	March 1, 2007	February 28, 2017
One employee	23,300(2)	23,300	—	—	9.88(4)	July 1, 2007	June 30, 2017
Five employees as a group	52,280	5,413	46,867	—	8.21	August 17, 2007	August 16, 2017
Eight employees as a group	39,208	34,376	4,832	—	7.36	September 24, 2007	September 23, 2017
Thirteen employees as a group	216,745	151,763	64,982	—	7.36	September 24, 2007	September 23, 2017
Six employees as a group	36,136	25,000	11,136	—	19.55	February 28, 2008	February 27, 2018
One employee	10,000	—	10,000	—	19.40	March 3, 2008	March 2, 2018
Two employees as a group	18,000	—	18,000	—	20.67	March 31, 2008	March 30, 2018
One employee	30,000	—	30,000	—	46.28	June 26, 2008	June 25, 2018
Four employees as a group	30,000	—	25,000	5,000	27.88	August 7, 2008	August 6, 2018
Seventy-nine employees as a group	420,200	237,890	147,110	35,200	3.18	March 12, 2009	March 11, 2019
Hanbing Zhang[7]	6,000	—	—	6,000	3.18	March 12, 2009	March 11, 2019
One employee	20,000	20,000	—	—	5.26	March 30, 2009	March 29, 2019
Eighteen employees as a group	59,400	30,600	18,800	10,000	9.37	May 23, 2009	May 22, 2019
One employee	10,000	—	10,000	—	11.58	May 31, 2009	May 30, 2019
Seven employees as a group	30,800	13,200	17,600	—	15.18	August 6, 2009	August 5, 2019
Fourteen employees as a group	82,600	60,600	22,000	—	16.10	November 8, 2009	November 7, 2019
One hundred and thirty-two employees as a group	498,600	194,675	254,675	49,250	11.33	August 27, 2010	August 26, 2020
Hanbing Zhang[7]	12,000	—	—	12,000	11.33	August 27, 2010	August 26, 2020
One employee	100,000	—	100,000	—	15	October 8, 2010	October 7, 2020
One hundred and fifty-three employees as a group	236,000	112,450	94,500	29,050	15.24	November 14, 2010	November 13, 2020
Five employees as a group	32,900	24,650	4,200	4,050	13.99	March 5, 2011	March 4, 2021
Seventy-three employees as a group	353,064	136,094	136,155	80,815	9.33	May 20, 2011	May 19, 2021
Hanbing Zhang[7]	7,512	—	—	7,512	9.33	May 20, 2011	May 19, 2021
Five employees as a group	150,000	22,500	105,000	22,500	8.94	June 1, 2011	May 31, 2021
Twenty employees as a group	74,000	22,500	44,500	7,000	3.03	November 14, 2011	November 13, 2021
Employees as a group	**3,833,605**	**2,008,083**	**1,348,358**	**477,164**			
Two individuals as a group	11,650	11,650	—	—	15.00(3)	April 13, 2007	April 12, 2017

Individuals as a group	**11,650**	**11,650**	**—**	**—**
Total Options	**4,728,390**	**2,611,400**	**1,348,358**	**768,632**

(1) Vest in two equal installments, the first upon the date of grant and the second upon the first year anniversary of the date of grant as long as the director remains in service.

(2) Vest immediately upon the date of grant.

(3) The initial public offering price of the common shares.

(4) Exercise price equal to the average of the trading prices of the common shares for the 20 trading days preceding the date of grant.

(5) Vest one year after the date of grant.

(6) Vesting accelerated on termination.

(7) The wife of Dr. Shawn Qu, our founder, Chairman, President and Chief Executive Officer.

(8) 80% of the initial public offering price of the common shares.

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Before 2014, we agreed to grant each of our independent directors, Robert McDermott, Lars-Eric Johansson and Harry E. Ruda, options to purchase 23,300 of our common shares immediately after each annual shareholder meeting at an exercise price equal to the average of the trading price of our common shares for the 20 trading days ending on such date. These options vested immediately.

Restricted Share Units

The following table summarizes, as of March 31, 2015, the restricted share units granted under the Plan to our directors and executive officers and to other individuals, individually and as a group. The restricted share units granted on May 8, 2011 vested on the anniversary of the date of grant. The restricted share units granted to our independent directors vest on the earlier of the date that the director ceases to be a member of our board of directors for any reason and three years after the date of the grant. The other restricted share units granted vest over a four-year period (one-quarter on each anniversary date) from the date of grant.

Name	Restricted Share Units Granted	Restricted Share Units Vested	Restricted Share Units Forfeited	Date of Grant	Expiration
Directors:					
Shawn (Xiaohua) Qu	6,154(1)	6,154	—	May 8, 2011	May 7, 2021
	13,706(2)	10,279	—	May 20, 2011	May 19, 2021
	75,075(2)	56,306	—	March 16, 2012	March 15, 2022
	67,024(2)	33,512	—	March 9, 2013	March 8, 2023
	11,983(2)	—	—	May 4, 2014	May 3, 2024
Robert McDermott	1,020(5)	—	—	July 1, 2014	June 20, 2024
	800(5)	—	—	October 1, 2014	September 30, 2024
	1,274(5)	—	—	January 1, 2015	December 31, 2024
Lars-Eric Johansson	1,020(5)	—	—	July 1, 2014	June 20, 2024
	800(5)	—	—	October 1, 2014	September 30, 2024
	1,274(5)	—	—	January 1, 2015	December 31, 2024
Harry E. Ruda	1,020(5)	—	—	July 1, 2014	June 20, 2024
	800(5)	—	—	October 1, 2014	September 30, 2024
	1,274(5)	—	—	January 1, 2015	December 31, 2024
Andrew (Luen Cheung) Wong	610(2)	—	—	August 7, 2014	August 6, 2024
	800(5)	—	—	October 1, 2014	September 20, 2024
	1,274(5)	—	—	January 1, 2015	December 31, 2024
Directors as a group	**185,908**	**106,251**	**—**		
Executive Officers					
Michael G. Potter	42,868(2)	32,151	—	July 20, 2011	July 19, 2021
	45,045(2)	33,784	—	March 16, 2012	March 15, 2022
	40,214(2)	20,107	—	March 9, 2013	March 8, 2023
	7,262(2)	—	—	May 4, 2014	May 3, 2024
Guangchun Zhang	80,000(2)	40,000	—	March 9, 2013	March 8, 2023
	7,262(2)	—	—	May 4, 2014	May 3, 2024
Yan Zhuang	2,564(1)	2,564	—	May 8, 2011	May 7, 2021
	8,224(2)	6,168	—	May 20, 2011	May 19, 2021
	45,045(2)	33,784	—	March 16, 2012	March 15, 2022
	40,214(2)	20,107	—	March 9, 2013	March 8, 2023
	7,988(2)	—	—	May 4, 2014	May 3, 2024
Executive Officers as a group	**326,686**	**188,665**	**—**		
Employees					
Nine employees as a group	13,844(1)	10,768	3,076	May 8, 2011	May 7, 2021
One hundred and seventy-four employees as a group	423,801(2)	233,833	130,775	May 20, 2011	May 19, 2021
One hundred and forty-seven employees as a group	1,125,044(2)	624,310	329,045	March 16, 2012	March 15, 2022
Four employees as a group	43,000(2)	6,500	32,500	May 6, 2012	May 5, 2022

Three employees as a group	30,000(2)	15,000	—	Aug 16, 2012	Aug 15, 2022

Name	Restricted Share Units Granted	Restricted Share Units Vested	Restricted Share Units Forfeited	Date of Grant	Expiration
Two employees as a group	16,006(2)	8,003	—	Aug 17, 2012	Aug 16, 2022
One hundred and thirty-eight employees as a group	916,223(2)	382,201	182,329	March 9, 2013	March 8, 2023
One employee	20,000(2)	5,000	—	June 16, 2013	June 15, 2023
One employee	2,861(2)	715	—	July 16, 2013	July 15, 2023
One employee	1,952(2)	488	1,464	July 18, 2013	July 17, 2023
Thirteen employees as a group	19,655(2)	4,725	1,890	August 10, 2013	August 9, 2023
Seven hundred and forty-eight employees as a group	126,036(4)	126,036	—	August 11, 2013	August 10, 2023
One employee	10,000(2)	5,000	—	August 17, 2013	August 16, 2023
One employee	1,739(2)	435	—	October 31, 2013	October 30, 2023
Four employees as a group	5,933(2)	1,744	1,571	November 8, 2013	November 7, 2023
One employee	1,040(2)	260	—	November 25, 2013	November 24, 2023
Hanbing Zhang(3)	1,538(1)	1,538	—	May 8, 2011	May 7, 2021
	5,482(2)	4,111	—	May 20, 2011	May 19, 2021
	21,021(2)	15,766	—	March 16, 2012	March 15, 2022
	18,767(2)	9,383	—	March 9, 2013	March 8, 2023
	2,796(2)	—	—	May 4, 2014	May 3, 2024
One hundred and eighty-four employees as a group	193,399(2)	2,141	16,802	May 4, 2014	May 3, 2024
Three employees as a group	8,574(2)	—	—	August 7, 2014	August 6, 2024
Four employees as a group	17,472(2)	4,801	2,579	August 8, 2014	August 7, 2024
One employee	847(2)	—	847	September 1, 2014	August 31, 2024
Three employees as a group	2,112(2)	—	—	September 26, 2014	September 25, 2024
Seven employees as a group	39,673(2)	—	—	December 26, 2014	December 25, 2024
Employees as a group	**3,068,815**	**1,462,758**	**702,878**		
Total Restricted Share Units	**3,581,409**	**1,757,674**	**702,878**		

(1) Vest over a one-year period from the date of grant.

(2) Vest over a four-year period from the date of grant.

(3) The wife of Dr. Shawn Qu, our founder, Chairman, President and Chief Executive Officer.

(4) Vest immediately upon the date of grant.

(5) Vest immediately after three years from the date of grant

Effective June 23, 2014, we have agreed to grant each of our independent directors, Robert McDermott, Lars-Eric Johansson, Harry E. Ruda and Andrew Wong, restricted share units quarterly in advance on the first day of July, October, January and April in each year of service. The number of restricted share units granted quarterly is determined by dividing $30,000 by the average of the closing price of our common shares on each of the five trading days preceding the date of the grant. Each restricted share unit will entitle those directors to receive one of our common shares upon vesting. These restricted share units vest on the earlier of the date that the director ceases to be a member of our board of directors for any reason and three years after the grant date. We agree to issue common shares to those directors as soon as practicable, and in any event within 60 days, after the granted restricted share units are vested.

On April 1, 2015, we agreed to grant certain employees of Recurrent 177,697 restricted share units. Each restricted share unit will entitle those employees to receive one of our common shares upon vesting. These restricted share units vest at the rate of 25% on each anniversary of the grant date and cease to vest on the termination of services of those employees.

C. Board Practices

In 2014, our board of directors held nine meetings and passed 31 resolutions by unanimous written consent.

Terms of Directors and Executive Officers

Our officers are appointed by and serve at the discretion of our board of directors. Our current directors have not been elected to serve for a specific term and, unless re-elected, hold office until the close of our next annual meeting of shareholders or until such time as their successors are elected or appointed.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee, a nominating and corporate governance committee and a technology committee.

Audit Committee

Our audit committee comprises Messrs. Lars-Eric Johansson, Robert McDermott, Harry E. Ruda and Andrew Wong and is chaired by Mr. Johansson. Mr. Johansson qualifies as an "audit committee financial expert" as required by the SEC. Each of Messrs. Johansson, McDermott, Ruda and Wong satisfies the "independence" requirements of the Nasdaq corporate governance rules and is "financially literate" as required by the Nasdaq rules. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company.

The audit committee is responsible for, among other things:

- selecting our independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by our independent auditors;
- reviewing with our independent auditors any audit problems or difficulties and management's responses;
- reviewing and approving all proposed related-party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and our independent auditors;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately and periodically with management and our internal and independent auditors; and
- reporting regularly to the full board of directors.

In 2014, our audit committee held seven meetings, and passed one resolution by unanimous written consent.

Compensation Committee

Our compensation committee consists of Messrs. Lars-Eric Johansson, Robert McDermott, Harry E. Ruda and Andrew Wong and is chaired by Mr. McDermott. Each of Messrs. Johansson, McDermott, Ruda and Wong satisfies the "independence" requirements of the Nasdaq corporate governance rules. The compensation committee assists the board in reviewing and approving the compensation structure for our directors and executive officers, including all forms of compensation to be provided to our directors and executive officers. Members of the compensation committee are not prohibited from direct involvement in determining their own compensation. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, evaluating the performance of our chief executive officer in light of those goals and objectives, and setting the compensation level of our chief executive officer based on this evaluation;
- reviewing and approving the compensation arrangements for our other executive officers and our directors; and
- overseeing and periodically reviewing the operation of our employee benefits plans, including bonus, incentive compensation, stock option, pension and welfare plans.

In 2014, our compensation committee held seven meetings and passed two resolutions by unanimous written consent.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Messrs. Lars-Eric Johansson, Robert McDermott, Harry E. Ruda and Andrew Wong and is chaired by Mr. McDermott. Each of Messrs. Johansson, McDermott, Ruda and Wong satisfies the "independence" requirements of the Nasdaq corporate governance rules. The nominating and corporate governance committee assists the board of directors in identifying individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- identifying and recommending to the board nominees for election or re-election to the board, or for appointment to fill any vacancy;
- reviewing annually with the board the current composition of the board in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to the board the directors to serve as members of the board's committees;
- advising the board periodically with respect to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any corrective action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

In 2014, our nominating and corporate governance committee held five meetings and passed no resolution by unanimous written consent.

Technology Committee

Our technology committee consists of Dr. Harry E. Ruda and Dr. Shawn Qu and is chaired by Dr. Ruda. Our chief technical officer is an advisory member of the committee. The technology committee advises and assists the board of directors and management on matters relating to technology and technological innovation and development as it relates to our solar power business. The technology committee is responsible for, among other things:

- reviewing, evaluating and advising the board of directors and management regarding the quality, scope, direction and effectiveness of our research and development programs and activities;
- reviewing, evaluating and advising the board of directors and management regarding our progress in achieving our research and development goals and objectives;
- reviewing, evaluating and making recommendations to the board of directors and management on our internal and external investments in science and technology;
- monitoring, identifying, evaluating and advising the board of directors and management regarding competing solar power technologies and new and emerging developments in solar power science and technology;
- reviewing, evaluating and advising the board of directors and our chief executive officer regarding the composition and quality of the research and development team; and
- providing general oversight of matters relating to the protection of our intellectual property.

Our technology committee was formed in November 2014 and held no meetings during the year.

Interested Transactions

Under the CBCA, a director or officer of a corporation who is a party to a material contract or transaction or proposed material contract or transaction with the corporation, or is a director or officer (or an individual acting in a similar capacity) of, or has a material interest in, any person who is party to such a contract or transaction, is required to disclose to the corporation in writing or request to have entered into the minutes of meetings of directors the nature and extent of his or her interest in accordance with the requirements of the CBCA. A director may vote on any resolution in respect of such contract or transaction only if the contract or transaction is: (i) one relating primarily to remuneration as a director, officer, employee or agent of the corporation or an affiliate; (ii) one for indemnity or insurance in favor of directors and officers in compliance with the CBCA; or (iii) one with an affiliate.

In 2014, we did not enter into any interested transactions other than those described in this "Item 6. Directors, Senior Management and Employees" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions."

Remuneration and Borrowing

Our directors may determine the remuneration to be paid to them. The compensation committee will assist the directors in reviewing and approving the compensation structure for our directors. Our directors may, without authorization of the shareholders (i) borrow money on our credit, (ii) issue, reissue, sell, pledge or hypothecate debt obligations of ours, (iii) give a guarantee on our behalf to secure performance of an obligation of any person, and (iv) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of ours, owned or subsequently acquired, to secure any obligation of ours.

Qualification

Each of our independent directors is asked to hold common shares and/or restricted share units having a value which is at least five times the director's annual cash retainer. This requirement should be satisfied before the later of July 1, 2017 and three years after he or she becomes a director.

Employment Agreements

We have entered into employment agreements with each of our executive officers.

All of the employment agreements with our executive officers are for an indefinite term. Under the employment agreements, we may terminate an executive officer's employment at any time for cause without notice and for any other reason by giving written notice of termination to the executive officer. An executive officer may terminate his employment at any time by giving 30 or 60 days' notice of termination to us. If we terminate an executive officer's employment for any reason other than cause, or the executive officer terminates his employment for good reason, the executive officer is entitled to continue to receive his salary for a period of six or twelve months following the termination of his employment provided that he continues to comply with his confidentiality, inventions and non-competition obligations described below.

Each executive officer has agreed not to disclose or use, directly or indirectly, any of our confidential information, including trade secrets and information concerning our finances, employees, technology, processes, facilities, products, suppliers, customers and markets, except in the performance of his duties and responsibilities or as required pursuant to applicable law. Each executive officer has also agreed to disclose in confidence to us all inventions, designs and trade secrets which he may conceive, develop or reduce to practice during his employment and to assign all right, title and interest in them to us. Finally, each executive officer has agreed that he will not, directly or indirectly, during and within one year after the termination of his employment:

- communicate or have any dealings with our customers or suppliers that would be likely to harm the our business relationship with them;
- provide services, whether as a director, officer, employee, independent contractor or otherwise, to a competitor or acquire or hold any interest in, whether as a shareholder, partner or otherwise, in a competitor provided that the executive officer may hold up to 5% of the outstanding shares or other securities of a competitor that is listed on a securities exchange or recognized securities market; and
- approach solicit, whether by offer of employment or otherwise, the services of any of our employees.

Our compensation committee is required to approve all employment agreements entered into by us with any employee whose base salary is equal to or greater than $150,000.

Director Agreements

We have entered into director agreements with our independent directors, pursuant to which we make payments in the form of an annual cash retainer, payable quarterly, and quarterly grants of restricted share units to our independent directors for their services. See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers."

Indemnification of Directors and Officers

Under the CBCA and pursuant to our by-laws, we may indemnify any present or former director or officer or an individual who acts or has acted at our request as a director or officer, or an individual acting in a similar capacity, of another corporation or entity, against all costs, charges and expenses,

including an amount paid to settle an action or satisfy a judgment, reasonably incurred by such individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with us or other entity, provided that the director or officer acted honestly and in good faith with a view to our best interests, or, as the case may be, to the best interests of the other entity for which he or she acted as a director or officer or in a similar capacity at our request, and, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his or her conduct was lawful. Such indemnification may be made in connection with a derivative action only with court approval. A director or officer is entitled to indemnification from us as a matter of right if the court or other competent authority has judged that he or she has not committed any fault or omitted to do anything that the individual ought to have done and fulfilled the conditions set forth above.

We have entered into indemnity agreements with each of our directors agreeing to indemnify them, to the fullest extent permitted by law, against all liability, loss, harm damage cost or expense, reasonably incurred by the director in respect of any threatened, pending, ongoing or completed claim or civil, criminal, administrative, investigative or other action or proceeding made or commenced against him or in which he is or was involved by reason of the fact that he is or was a director of our company.

Our directors and officers are covered by directors' and officers' insurance policies.

D. Employees

As of December 31, 2012, 2013 and 2014, we had 7,020, 7,736 and 8,673 full-time employees, respectively. The following table sets forth the number of our employees categorized by our areas of operations and as a percentage of our workforce as of December 31, 2014.

	As of December 31, 2014	
	Number of Employees	Percentage of Total
Manufacturing	7,168	82.6%
General and administrative	831	9.6%
Research and development	190	2.2%
Sales and marketing	484	5.6%
Total	8,673	100%

As of December 31, 2014, we had 3,451 employees at our facilities in Suzhou, 3,039 employees at our facilities in Changshu, 886 employees at our facilities in Luoyang, 74 employees at our facilities in Yancheng, and 1,223 employees based in our facilities and offices in Canada, Japan, Australia, Singapore, South Korea, Hong Kong, India, the Philippines, United Arab Emirates, South Africa, the Americas and the EU (which includes Germany, Italy and France). Our employees are not covered by any collective bargaining agreement. We consider our relations with our employees to be good. From time to time, we also employ or engage part-time employees or independent contractors to support our manufacturing, research and development and sales and marketing activities. We plan to hire additional employees as we expand.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our common shares as of March 31, 2015, the latest practicable date, by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our common shares.

The calculations in the table below are based on the 55,698,476 common shares outstanding, as of March 31, 2015.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days from March 31, 2015, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Shares Beneficially Owned(1)	
	Number	%
Directors and Executive Officers:(2)		
Shawn (Xiaohua) Qu(3)	13,387,961	24.0%
Robert McDermott(4)	74,900	*
Lars-Eric Johansson(5)	51,600	*
Harry E. Ruda(6)	23,300	*
Andrew (Luen Cheung) Wong(7)	—	*
Michael G. Potter(8)	129,576	*
Guangchun Zhang(9)	12,771	*
Yan Zhuang(10)	27,353	*
All Directors and Executive Officers as a Group	13,707,461	24.5%

* The person beneficially owns less than 1% of our outstanding shares.

(1) Beneficial ownership is determined in accordance with Rule 13d-3 of the General Rules and Regulations under the Exchange Act, and includes voting or investment power with respect to the securities.

(2) The business address of our directors and executive officers is 545 Speedvale Avenue West, Guelph, Ontario, Canada N1K 1E6.

(3) Includes 13,250,151 common shares directly held by Dr. Shawn Qu and Hanbing Zhang, the wife of Dr. Shawn Qu, 129,318 common shares issuable upon the exercise of options held by Dr. Shawn Qu and Ms. Zhang within 60 days from March 31, 2015, 8,492 shares issuable upon vesting of restricted share units held by Dr. Shawn Qu and Ms. Zhang within 60 days from March 31, 2015.

(4) Includes 5,000 common shares directly held by Mr. McDermott and 69,900 common shares issuable upon exercise of options held by Mr. McDermott within 60 days from March 31, 2015.

(5) Includes 5,000 common shares directly held by Mr. Johansson and 46,600 common shares issuable upon exercise of options held by Mr. Johansson within 60 days from March 31, 2015.

(6) Includes 23,300 common shares issuable upon exercise of options held by Mr. Ruda within 60 days from March 31, 2015.

(7) Includes nil common shares issuable upon exercise of options held by Mr. Wong within 60 days from March 31, 2015.

(8) Includes 81,160 common shares directly held by Mr. Potter, 46,600 common shares issuable upon exercise of options held by Mr. Potter within 60 days from March 31, 2015, and 1,816 shares issuable upon vesting of restricted share units held by Mr. Potter within 60 days from March 31, 2015.

(9) Includes 10,955 common shares directly held by Mr. Zhang and 1,816 common shares issuable upon vesting of restricted shares units held by Mr. Zhang.

(10) Includes 23,300 common shares issuable upon exercise of options held by Mr. Zhuang within 60 days from March 31, 2015, and 4,053 common shares issuable upon vesting of restricted share units held by Mr. Zhuang within 60 days from March 31, 2015.

None of our shareholders have different voting rights from other shareholders as of the date of this annual report on Form 20-F. We are currently not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

ITEM 7. *MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS*

A. Major Shareholders

Please refer to "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

B. Related Party Transactions

Guarantees and Loans

Dr. Shawn Qu, our Chairman, President and Chief Executive Officer, fully guaranteed one-year loan facilities from Chinese commercial banks of RMB1,001 million, RMB1,866 million and RMB888 million ($145.1 million) in 2012, 2013 and 2014, respectively. Amounts drawn down under the facilities as at December 31, 2012, 2013 and 2014 were $66.3 million, $30.2 million and $145.1 million, respectively.

In May, June and August 2013, Dr. Shawn Qu, our Chairman, President and Chief Executive Officer, loaned our company an aggregate of $13.0 million at an interest rate of 4.27%. We repaid the loan, including interest of approximately $0.2 million, in November and December 2013. As of December 31, 2014, we had no outstanding borrowings from Dr. Shawn Qu.

Sales and purchase contracts with affiliates

In 2014, we sold solar power products to Gaochuangte, a company in which we own a 40% interest, in the amount of RMB15.7 million ($2.6 million).

In 2014, we incurred costs of RMB33.9 million ($5.5 million) to Gaochuangte for EPC services related to our solar power projects. These amounts were recorded in project assets.

Employment Agreements

See "Item 6. Directors, Senior Management and Employees—C. Board Practices—Employment Agreements."

Share Incentive Plan

See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Share-based Compensation—Share Incentive Plan."

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. ***FINANCIAL INFORMATION***

A. Consolidated Statements and Other Financial Information

We have appended audited consolidated financial statements filed as part of this annual report.

Legal and Administrative Proceedings

SEC subpoenas

In 2010, we received two subpoenas from the SEC requesting documents relating to, among other things, certain sales transactions in 2009 and whether those transactions potentially impacted the guidance issued by us in advance of our follow-on offering in October 2009. As part of its investigation, the SEC requested that we voluntarily provide certain documents and other information. We fully cooperated with the SEC and on December 15, 2014, the SEC imposed a cease-and-desist order and civil penalties against us and Mr. Yan Zhuang, our Senior Vice President and Chief Commercial Officer. The SEC found that we had violated the reporting, books and records, and internal controls provisions of the Exchange Act resulting from our recognition of revenue for certain transactions with U.S. customers during the second, third, and fourth quarters of 2009. The SEC also found that Mr. Zhuang was a cause of the violations. In addition, the SEC found that by directing a customer to make certain revisions to purchase orders, Mr. Zhuang had also violated Section 13(b)(5) of the Exchange Act. In anticipation of the proceedings leading up to the order, we and Mr. Zhuang submitted offers of settlement, which the SEC accepted. Pursuant to the proceedings, the SEC ordered us to cease and desist from committing any future violations of the relevant provisions of the Exchange Act and imposed a $500,000 civil money penalty. Similarly, the SEC ordered Mr. Zhuang to cease and desist from committing any future violations of the relevant provisions of the Exchange Act and pay a $50,000 civil money penalty.

Class Action Lawsuits

Following the two subpoenas from the SEC in 2010, six class action lawsuits were filed in the U.S. District Court for the Southern District of New York, or the New York cases, and another class action lawsuit was filed in the U.S. District Court for the Northern District of California, or the California case. The New York cases were consolidated into a single action in December 2010. On January 5, 2011, the California case was dismissed by the plaintiff, who became a member of the lead plaintiff group in the New York action. On March 11, 2011, a Consolidated Complaint was filed with respect to the New York action. The Consolidated Complaint alleged generally that our financial disclosures during 2009 and early 2010 were false or misleading; asserted claims under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 thereunder; and named us, our chief executive officer and our former chief financial officer as defendants. We filed our motion to dismiss in May 2011, which was taken under submission by the Court in July 2011. On March 30, 2012, the Court dismissed the Consolidated Complaint with leave to amend, and the plaintiffs filed an Amended Consolidated Complaint against the same defendants on April 19, 2012. On March 29, 2013, the Court dismissed with prejudice a class action lawsuit filed against us and certain named defendants alleging that our financial disclosures during 2009 and early 2010 were false or misleading and in violation of federal securities law. The court found that the plaintiffs failed to adequately allege a securities law violation and granted our motion to dismiss all claims against all defendants with prejudice. On December 20, 2013, the U.S. Court of Appeals for the Second Circuit affirmed the district court's order dismissing such class action lawsuit.

In addition, a similar class action lawsuit was filed against us and certain of our executive officers in the Ontario Superior Court of Justice on August 10, 2010. The lawsuit alleges generally that our financial disclosures during 2009 and 2010 were false or misleading and brings claims under the shareholders' relief provisions of the CBCA, Part XXIII.1 of the Ontario Securities Act as well as

claims based on negligent misrepresentation. In December 2010, we filed a motion to dismiss the Ontario action on the basis that the Ontario Court has no jurisdiction over the claims and potential claims advanced by the plaintiff. The court dismissed our motion on August 29, 2011. On March 30, 2012, the Ontario Court of Appeal denied our appeal with regard to our jurisdictional motion. On November 29, 2012, the Supreme Court of Canada denied our application for leave to appeal the order of the Ontario Court of Appeal. The plaintiff's motions for class certification and leave to assert the statutory cause of action under the Ontario Securities Act were served in January 2013 and initially scheduled for argument in the Ontario Superior Court of Justice in June 2013. However, the plaintiff's motions were adjourned in view of the plaintiff's decision to seek an order compelling us to file additional evidence on the motions. On July 29, 2013, the Court dismissed the plaintiff's motion to compel evidence. On September 24, 2013, the plaintiff's application for leave to appeal from the July 29 order was dismissed. In September 2014, the plaintiff obtained an order granting him leave to assert the statutory cause of action under the Ontario Securities Act for certain of his misrepresentation claims. In January 2015, the plaintiff obtained an order for class certification in respect of the claims for which he obtained leave to assert the statutory cause of action under the Ontario Securities Act, for certain negligent misrepresentation claims and for oppression remedy claims advanced under the CBCA. We are seeking leave to appeal from specific aspects of these two decisions. The motion for leave to appeal will be decided in 2015. We believe the Ontario action is without merit and we are defending it vigorously.

LDK

In July 2010, CSI Cells filed a request for arbitration against LDK with the CIETAC Shanghai Branch. In its arbitration request, CSI Cells asked LDK to refund (i) an advance payment of RMB10.0 million that it had made to LDK pursuant to a three-year wafer supply agreement between CSI Cells and LDK entered into in October 2007 and (ii) two advance payments totaling RMB50.0 million that CSI Cells had made to LDK pursuant to two ten-year supply agreements between CSI Cells and LDK entered into in June 2008. The first hearing was held in October 2010, during which CSI Cells and LDK exchanged and reviewed the evidence. After the first hearing, LDK counterclaimed against CSI Cells, seeking for (i) forfeiture of the three advance payments totaling RMB60.0 million that CSI Cells had made to LDK pursuant to the October 2007 and June 2008 agreements; (ii) compensation of approximately RMB377.0 million or the loss due to the alleged breach of the June 2008 agreements by CSI Cells; (iii) a penalty of approximately RMB15.2 million due to the alleged breach of the June 2008 agreements by CSI Cells; and (iv) arbitration expenses up to RMB4.7 million. The second hearing was held on March 9, 2011, during which the parties presented arguments to the arbitration commission. The arbitration commission hosted a settlement discussion between the parties on May 13, 2011. In December 2012, CIETAC Shanghai Branch awarded RMB248.9 million plus RMB2.2 million in arbitration expenses in favor of LDK in relation to the wafer supply contracts we entered into with LDK, including RMB60.0 million previously paid deposits. CIETAC Shanghai Branch determined that we had no legal grounds to cancel the long-term supply agreements. In February 2013, LDK filed for enforcement proceedings against us with the Jiangsu Suzhou Intermediate People's Court, or the Suzhou Intermediate Court. In May 2013, the Suzhou Intermediate Court dismissed a request by LDK to enforce this arbitration award, after which LDK initiated additional proceedings against us in the Xinyu Intermediate People's Court, Jiangxi Province, or the Xinyu Intermediate Court, claiming that our rights to the initial deposits had been forfeited. On November 29, 2013, the Suzhou Intermediate Court vacated its decision of May 2013, or the May 2013 Decision, to dismiss a request by LDK, to enforce an arbitration award against us made by the former Shanghai branch of CIETAC in favor of LDK in the amount of RMB248.9 million relating to certain wafer supply contracts entered into between us and LDK in October 2007 and June 2008, and ruled that the case be re-adjudicated. This decision followed a request for re-adjudication issued by the Jiangsu Provincial High Court, which reviewed the May 2013 Decision and ordered the Suzhou Intermediate Court to retry the case on the

grounds that its May 2013 Decision was based on insufficient legal grounds. The Suzhou Intermediate Court has already finished the hearing of this case and we are now waiting for the outcome. If the Suzhou Intermediate Court reverses the May 2013 Decision, we may be liable for a payment of RMB191.2 million to LDK. We have not made a provision for this amount. The Xinyu Intermediate Court, on October 18, 2013, postponed a related proceeding demanding we forfeit deposits of RMB25 million and RMB35 million paid to LDK in conjunction with the 2007 and 2008 supply contracts. The Xinyu Intermediate Court suspended its proceedings pending the outcome of the Suzhou Intermediate Court's re-examination of the May 2013 Decision.

In March 2014, LDK filed an application for arbitration with the CIETAC in Shanghai, seeking for (i) compensation of RMB530.0 million for economic losses (including losses of potential profits) caused by the alleged breach of the June 2008 agreements; (ii) attorney fees of RMB1.2 million; and (iii) arbitration expenses. CIETAC sent the Notice of Arbitration to us on April 8, 2014. We believe the claims stated in the new application for arbitration overlap with the previous action that CIETAC Shanghai Branch has already decided upon, and which the Suzhou Intermediate Court refused to enforce. We filed objection to jurisdiction to CIETAC in April 2014, but CIETAC dismissed it. Therefore, we counterclaimed against LDK in July 2014, seeking for (i) a refund of the advance payment of RMB35.0 million ($5.6 million); (ii) attorney fees of RMB1.0 million ($0.2 million); and (iii) arbitration expenses. The hearing was held in October 2014 in Shanghai. CIETAC has not yet ruled on this case.

We dispute the merits of the proceedings brought against us by LDK and will defend ourselves vigorously against these claims.

U.S. Anti-dumping and Countervailing Duty Investigation

In October 2011, a trade action was filed with the USDOC and the USITC by the U.S. unit of SolarWorld AG and six other U.S. firms, accusing Chinese producers of CSPV cells, whether or not incorporated into modules, of selling their products (i.e., CSPV cells or modules incorporating these cells) into the U.S. at less than fair value, or dumping, and of receiving countervailable subsidies from the Chinese authorities. These firms asked the U.S. government to impose anti-dumping and countervailing duties on Chinese-origin CSPV cells. We were identified as one of a number of Chinese exporting producers of the subject goods to the U.S. market.

On October 9, 2012, the USDOC issued final affirmative determinations in the anti-dumping and countervailing duty investigations. On November 7, 2012, the USITC ruled that imports of CSPV cells had caused material injury to the U.S. CSPV industry. As a result of these rulings, we are required to pay cash deposits on Chinese-origin CSPV cells imported into the U.S., whether alone or incorporated into modules. The announced cash deposit rates applicable to us were 13.94% (anti-dumping duty) and 15.24% (countervailing duty). We paid all the cash deposits due under these determinations. The rates at which duties will be assessed and payable are subject to ongoing administrative reviews that are likely to conclude in July 2015 and may differ from the announced deposit rates. These duties could materially and adversely affect our affiliated U.S. import operations and increase our cost of selling into the U.S. A number of parties have challenged the rulings of the USDOC and the USITC in appeals to the U.S. Court of International Trade. Decisions on these appeals are not expected before the end of 2015.

On December 31, 2013, the U.S. unit of SolarWorld AG filed a new trade action with the USDOC and the USITC accusing Chinese producers of certain CSPV cells and modules of dumping their products into the U.S. and of receiving countervailable subsidies from the Chinese authorities. This trade action also accused Taiwanese producers of certain CSPV cells and modules of dumping their products into the U.S. Excluded from these new actions were those Chinese-origin solar products

covered by the 2012 rulings detailed in the prior paragraphs. We were identified as one of a number of Chinese producers exporting subject goods to the U.S. market.

On December 16, 2014, the USDOC issued final affirmative determinations in these anti-dumping and countervailing duty investigations. On January 21, 2015, the USITC ruled that imports of these CSPV products had caused material injury to the U.S. CSPV industry. As a result of these rulings, we are required to pay cash deposits on subject CSPV imports from China. Cash deposit rates for our subject Chinese-origin products were announced as being 30.06% (anti-dumping duty) and 38.43% (countervailing duty). The rates at which duties will be assessed and payable will be subject to administrative reviews beginning in 2016. Those reviews may result in duty rates that differ from the announced deposit rates. A number of parties have appealed these USDOC and USITC rulings to the U.S. Court of International Trade. Decisions on these appeals are not expected before the end of 2015.

European Anti-dumping and Anti-Subsidy Investigations

On September 6, 2012, following a complaint lodged by EU ProSun, an ad-hoc industry association of EU CSPV module, cell and wafer manufacturers, the European Commission initiated an anti-dumping investigation concerning imports into the EU of CSPV modules and key components (i.e., cells and wafers) originating in China. On November 8, 2012, following a complaint lodged by the same parties, the European Commission initiated an anti-subsidy investigation on these same products. In each investigation, we were identified as one of a number of Chinese exporting producers of these products to the EU market. On December 6, 2013, the EU imposed definitive anti-dumping and countervailing measures on imports of CSPV modules and key components (i.e., cells) originating in or consigned from China. Under the terms of an undertaking entered into with the European Commission, duties are not payable on our products sold into the EU, so long as we respect the terms and conditions of the undertaking, including a volume ceiling and minimum import price arrangement, and until the measures expire or the European Commission withdraws the undertaking.

In February 2014, we filed separate actions with the General Court of EU for annulment of the regulation imposing the definitive anti-dumping measures and of the regulation imposing the definitive countervailing measures. These actions for annulment are ongoing.

On March 5, 2015, the European Commission disclosed that it was proposing to withdraw acceptance of the undertaking as regards to us. The European Commission alleged that we (i) provided certain non-reported benefits to our customers and thereby violated the minimum price requirements, (ii) made parallel sales of modules covered and modules not covered by the undertaking to the same customers, in excess of the permissible limits, and (iii) used one original equipment manufacturer to assemble modules outside of China, rendering the monitoring of the undertaking impracticable. We are contesting this proposal, as we believe that none of our actions constitutes a breach of our commitments. Timing for a decision is uncertain. Should the undertaking be withdrawn, duties could be assessed on imports of our modules and cells originating in or consigned from China.

Canadian Anti-dumping and Countervailing Duties Investigation

In Canada, in December 2014, the Canadian government initiated concurrent anti-dumping and countervailing duties investigations on imported solar modules and laminates from China. The scope of the investigations includes thin-film and CSPV modules and laminates over 100 W, but not cells. We completed and submitted a complete request for information response to the CBSA and provided views and legal arguments in opposition to a preliminary finding of injury as a domestic Canadian producer to the Canadian International Trade Tribunal. We submitted the data and our submitted data was subject to on-site verification by Canadian officials from March 23, 2014 to March 26, 2015. In June 2015, the CBSA will release its final determinations of dumping and subsidization and the last stage of the injury investigation will proceed by way of a hearing on the evidence of material injury and

threat of injury to the domestic Canadian industry. Termination of the proceeding or a finding resulting in the imposition of duties will be announced on July 3, 2015.

Dividend Policy

We have never declared or paid any dividends on our common shares, nor do we have any present plan to declare or pay any dividends on our common shares in the foreseeable future. We currently intend to retain our available funds and any future earnings to operate and expand our business.

Our board of directors has complete discretion on whether to pay dividends, subject only to the requirements of the CBCA. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations, earnings, capital requirements, surplus, general financial condition, contractual restrictions, and other factors that our board of directors may deem relevant.

B. Significant Changes

Between January 1, 2015 and March 31, 2015, an additional 44,769 restricted share units granted under the Plan vested.

Except as described above, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

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ITEM 9. *THE OFFER AND LISTING*

A. Offering and Listing Details

Our common shares have been listed on the Nasdaq under the symbol "CSIQ" since November 9, 2006. The following table sets forth the high and low trading prices for our common shares on the Nasdaq for the periods indicated.

	Trading Price	
	High	Low
	$	$
Annual Highs and Lows		
2009	30.51	3.00
2010	33.68	8.99
2011	16.79	2.07
2012	4.74	1.95
2013	33.25	3.12
2014	44.50	20.64
Quarterly Highs and Lows		
First Quarter 2013	5.15	3.12
Second Quarter 2013	11.61	3.16
Third Quarter 2013	17.71	10.55
Fourth Quarter 2013	33.25	16.76
First Quarter 2014	44.50	29.52
Second Quarter 2014	34.38	21.38
Third Quarter 2014	41.12	23.20
Fourth Quarter 2014	35.79	20.64
First Quarter 2015	36.40	18.68
Monthly Highs and Lows		
2014		
October	35.79	25.10
November	33.31	24.03
December	25.90	20.64
2015		
January	24.76	18.68
February	31.08	20.63
March	36.40	29.30
April (through April 20)	36.48	33.22

B. Plan of Distribution

Not applicable.

C. Markets

Our common shares have been listed on the Nasdaq since November 9, 2006 under the symbol "CSIQ."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We incorporate by reference into this annual report the description of our Amended Articles of Continuance, as amended, contained in our F-1 registration statement (File No. 333-138144), as amended, initially filed with the SEC on October 23, 2006.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company" or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—Government Regulations—Foreign Currency Exchange" and "Item 4. Information on the Company—B. Business Overview—Government Regulations—Dividend Distribution."

E. Taxation

Material Canadian Federal Tax Considerations

General

The following summary is of the material Canadian federal tax implications applicable to a holder, (a "U.S. Holder"), who holds our common shares and who, at all relevant times, for purposes of the Income Tax Act (Canada), (the "Canadian Tax Act") (i) has not been, is not and will not be resident (or deemed resident) in Canada at any time while such U.S. Holder has held or holds the common shares; (ii) holds the common shares as capital property and as beneficial owner; (iii) deals at arm's length with and is not affiliated with us; (iv) does not use or hold, and is not deemed to use or hold, the common shares in the course of carrying on a business in Canada; (v) did not acquire the common shares in respect of, in the course of or by virtue of employment with our company; (vi) did not acquire the common shares as part of a transaction or event or series of transaction or events so as to cause the foreign affiliate dumping rules in section 212.3 of the Canadian Tax Act to apply; (vii) is not a "specified shareholder" of the company as defined in subsection 18(5) of the Canadian Tax Act; (viii) is not a financial institution, specified financial institution, partnership or trust as defined in the Canadian Tax Act; (ix) is a resident of the U.S. for purposes of the Canada- U.S. Income Tax Convention (1980), as amended, (the "Convention"), who is fully entitled to the benefits of the Convention; and (x) has not, does not and will not have a fixed base or permanent establishment in Canada within the meaning of the Convention at any time while such U.S. Holder has held or holds the common shares. Special rules, which are not addressed in this summary, may apply to a

U.S. Holder that is a "registered non-resident insurer" or "authorized foreign bank," as defined in the Canadian Tax Act, carrying on business in Canada and elsewhere.

This summary assumes that our company is a resident of Canada for purposes of the Canadian Tax Act. Should it be determined that our company is not a resident of Canada for purposes of the Canadian Tax Act by virtue of being resident in another country (such as the PRC) by virtue of the application of an income tax convention between Canada and that other country, the Canadian income tax consequences to a U.S. Holder will differ from those described herein and U.S. Holders should consult their own tax advisors.

This summary is based on the current provisions of the Canadian Tax Act, and the regulations thereunder, the Convention, and counsel's understanding of the published administrative practices and policies of the Canadian Revenue Agency, all in effect as of the date of this annual report on Form 20-F. This summary is not exhaustive of all potential Canadian federal tax consequences to a U.S. Holder and does not take into account or anticipate any changes in law or administrative practices, whether by judicial, governmental or legislative action or decision, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ from the Canadian federal tax considerations described herein.

THE CANADIAN FEDERAL TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF COMMON SHARES WILL DEPEND ON THE SHAREHOLDER'S PARTICULAR SITUATION. THIS SUMMARY IS NOT INTENDED TO BE A COMPLETE ANALYSIS OF OR DESCRIPTION OF ALL POTENTIAL CANADIAN FEDERAL TAX CONSEQUENCES, AND SHOULD NOT BE CONSTRUED TO BE, LEGAL, BUSINESS OR TAX ADVICE DIRECTED AT ANY PARTICULAR HOLDER OR PROSPECTIVE PURCHASER OF COMMON SHARES. ACCORDINGLY, HOLDERS OR PROSPECTIVE PURCHASERS OF COMMON SHARES SHOULD CONSULT THEIR OWN TAX ADVISORS FOR ADVICE WITH RESPECT TO THE CANADIAN FEDERAL TAX CONSEQUENCES OF AN INVESTMENT IN COMMON SHARES BASED ON THEIR PARTICULAR CIRCUMSTANCES.

Dividends

Amounts paid or credited, or deemed under the Canadian Tax Act to be paid or credited, on account or in lieu of payment, or in satisfaction of, dividends to a U.S. Holder that has provided the requisite documentation regarding its entitlement to benefits under the Convention will be subject to Canadian non-resident withholding tax at the reduced rate of 15% under the Convention. This rate is further reduced to 5% in the case of a U.S. Holder that is a company for purposes of the Convention that owns at least 10% of our voting shares at the time the dividend is paid or deemed to be paid. Under the Convention, dividends paid or credited to certain religious, scientific, literary, educational or charitable organizations and certain pension organizations that are resident in the U.S. and that have complied with certain administrative procedures may be exempt from Canadian withholding tax.

Disposition of Our Common Shares

A U.S. Holder will not be liable to income tax under the Canadian Tax Act in respect of any capital gain realized on the disposition or deemed disposition of the common shares unless, at the time of disposition, the common shares constitute "taxable Canadian property" of the U.S. Holder for the purposes of the Canadian Tax Act and the U.S. Holder is not otherwise entitled to an exemption under the Convention.

Under the Canadian Tax Act, if the common shares are not otherwise deemed under the Canadian Tax Act to be "taxable Canadian property," the common shares will constitute "taxable Canadian property" to a U.S. Holder at the time of a disposition only if (i) the common shares derive within the previous 60 months more than 50% of their value from Canadian real or immovable property

(including options or interests therein), (the "real property threshold"). Where the common shares meet the real property threshold and are also listed on a designated stock exchange for purposes of the Canadian Tax Act (which currently includes Nasdaq), then the common shares will be taxable Canadian property only if an additional ownership test is met, i.e. within the previous 60 month period immediately preceding the disposition of the common shares the U.S. Holder, persons with whom the U.S. Holder did not deal at arm's length, or the U.S. Holder together with such persons, own 25% or more of the issued shares of any class or series of our capital stock (the "ownership threshold"). Where the common shares constitute "taxable Canadian property" under the Canadian Tax Act, capital gains on their disposition may still be exempt from Canadian income tax by virtue of the Convention unless, at the time of the disposition, the common shares derive their value principally from real property situated in Canada within the meaning of the Convention.

U.S. Federal Income Taxation

The following discussion describes material U.S. federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in our common shares. This discussion applies only to U.S. Holders that hold our common shares as capital assets (generally, property held for investment) and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the U.S. as of the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion neither deals with the tax consequences to any particular investor nor describes all of the tax consequences applicable to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to mark to market;
- U.S. expatriates or entities covered by the U.S. anti-inversion rules;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- persons who are not U.S. Holders;
- persons holding a common share through a bank, financial institution or other entity, or a branch thereof, located, organized or resident outside the U.S.;
- persons holding a common share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock;
- persons who acquired common shares pursuant to the exercise of any employee share option or otherwise as compensation; or

- partnerships or other pass-through entities, or persons holding common shares through such entities.

In addition, the discussion below does not describe any tax consequences arising out of the Medicare tax on certain "net investment income."

INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF COMMON SHARES.

The discussion below of the U.S. federal income tax consequences to "U.S. Holders" will apply to you if you are the beneficial owner of common shares and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the U.S.;

- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the U.S. or under the laws of the U.S., any State thereof or the District of Columbia;

- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust that (i) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If you are a partner in partnership or other entity taxable as a partnership that holds common shares, your tax treatment generally will depend on your status and the partner and the activities of the partnership. If you are a partner in such a partnership holding common shares, or a partner in such partnership, you should consult your tax advisor.

Taxation of Dividends and Other Distributions on the Common Shares

Subject to the PFIC rules discussed below, the gross amount of any distributions we make to you with respect to the common shares (including the amount of any taxes withheld therefrom) generally will be includible in your gross income as dividend income on the date of receipt by you, but only to the extent the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Any such dividends will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from other U.S. corporations. To the extent the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), such excess amount will be treated first as a tax-free return of your tax basis in your common shares, and then, to the extent such excess amount exceeds your tax basis in your common shares, capital gain. We currently do not, and we do not intend to, calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution generally will be reported as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, any dividends may be taxed at the lower capital gains rate applicable to "qualified dividend income," provided (i) either (a) the common shares are readily tradable on an established securities market in the U.S. or (b) we are eligible for the benefits of a qualifying income tax treaty with the U.S. that includes an exchange of information program, (ii) we are neither a PFIC nor treated as such with respect to you (as discussed below) for the taxable year in which the dividend was paid and the

preceding taxable year, and (iii) certain holding period and other requirements are met. Under U.S. Internal Revenue Service authority, common shares will be considered for purposes of clause (i) above to be readily tradable on an established securities market in the U.S. if they are listed on the Nasdaq, as are our common shares. You should consult your tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends paid with respect to our common shares.

Any dividends generally will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to the common shares generally will constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income."

If Canadian or PRC withholding taxes apply to any dividends paid to you with respect to our common shares, the amount of the dividend would include withheld Canadian and PRC taxes and, subject to certain conditions and limitations, such Canadian and PRC withholdings taxes may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisors regarding the availability of a foreign tax credit in your particular circumstances, including the effects of any applicable income tax treaties.

Taxation of Disposition of Common Shares

Subject to the PFIC rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of a common share equal to the difference between the amount realized for the common share and your tax basis in the common share, and such gain or loss generally will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, that has held the common shares for more than one year, you may be eligible for reduced tax rates on any such gain, subject to the PFIC rules discussed below. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize on a disposition of common shares generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes. However, if we are treated as a "resident enterprise" for PRC tax purposes, we may be eligible for the benefits of the income tax treaty between the U.S. and the PRC. In such event, if PRC tax were to be imposed on any gain from the disposition of the common shares, a U.S. Holder that is eligible for the benefits of the income tax treaty between the U.S. and the PRC may elect to treat the gain as PRC source income for foreign tax credit purposes. You should consult your tax advisors regarding the proper treatment of gain or loss in your particular circumstances, including the effects of any applicable income tax treaties.

Passive Foreign Investment Company

Based on the market price of our common shares, the value of our assets, and the composition of our income and assets, we do not believe we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2014. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you that the U.S. Internal Revenue Service will not take a contrary position. A non-U.S. corporation will be a PFIC for U.S. federal income tax purposes for any taxable year if either:

- at least 75% of its gross income for such year is passive income; or

- at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income.

For this purpose, we will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

A separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year. Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2015 or any future taxable year. Because the value of our assets for purposes of the PFIC test generally will be determined by reference to the market price of our common shares, fluctuations in the market price of the common shares may cause us to become a PFIC. In addition, changes in the composition of our income or assets may cause us to become a PFIC.

If we are a PFIC for any taxable year during which you hold common shares, we generally will continue to be treated as a PFIC with respect to you for all succeeding years during which you hold common shares, unless we cease to be a PFIC and you make a "deemed sale" election with respect to the common shares. If such election is made, you will be deemed to have sold common shares you hold at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be subject to the consequences described in the following two paragraphs. After the deemed sale election, your common shares with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

For each taxable year we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any "excess distribution" you receive and any gain you recognize from a sale or other disposition (including a pledge) of the common shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the common shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or recognized gain will be allocated ratably over your holding period for the common shares;

- the amount allocated to the current taxable year, and any taxable years in your holding period prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and

- the amount allocated to each other taxable year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale or other disposition of the common shares cannot be treated as capital, even if you hold the common shares as capital assets.

If we are treated as a PFIC with respect to you for any taxable year, to the extent any of our subsidiaries are also PFICs or we make direct or indirect equity investments in other entities that are PFICs, you may be deemed to own shares in such lower-tier PFICs that are directly or indirectly owned by us in that proportion which the value of the common shares you own bears to the value of all of our common shares, and you may be subject to the adverse tax consequences described in the preceding two paragraphs with respect to the shares of such lower-tier PFICs that you would be deemed to own.

You should consult your tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

A U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the PFIC rules described above regarding excess distributions and recognized gains. If you make a mark-to-market election for the common shares, you will include in income for each year we are a PFIC an amount equal to the excess, if any, of the fair market value of the common shares as of the close of your taxable year over your adjusted basis in such common shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of the common shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the common shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the common shares will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the common shares, as well as to any loss realized on the actual sale or other disposition of the common shares, to the extent the amount of such loss does not exceed the net mark-to-market gains previously included for such common shares. Your basis in the common shares will be adjusted to reflect any such income or loss amounts. If you make a mark-to-market election, any distributions we make generally would be subject to the rules discussed above under "—Taxation of Dividends and Other Distributions on the Common Shares," except the lower rate applicable to qualified dividend income would not apply.

The mark-to-market election is available only for "marketable stock," which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Our common shares are listed on the Nasdaq, which is a qualified exchange or other market for these purposes. Consequently, if the common shares continue to be listed on the Nasdaq and are regularly traded, and you are a holder of common shares, we expect the mark-to-market election would be available to you if we were to become a PFIC. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that we own, a U.S. Holder may continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. You should consult your tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

Alternatively, if a non-U.S. corporation is a PFIC, a holder of shares in that corporation may avoid taxation under the PFIC rules described above regarding excess distributions and recognized gains by making a "qualified electing fund" election to include in income its share of the corporation's income on a current basis. However, you may make a qualified electing fund election with respect to your common shares only if we agree to furnish you annually with certain tax information, and we currently do not intend to prepare or provide such information.

Unless otherwise provided by the U.S. Treasury, each U.S. Holder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. If we are or become a PFIC, you should consult your tax advisor regarding any reporting requirements that may apply to you.

You are strongly urged to consult your tax advisor regarding the application of the PFIC rules to your investment in common shares.

Information Reporting and Backup Withholding

Any dividend payments with respect to common shares and proceeds from the sale, exchange or redemption of common shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required

certification or that is otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information in a timely manner.

Additional Reporting Requirements

Certain U.S. Holders who are individuals are required to report information relating to an interest in our common shares, subject to certain exceptions (including an exception for common shares held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of these rules on their ownership and disposition of the common shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC our registration statements on Form F-1 (File Number 333-138144), initially filed on October 23, 2006, and registration statements on Form F-3 (File Number 333-189895), initially filed on July 11, 2013.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year for fiscal years ending on or after December 15, 2011. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP.

We will furnish our shareholders with annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

I. Subsidiary Information

For a listing of our subsidiaries, see "Item 4. Information on the Company—C. Organizational Structure."

ITEM 11. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Foreign Exchange Risk

The majority of our sales in 2014 are denominated in Canadian dollars, U.S. dollars and Japanese yen, with the remainder in other currencies such as Euros, Renminbi and Australian dollars, while a substantial portion of our costs and expenses is denominated in Renminbi and U.S. dollars. From time to time, we enter into loan arrangements with Chinese commercial banks that are denominated primarily in Renminbi or U.S. dollars. Most of our cash and cash equivalents and restricted cash are denominated in Renminbi. Therefore, fluctuations in currency exchange rates could have a significant impact on our financial stability. Fluctuations in exchange rates, particularly between the U.S. dollar, Euro, Renminbi, Canadian dollar and Japanese yen, may result in fluctuations in foreign exchange gains or losses. As of December 31, 2014, we held $366.9 million in accounts receivable, of which $103.7 million were denominated in Japanese yen. Had we converted all Japanese yen denominated accounts receivable into Japanese yen at Japanese yen 119.8500 for $1.00, the noon buying rate as of December 31, 2014, our Japanese yen denominated accounts receivable would have been Japanese yen 12,419.6 million as of December 31, 2014. Assuming the Japanese yen depreciates by a rate of 10.0% to an exchange rate of Japanese yen 131.8350 for $1.00, we would record a loss in fair value of accounts receivable of $9.5 million.

Since 2008, we have hedged part of our foreign currency exposures against the U.S. dollar using foreign currency forward or option contracts in order to limit our exposure to fluctuations in foreign exchange rates. We incurred a loss on change in foreign currency derivatives of $4.4 million in 2012, a gain on change in foreign currency derivatives of $10.8 million in 2013 and a gain on change in foreign currency derivatives of $19.7 million in 2014. The gains or losses on change in foreign currency derivatives are related to our hedging program. We incurred a foreign exchange loss of $10.7 million, $51.5 million and $32.2 million in 2012, 2013 and 2014, respectively. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future.

As of December 31, 2014, we had forward contracts of the U.S. dollar against the Renminbi with notional amount of $116.1 million outstanding. Assuming a 10.0% appreciation of the U.S. dollar against the Renminbi, the mark-to-market gain of our outstanding forward contracts of the U.S. dollar against the Renminbi would have decreased by approximately $11.6 million.

Our financial statements are expressed in U.S. dollars, while some of our subsidiaries use different functional currencies, such as the Renminbi, Euro, Canadian dollar and Japanese yen. The value of your investment in our common shares will be affected by the foreign exchange rate between the U.S. dollar and other currencies used by our subsidiaries. To the extent we hold assets denominated in currencies other than U.S. dollars, any appreciation of such currencies against the U.S. dollars will likely result in an exchange gain while any depreciation will likely result in an exchange loss when we convert the value of these assets into U.S. dollar equivalent amounts. On the other hand, to the extent we have liabilities denominated in currencies other than U.S. dollars, any appreciation of such currencies against the U.S. dollar will likely result in an exchange loss while any depreciation will likely result in an exchange gain when we convert the value of these liabilities into U.S. dollar equivalent amounts. These and other effects on our financial conditions resulting from the unfavorable changes in foreign currency exchange rates could have a material adverse effect on the market price of our common shares, the dividends we may pay in the future, and your investment.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to interest expense under our short-term and long-term bank borrowings, as well as interest income generated by excess cash invested in demand deposits and liquid investments with original maturities of three months or less. Such interest-earning

instruments carry a degree of interest rate risk. We have not used any derivative financial instruments to manage our interest risk exposure. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. However, our future interest expense may increase due to changes in market interest rates.

ITEM 12. ***DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES***

Not applicable.

PART II

ITEM 13. *DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES*

None of these events occurred in any of the years ended December 31, 2012, 2013 and 2014.

ITEM 14. *MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS*

The following "use of proceeds" information relates to the registration statement on Form F-3 (File number: 333-189895) for our registration of common shares, preferred shares, debt securities and warrants for a maximum aggregate offering price of $200 million. This registration statement was declared effective by the SEC on August 13, 2013. Between August 15, 2013 and September 11, 2013, we sold 3,772,254 of our common shares at an average price of $13.25 per share through an at-the-market offering, raising approximately $50.0 million in gross proceeds. We completed the at-the-market offering on September 11, 2013. The common shares were offered through Credit Suisse as sales agent. We received net proceeds of approximately $48.0 million from the offering after deducting the sales agent's commissions and offering expenses.

In February 2014, we completed an offering of our common shares and convertible senior notes. Pursuant to the offering, we sold 3,194,700 common shares at a price of $36.00 per share and sold $150 million aggregate principal amount of 4.25% convertible senior notes. We received aggregate net proceeds of approximately $255.7 million from these offerings, after deducting discounts and commissions, but before offering expenses. Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, and Nomura Securities International, Inc. acted as joint book-running managers for the common shares offering.

As of March 31, 2015, all of the net offering proceeds from the sale of our common shares had been applied for the uses outlined in the registration statement and prospectuses.

ITEM 15. *CONTROLS AND PROCEDURES*

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our management has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such item is defined in Rules 13a-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets; (ii) provide reasonable assurance

that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules promulgated by the Securities and Exchange Commission, management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014 using criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2014.

Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm, who audited our consolidated financial statements for the year ended December 31, 2014, has also audited the effectiveness of internal control over financial reporting as of December 31, 2014.

Report of the Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Canadian Solar Inc.

We have audited the internal control over financial reporting of Canadian Solar Inc. and subsidiaries (the "Company") as of December 31, 2014, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
(2) provide reasonable assurance that

transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2014 of the Company and our report dated April 23, 2015 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, China
April 23, 2015

Changes in Internal Controls

Management has evaluated, with the participation of our chief executive officer and chief financial officer, whether any changes in our internal control over financial reporting that occurred during our last fiscal year have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on the evaluation we conducted, management has concluded that no such changes occurred during the period covered by this annual report on Form 20-F.

ITEM 16A. *AUDIT COMMITTEE FINANCIAL EXPERT*

Our board of directors has determined that Lars-Eric Johansson qualifies as an "audit committee financial expert" as defined in Item 16A of Form 20-F. Each of the members of the audit committee is an "independent director" as defined in the Nasdaq Marketplace Rules.

ITEM 16B. *CODE OF ETHICS*

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, chief operations officer, chief technology officer, vice presidents and any other persons who perform similar functions for us. We have posted our code of business conduct on our website www.canadiansolar.com. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

ITEM 16C. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu Certified Public Accountants LLP,

our principal external auditors, for the periods indicated. We did not pay any other fees to our auditors during the periods indicated below.

	For the Years Ended December 31,	
	2013	2014
Audit fees[1]	$ 1,593,000	$ 1,720,000
Audit related fees[2]	$ 285,000	$ 280,000
All other fees[3]	$ 39,364	$ 84,131

(1) "Audit fees" means the aggregate fees billed for professional services rendered by our principal auditors for the annual audit of our consolidated financial statements, assurance and related services. In 2012, 2013 and 2014, these were mainly for the review and audit of our consolidated financial statements.

(2) "Audit related fees" represents the aggregate fees billed for assurance and related services by our principal auditors that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported as audit fees.

(3) "All other fees" represents aggregate fees billed for professional services rendered by our principal auditors for the statutory audit of our subsidiary's financial statements, consultations and related services.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Deloitte Touche Tohmatsu Certified Public Accountants LLP, including audit services, audit-related services, tax services and other services as described above, other than those for *de minimis* services which are approved by the Audit Committee prior to the completion of the audit. We have a written policy on the engagement of an external auditor.

ITEM 16D. ***EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES***

Not applicable.

ITEM 16E. ***PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS***

None.

ITEM 16F. ***CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT***

Not applicable.

ITEM 16G. ***CORPORATE GOVERNANCE***

None.

PART III

ITEM 17. *FINANCIAL STATEMENTS*

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. *FINANCIAL STATEMENTS*

The consolidated financial statements of Canadian Solar Inc. are included at the end of this annual report.

ITEM 19. *EXHIBITS*

Exhibit Number	Description of Document
1.1	Amended Articles of Continuance (incorporated by reference to Exhibit 3.2 of our registration statement on Form F-1 (File No. 333-138144), as amended, initially filed with the SEC on October 23, 2006)
2.1	Registrant's Specimen Certificate for Common Shares (incorporated by reference to Exhibit 4.11 from our F-1 registration statement (File No. 333-138144), as amended, initially filed with the Commission on October 23, 2006)
4.1	Amended and Restated Share Incentive Plan of the Registrant, dated September 20, 2010 (incorporated by reference to Exhibit 4.5 of our annual report on Form 20-F for the year ended December 31, 2010 (File No. 001-33107), as amended, initially filed with the SEC on May 17, 2011)
4.2	Form of Director Indemnity Agreement (incorporated by reference to Exhibit 4.1 of our annual report on Form 20-F for the year ended December 31, 2008 (File No. 001-33107), as amended, initially filed with the SEC on June 8, 2009)
4.3	Employment Agreement between the Registrant and Dr. Shawn Qu (incorporated by reference to Exhibit 10.2 of our registration statement on Form F-1 (File No. 333-138144), as amended, initially filed with the SEC on October 23, 2006)
4.4	Form of Employment Agreement between the Registrant and its executive officers (incorporated by reference to Exhibit 4.7 of our annual report on Form 20-F for the year ended December 31, 2010 (File No. 001-33107), as amended, initially filed with the SEC on May 17, 2011)
4.5	Indenture, dated as of February 18, 2014, between the Registrant and The Bank of New York Mellon, as the trustee (incorporated by reference to Exhibit 4.5 of our annual report on Form 20-F for the year ended December 31, 2013 (File No. 001-33107), as amended, initially filed with the SEC on April 28, 2014)
4.6*	Purchase and Sale Agreement by and among Sharp Corporation, Sharp US Holding Inc., Canadian Solar Energy Acquisition Co. and Canadian Solar Inc., dated as of February 3, 2015
8.1*	List of Major Subsidiaries
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit Number	Description of Document
15.1*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP
101*	Financial information from registrant for the year ended December 31, 2014 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2013 and 2014; (ii) Consolidated Statements of Operations for the Years Ended December 31, 2012, 2013 and 2014; (iii) Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2012, 2013 and 2014; (iv) Consolidated Statements of Changes in Equity for the Years Ended December 31, 2012, 2013 and 2014; (v) Consolidated Statements of Cash Flows for the Years Ended December 31, 2012, 2013 and 2014; (vi) Notes to Consolidated Financial Statements; and (vii) Additional Information—Financial Statements Schedule I

* Filed herewith.

** Furnished herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CANADIAN SOLAR INC.

By: /s/ Shawn (Xiaohua) Qu

Name: Shawn (Xiaohua) Qu
Title: Chairman, President and Chief Executive Officer

By: /s/ Michael G. Potter

Name: Michael G. Potter
Title: Senior Vice President and Chief Financial Officer

Date: April 23, 2015

CANADIAN SOLAR INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Canadian Solar Inc.

We have audited the accompanying consolidated balance sheets of Canadian Solar Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2014, and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule included in Schedule I. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Canadian Solar Inc. and subsidiaries as of December 31, 2013 and 2014 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 23, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai China
April 23, 2015

CANADIAN SOLAR INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2014
	(In U.S. dollars, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	228,249,512	549,543,359
Restricted cash	451,153,156	439,961,661
Accounts receivable trade, net of allowance of $38,482,827 and $31,816,900 as of December 31, 2013 and 2014, respectively	280,693,762	366,938,857
Accounts receivable, unbilled	13,947,396	27,125,897
Amounts due from related parties	4,688,692	4,216,925
Inventories	231,157,811	432,325,119
Value added tax recoverable	15,704,949	20,270,704
Advances to suppliers—current, net of allowance of $10,086,278 and $9,300,887 as of December 31, 2013 and 2014, respectively	42,028,270	47,172,491
Foreign currency derivative assets	7,323,422	9,642,728
Project assets—current	344,161,805	235,228,186
Deferred tax assets—current	29,137,910	40,810,322
Prepaid expenses and other current assets	71,108,921	142,650,572
Total current assets	1,719,355,606	2,315,886,821
Restricted cash	—	35,223,760
Property, plant and equipment, net	407,604,979	469,349,209
Deferred tax assets—non-current	62,950,243	66,855,860
Advances to suppliers—non-current, net of allowance of $29,960,552 and $28,434,541 as of December 31, 2013 and 2014, respectively	506,441	480,600
Prepaid land use rights	18,776,110	13,286,426
Investments in affiliates	34,070,488	38,822,784
Intangible assets, net	5,656,933	6,605,795
Project assets—non-current	160,835,796	69,282,747
Other non-current assets	43,978,760	56,629,648
TOTAL ASSETS	2,453,735,356	3,072,423,650
LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY		
Current liabilities:		
Short-term borrowings	778,512,504	725,512,738
Accounts payable	280,806,420	412,937,350
Short-term notes payable	358,570,263	388,052,424
Amounts due to related parties	19,871,718	17,592,403
Other payables	101,265,606	112,583,993
Advances from customers	75,327,543	111,974,333
Foreign currency derivative liabilities	597,089	445,222
Deferred tax liabilities—current	57,918,099	94,710,638
Other current liabilities	105,489,622	85,456,179
Total current liabilities	1,778,358,864	1,949,265,280
Accrued warranty costs	40,604,652	54,644,261
Convertible notes	—	150,000,000
Long-term borrowings	151,391,572	134,299,521
Liability for uncertain tax positions	17,191,672	15,578,988
Deferred tax liabilities—non-current	24,043,648	10,345,243
Loss contingency accruals	29,698,844	26,205,679
TOTAL LIABILITIES	2,041,289,252	2,340,338,972
Commitments and contingencies (Note 19)		
Redeemable non-controlling interests	10,947,783	2,510,569
Equity:		
Common shares—no par value: unlimited authorized shares, 51,034,343 and 55,161,856 shares issued and outstanding at December 31,2013 and 2014, respectively	561,241,785	675,236,489
Additional paid-in capital	(32,121,269)	(25,682,022)
Retained earnings (Accumulated deficit)	(192,502,848)	46,998,469
Accumulated other comprehensive income	53,911,113	20,058,063
Total Canadian Solar Inc. shareholders' equity	390,528,781	716,610,999
Non-controlling interests in subsidiaries	10,969,540	12,963,110
TOTAL EQUITY	401,498,321	729,574,109
TOTAL LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY	2,453,735,356	3,072,423,650

See notes to consolidated financial statements.

CANADIAN SOLAR INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2012	2013	2014
	(In U.S. dollars, except share and per share data)		
Net revenues:			
—Non-related parties	1,284,316,201	1,637,966,032	2,958,058,241
—Related parties	10,513,212	16,390,032	2,568,369
Total net revenues	1,294,829,413	1,654,356,064	2,960,626,610
Cost of revenues			
—Non-related parties	1,193,507,964	1,363,048,060	2,375,025,074
—Related parties	10,960,019	15,613,033	4,608,160
Total cost of revenues	1,204,467,983	1,378,661,093	2,379,633,234
Gross profit	90,361,430	275,694,971	580,993,376
Operating expenses:			
Selling expenses	91,052,729	88,426,136	125,796,632
General and administrative expenses	128,826,340	44,767,586	76,826,038
Research and development expenses	12,998,122	11,684,993	12,056,951
Total operating expenses	232,877,191	144,878,715	214,679,621
Income (loss) from operations	(142,515,761)	130,816,256	366,313,755
Other income (expenses):			
Interest expense	(53,304,640)	(46,244,456)	(48,905,848)
Interest income	13,359,962	11,972,758	14,361,107
Gain (loss) on change in foreign currency derivatives	(4,369,173)	10,764,226	19,656,236
Foreign exchange loss	(10,707,889)	(51,468,616)	(32,218,686)
Investment loss	(1,081,700)	—	—
Others	—	427,560	1,623,087
Other expenses, net	(56,103,440)	(74,548,528)	(45,484,104)
Income (loss) before income taxes and equity in loss of unconsolidated investees	(198,619,201)	56,267,728	320,829,651
Income tax (expense) benefit	5,433,410	(7,638,786)	(77,430,913)
Equity in earnings (loss) of unconsolidated investees	(1,969,306)	(3,064,006)	487,346
Net income (loss)	(195,155,097)	45,564,936	243,886,084
Less: net income attributable to non-controlling interests	313,594	13,905,660	4,384,767
Net income (loss) attributable to Canadian Solar Inc.	(195,468,691)	31,659,276	239,501,317
Earnings (loss) per share—basic	$ (4.53)	$ 0.68	$ 4.40
Shares used in computation—basic	43,190,778	46,306,739	54,408,037
Earnings (loss) per share—diluted	$ (4.53)	$ 0.63	$ 4.11
Shares used in computation—diluted	43,190,778	50,388,284	59,354,615

See notes to consolidated financial statements.

CANADIAN SOLAR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,		
	2012	2013	2014
		(In U.S. dollars)	
Net income (loss)	(195,155,097)	45,564,936	243,886,084
Other comprehensive income (net of tax of nil):			
Foreign currency translation adjustment	5,505,067	1,877,848	(32,439,736)
Comprehensive income (loss)	(189,650,030)	47,442,784	211,446,348
Less: comprehensive income attributable to non-controlling interests	578,842	12,667,924	5,798,081
Comprehensive income (loss) attributable to Canadian Solar Inc.	(190,228,872)	34,774,860	205,648,267

See notes to consolidated financial statements.

CANADIAN SOLAR INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Common Shares		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Equity (Deficits) Attributable to Canadian Solar Inc.	Non-Controlling Interest	Total Equity
	Number	$	$	$	$	$	$	$
	(In U.S. dollars, except share and per share data)							
Balance at January 1, 2012	43,155,767	502,402,939	(53,331,445)	(28,693,433)	45,555,710	465,933,771	1,043,921	466,977,692
Net income (loss)	—	—	—	(195,468,691)	—	(195,468,691)	313,594	(195,155,097)
Foreign currency translation adjustment	—	—	—	—	5,239,819	5,239,819	265,248	5,505,067
Acquisition of subsidiaries	—	—	—	—	—	—	4,635,298	4,635,298
Issuance of warrant	—	—	9,849,928	—	—	9,849,928	—	9,849,928
Share-based compensation	—	—	5,185,242	—	—	5,185,242	—	5,185,242
Exercise of share options	86,659	158,766	—	—	—	158,766	—	158,766
Paid-in capital from non-controlling interests	—	—	—	—	—	—	4,426,535	4,426,535
Balance at December 31, 2012	43,242,426	502,561,705	(38,296,275)	(224,162,124)	50,795,529	290,898,835	10,684,596	301,583,431
Net income	—	—	—	31,659,276	—	31,659,276	13,905,660	45,564,936
Foreign currency translation adjustment	—	—	—	—	3,115,584	3,115,584	(1,237,736)	1,877,848
Profit distribution to a non-controlling interest	—	—	—	—	—	—	(219,464)	(219,464)
Issuance of ordinary shares, net of issuance costs	3,772,254	47,887,377	—	—	—	47,887,377	—	47,887,377
Share-based compensation	—	—	6,175,006	—	—	6,175,006	—	6,175,006
Exercise of share options	4,019,663	10,792,703	—	—	—	10,792,703	—	10,792,703
Disposal of project companies	—	—	—	—	—	—	(12,163,516)	(12,163,516)
Balance at December 31, 2013	51,034,343	561,241,785	(32,121,269)	(192,502,848)	53,911,113	390,528,781	10,969,540	401,498,321
Net income	—	—	—	239,501,317	—	239,501,317	4,384,767	243,886,084
Foreign currency translation adjustment	—	—	—	—	(33,853,050)	(33,853,050)	1,413,314	(32,439,736)
Profit distribution to a non-controlling interest	—	—	—	—	—	—	(649,551)	(649,551)
Issuance of ordinary shares, net of issuance costs	3,194,700	108,918,860	—	—	—	108,918,860	—	108,918,860
Deferred tax on issuance costs of ordinary shares	—	1,733,271	—	—	—	1,733,271	—	1,733,271
Share-based compensation	—	—	5,087,925	—	—	5,087,925	—	5,087,925
Tax benefit of share-based compensation	—	—	1,351,322	—	—	1,351,322	—	1,351,322
Exercise of share options	932,813	3,342,573	—	—	—	3,342,573	—	3,342,573

Disposal of project companies	—	—	—	—	—	—	(3,154,960)	(3,154,960)
Balance at December 31, 2014	55,161,856	675,236,489	(25,682,022)	46,998,469	20,058,063	716,610,999	12,963,110	729,574,109

See notes to consolidated financial statements.

CANADIAN SOLAR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2012	2013	2014
		(In U.S. dollars)	
Operating activities:			
Net income (loss)	(195,155,097)	45,564,936	243,886,084
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	81,398,470	80,821,241	82,627,454
Loss on disposal of property, plant and equipment	1,991,098	3,612,581	1,477,739
Impairment loss of property, plant and equipment	—	3,664,556	1,572,635
(Gain) loss on change in fair value of derivatives	4,369,173	(10,764,226)	(19,656,236)
Investment loss	1,081,700	—	—
Equity in loss (earnings) of unconsolidated investees	1,969,306	3,064,006	(487,346)
Allowance for doubtful accounts	43,611,217	(975,083)	(8,527,687)
Write-down of inventories	3,085,529	714,558	16,950,524
Impairment loss of project assets	—	1,557,734	2,311,164
Amortization of discount on debt	49,699	—	—
Share-based compensation	5,185,242	6,175,006	5,087,925
Changes in operating assets and liabilities:			
Accounts receivable trade	(6,983,739)	(11,813,937)	(73,776,603)
Accounts receivable, unbilled	46,425,858	(9,167,246)	(17,308,403)
Amounts due from related parties	9,904,520	5,288,485	480,499
Inventories	3,960,749	34,666,540	(252,715,653)
Value added tax recoverable	2,303,949	(1,404,821)	(4,149,734)
Advances to suppliers	(17,898,461)	(5,747,309)	(3,622,062)
Project assets	(300,679,763)	(152,870,686)	89,536,069
Prepaid expenses and other current assets	(70,614,891)	(2,333,059)	(38,522,109)
Other non-current assets	(24,406,669)	(4,420,130)	(8,446,417)
Accounts payable	56,238,301	44,231,082	135,812,141
Short-term notes payable	99,114,001	117,707,136	30,592,827
Amounts due to related parties	2,015,133	14,492,053	(2,166,445)
Other payables	36,910,195	(2,602,763)	14,498,509
Advances from customers	(46,127,125)	51,356,621	40,310,538
Other current liabilities	59,188,516	14,748,130	(16,282,247)
Accrued warranty costs	11,334,395	(19,199,011)	15,515,873
Prepaid land use rights	(4,760,904)	396,642	5,318,532
Liability for uncertain tax positions	2,502,791	2,494,913	(1,612,683)
Deferred taxes	48,851,188	15,142,480	9,208,137
Settlement of foreign currency derivatives	(2,623,318)	5,148,195	17,192,568
Net cash provided by (used in) operating activities	(147,758,937)	229,548,624	265,105,593

See notes to consolidated financial statements.

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CANADIAN SOLAR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Years Ended December 31,		
	2012	2013	2014
		(In U.S. dollars)	
Investing activities:			
Increase in restricted cash	(243,137,142)	(10,098,916)	(27,584,686)
Investment in affiliates	(3,428,751)	(4,278,361)	(72,034)
Profit distribution from an associated company	555,475	—	337,314
Purchase of property, plant and equipment	(60,481,021)	(23,131,549)	(65,140,624)
Loan to a third party	—	—	(24,381,918)
Proceeds from disposal of property, plant and equipment	—	—	792,482
Net cash used in investing activities	(306,491,439)	(37,508,826)	(116,049,466)
Financing activities:			
Proceeds from short-term borrowings	791,596,176	768,381,191	928,878,980
Repayment of short-term borrowings	(692,071,052)	(1,073,502,793)	(1,045,596,352)
Proceeds from long-term borrowings	143,965,319	149,831,368	56,989,399
Profit distribution to a non-controlling interest	—	(219,464)	—
Payment to non-controlling interests for sales of project companies	—	(8,070,699)	(5,483,257)
Gross proceeds from issuance of common shares	—	50,000,000	115,009,200
Issuance costs paid for common shares offering	—	(2,112,623)	(6,090,340)
Capital contribution from non-controlling interests	4,426,535	—	—
Payment for repurchase of convertible senior notes	(1,000,000)	—	—
Proceeds from issuance of warrant	2,500,000	—	—
Proceeds from issuance of convertible notes	—	—	150,000,000
Issuance cost paid on convertible notes	—	—	(5,103,441)
Proceeds from exercise of stock options	158,766	10,792,703	3,342,573
Net cash provided by (used in) financing activities	249,575,744	(104,900,317)	191,946,762
Effect of exchange rate changes	2,648,135	(858,151)	(19,709,042)
Net increase (decrease) in cash and cash equivalents	(202,026,497)	86,281,330	321,293,847
Cash and cash equivalents at the beginning of the year	343,994,679	141,968,182	228,249,512
Cash and cash equivalents at the end of the year	141,968,182	228,249,512	549,543,359
Supplemental disclosure of cash flow information:			
Interest paid (net of amounts capitalized)	53,283,321	47,343,649	47,226,763
Income taxes paid	9,698,512	23,812,986	14,016,205
Supplemental schedule of non-cash activities:			
Amounts due from disposal of subsidiaries or affiliates included in prepaid expenses and other current assets	715,934	136,917	—
Amounts due to non-controlling interests for sales of project companies included in payables	—	4,092,817	1,764,521
Property, plant and equipment costs included in other payables	16,814,481	14,056,550	23,540,903
Module contribution in exchange for non-controlling interests in affiliates	15,874,847	5,791,202	—

See notes to consolidated financial statements.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Canadian Solar Inc. ("CSI") was incorporated pursuant to the laws of the Province of Ontario in October 2001, and changed its jurisdiction by continuing under the Canadian federal corporate statute, the Canada Business Corporations Act, or CBCA, effective June 1, 2006.

CSI and its subsidiaries (collectively, the "Company") design, develop, and manufacture solar wafers, cells and solar power products. In recent years, the Company has increased investment in, and management attention on its total solutions business, which consists primarily of solar power project development, engineering, procurement and construction, or EPC, services, operating and maintenance, or O&M, services, electricity revenue generation and sales of solar system kits. As of December 31, 2014, major subsidiaries of CSI are included in Appendix 1.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries in which it has a controlling financial interest. A controlling financial interest is typically determined when a company holds a majority of the voting equity interest in an entity. The Company evaluates each of its interest in private companies to determine whether or not the investee is a variable interest entity ("VIE"). If the Company demonstrates it both has (i) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE, then the entity is consolidated. The Company has not consolidated any VIEs as of or during any of the periods presented. All intercompany balances and transactions between the Company and its subsidiaries have been eliminated in consolidation.

(c) Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Company's consolidated financial statements include revenue recognition for sales of solar power projects and EPC services accounted for under the percentage-of-completion method, estimated sales returns, allowance for doubtful accounts receivable and advances to suppliers, valuation of inventories and provision for firm purchase commitments, provision for contingent liability, impairment of long-lived assets and project assets, the estimated useful lives of long-lived assets, accrual for warranty and the recognition of the benefit from the purchased warranty insurance, fair value of foreign currency derivatives, accrual for uncertain tax

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

positions, tax valuation allowances, and the grant-date fair value of share-based compensation awards and related forfeiture rates.

(d) Cash and cash equivalents and restricted cash

Cash and cash equivalents are stated at cost, which approximates fair value. Cash and cash equivalents consist of cash on hand and demand deposits, which are unrestricted as to withdrawal and use, and have original maturities of three months or less when acquired.

Restricted cash represents amounts held by banks, which are not available for the Company's general use, as security for issuance of letters of credit, short term notes payable and bank borrowings. Upon maturity of the letters of credit, repayment of short-term notes payable or bank borrowings which generally occur within one year, the deposits are released by the bank and become available for general use by the Company.

(e) Accounts receivable, unbilled

Accounts receivable, unbilled represents revenue that has been recognized in advance of billing the customer. The Company uses the percentage-of-completion method to recognize revenue from EPC services and sales of solar power projects when all relevant revenue recognition criteria have been met. Under this accounting method, revenue may be recognized in advance of billing the customer, which results in the recording of accounts receivable, unbilled. Once the Company meets the billing criteria under such contract, it bills the customer and reclassifies the unbilled balance to accounts receivable trade. Billing requirements vary by contract, but are generally structured around completion of certain construction milestones.

(f) Allowance for doubtful receivables

The Company began purchasing insurance from China Export & Credit Insurance Corporation ("Sinosure") since 2009 for certain of its accounts receivable trade in order to reduce its exposure to bad debt loss. The Company provides an allowance for accounts receivable, trade using primarily a specific identification methodology. An allowance is recorded based on the likelihood of collection from the specific customer regardless whether such account is covered by Sinosure. At the time the claim is made to Sinosure, the Company records a receivable from Sinosure equal to the expected recovery up to the amount of the specific allowance. The Company had recorded a receivable from Sinosure in prepaid expenses and other current assets of $9,515,899, $451,898 and $643,457 as of December 31, 2012, 2013 and 2014, respectively and a corresponding reduction in bad debt expense.

(g) Advances to suppliers

The Company makes prepayments to certain suppliers and such amounts are recorded in advances to suppliers in the consolidated balance sheets. Advances to suppliers expected to be utilized within twelve months as of each balance sheet date are recorded as current assets and the portion expected to be utilized after twelve months are classified as non-current assets in the consolidated balance sheets.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the weighted-average method. Cost of inventories consists of direct materials and, where applicable, direct labor costs, tolling costs and those overhead costs that have been incurred in bringing the inventories to their present location and condition.

Adjustments are recorded to write down the cost of obsolete and excess inventories to the estimated market value based on historical and forecast demand.

The Company outsources portions of its manufacturing process. These outsourcing arrangements may or may not include transfer of title of the raw materials inventory to third-party manufacturers. Such raw materials are recorded as raw materials inventory when purchased from suppliers. For those outsourcing arrangements in which the title is not transferred, the Company maintains such inventory on the Company's consolidated balance sheets as raw materials inventory while it is in physical possession of the third-party manufacturer. Upon receipt, processed inventory is reclassified to work-in-process inventory and a processing fee is paid to the third-party manufacturer.

For those outsourcing arrangements, characterized as sales, in which title (including risk of loss) is transferred to the third-party manufacturer, the Company is constructively obligated, through raw materials sales agreements and processed inventory purchase agreements, which have been entered into with the third-party manufacturer simultaneously, to repurchase the inventory once processed. In this case, the raw materials remain classified as raw material inventory while in physical possession of the third-party manufacturer and cash is received, which is classified as "advances from customers" on the consolidated balance sheets and not as revenue or deferred revenue. Cash payments for outsourcing arrangements, which require prepayments for repurchase of the processed inventory, are classified as "advances to suppliers" on the consolidated balance sheets. There is no right of offset for these arrangements and accordingly, "advances from customers" and "advances to suppliers" remain on the consolidated balance sheets until the processed inventory is repurchased.

On occasion, the Company enters into firm purchase commitments to acquire materials from its suppliers. A firm purchase commitment represents an agreement that specifies all significant terms, including the price and timing of the transactions, and includes a disincentive for non-performance that is sufficiently large to make performance probable. This disincentive is generally in the form of a take-or-pay provision, which requires the Company to pay for committed volumes regardless of whether the Company actually acquires the materials. The Company evaluates these agreements and records a loss, if any, on firm purchase commitments using the same lower of cost or market approach as that used to value inventory. The Company records the expected loss only as it relates to the succeeding year, as it is unable to reasonably estimate future market prices beyond one year, in cost of revenues in the consolidated statements of operations.

(i) Project assets

Project assets consist primarily of direct costs relating to solar power projects in various stages of development that are capitalized prior to the sale of the solar power projects. A project asset is initially recorded at the actual cost. For a self-developed project asset, the actual cost capitalized is the amount

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

of the expenditure incurred for the application of the feed-in tariff ("FIT") or other similar contracts, permits, consents, construction costs, interest costs capitalized, and other costs. For a project asset acquired from third parties, the initial cost is the acquisition cost which includes the consideration transferred and certain direct acquisition costs.

The Company reviews project assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company considers a project commercially viable or recoverable if it is anticipated to be sold for a profit once it is either fully developed or fully constructed. The Company considers a partially developed or partially constructed project commercially viable or recoverable if the anticipated selling price is higher than the carrying value of the related project assets. The Company examines a number of factors to determine if the project will be recoverable, the most notable of which include whether there are any changes in environmental, ecological, permitting, market pricing or regulatory conditions that impact the project. Such changes could cause the costs of the project to increase or the selling price of the project to decrease. If a project is not considered recoverable, the Company impairs the respective project assets and adjusts the carrying value to the estimated recoverable amount, with the resulting impairment recorded within operations.

Project assets expected to be sold within twelve months as of each balance sheet date are recorded as current assets and project assets expected to be sold after twelve months are recorded as non-current assets on the consolidated balance sheets. The cash flows associated with the acquisition, construction, and sale of projects assets are classified as operating activities in the consolidated statements of cash flows. Project assets are often held in separate legal entities which are formed for the special purpose of constructing the project assets, which the Company refers to as "project companies". The Company consolidates project companies as described in note (b) above. The cash paid to the non-controlling interest in connection with disposal of such project companies was recorded as a financing activity in the consolidated statement of cash flows.

The Company did not depreciate the project assets. If circumstances change, and the Company begins to operate the project assets for the purpose of generating income from the sale of electricity, the project assets will be reclassified to property, plant and equipment. In the fourth quarter of 2014, the Company decided to change its business model in China from building and selling projects to building and operating projects. As a result, $98,014,070 was reclassified from project assets to property, plant and equipment and will be depreciated over 20 years.

(j) Business combination

Business combinations are recorded using the acquisition method of accounting and, accordingly, the acquired assets and liabilities are recorded at their fair market value at the date of acquisition. Any excess of acquisition cost over the fair value of the acquired assets and liabilities, including identifiable intangible assets, is recorded as goodwill.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Assets acquisition

When the Company acquires other entities, if the assets acquired and liabilities assumed do not constitute a business, the transaction is accounted for as an asset acquisition. Assets are recognized based on the cost, which generally includes the transaction costs of the asset acquisition, and no gain or loss is recognized unless the fair value of noncash assets given as consideration differs from the assets' carrying amounts on the Company's books. The costs of asset acquisitions generally include the direct transaction costs of the asset acquisition. If the consideration given is not in the form of cash (that is, in the form of noncash assets, liabilities incurred, or equity interests issued), measurement is based on either the cost to the acquiring entity or the fair value of the assets (or net assets) acquired, whichever is more clearly evident and, thus, more reliably measurable. The cost of a group of assets acquired in an asset acquisition is allocated to the individual assets acquired or liabilities assumed based on their relative fair value and does not give rise to goodwill.

(l) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. The cost of property, plant and equipment comprises its purchase price and any directly attributable costs, including interest costs capitalized during the period the asset is brought to its working condition and location for its intended use. The Company expenses repair and maintenance costs as incurred.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	20 years
Leasehold improvements	Over the shorter of the lease term or their estimated useful lives
Machinery	5-10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years
Solar power systems	20 years

Costs incurred in constructing new facilities, including progress payments, capitalized interests and other costs relating to the construction, are capitalized and transferred to property, plant and equipment on completion and depreciation commences from that time.

For property, plant and equipment that has been placed into service, but is subsequently idled temporarily, the Company continues to record depreciation expense during the idle period. The Company adjusts the estimated useful life of the idled assets if the estimated useful life has changed.

(m) Intangible assets

Intangible assets primarily represent the technical know-how and computer software purchased from third parties. Intangible assets are recorded at fair value at the time of acquisition less

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

accumulated amortization, if applicable. Amortization is recorded according to the following table on a straight-line basis for all intangible assets:

Technical know-how	10 years
Computer software	1-10 years

(n) Prepaid land use rights

Prepaid land use rights represent amounts paid for the Company's lease for the use right of lands located in Changshu City, Suzhou City, and Luoyang City of People's Republic of China ("PRC"). Amounts are charged to earnings ratably over the term of the lease of 50 years.

(o) Investments in affiliates

The Company holds equity investments in affiliates, for which it does not have a controlling financial interest but has the ability to exercise significant influence over the operating and financial policies of the investee. These investments are accounted for under equity method of accounting wherein the Company records its proportionate share of the investees' income or loss in its consolidated financial statements.

Investments are evaluated for impairment when facts or circumstances indicate that the fair value of the investment is less than its carrying value. An impairment is recognized when a decline in fair value is determined to be other-than-temporary. The Company reviews several factors to determine whether a loss is other-than-temporary. These factors include, but are not limited to, the: (i) nature of the investment; (ii) cause and duration of the impairment; (iii) extent to which fair value is less than cost; (iv) financial conditions and near term prospects of the affiliates; and (v) ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. During the years ended December 31, 2012, 2013 and 2014, the Company recorded impairment charges on its investments of $1.1 million, nil and nil, respectively.

(p) Impairment of long-lived assets

The Company assesses the recoverability of the carrying value of long-lived assets when an indicator of impairment has been identified. The Company reviews the long-lived assets each reporting period to assess whether impairment indicators are present. For purposes of recognition and measurement of an impairment loss, a long-lived asset or assets is grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For long-lived assets, when impairment indicators are present, the Company compares undiscounted future cash flows, including the eventual disposition of the asset group at market value, to the asset group's carrying value to determine if the asset group is recoverable. Assessments also consider changes in asset group utilization, including the temporary idling of capacity and the expected timing of placing this capacity back into production. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Company will recognize an impairment loss based on the fair value of the assets. The Company recorded impairment

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

charges for property, plant and equipment of nil, $3,664,556 and $1,572,635 for the years ended December 31, 2012, 2013 and 2014, respectively.

(q) Interest capitalization

The Company capitalizes interest costs as part of the historical costs of acquiring or constructing certain assets during the period of time required to get the assets ready for their intended use or sell the asset to a customer. Interest capitalized for property, plant and equipment is depreciated over the estimated useful life of the related asset, as the qualifying asset is placed into service. The Company capitalizes interest costs to the extent that expenditures to acquire, construct, or develop an asset have occurred and interest costs have been incurred. The interest capitalized forms part of the cost of revenues when such project assets are sold. Interest capitalization ceases once a project is substantially complete or no longer undergoing construction activities to prepare it for its intended use.

(r) Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(s) Income taxes

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net tax loss carry-forwards and credits using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on the characteristics of the underlying assets and liabilities, or the expected timing of their use when they do not relate to a specific asset or liability.

Income tax expense includes (i) deferred tax expense, which generally represents the net change in the deferred tax asset or liability balance during the year plus any change in valuation allowances; (ii) current tax expense, which represents the amount of tax currently payable to or receivable from a taxing authority; and (iii) non-current tax expense, which represents the increases and decreases in amounts related to uncertain tax positions from prior periods and not settled with cash or other tax attributes. The Company only recognizes tax benefits related to uncertain tax positions when such positions are more likely than not of being sustained upon examination. For such positions, the amount of tax benefit that the Company recognizes is the largest amount of tax benefit that is more than fifty percent likely of being sustained upon the ultimate settlement of such uncertain tax position. The

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Company records penalties and interests associated with the uncertain tax positions as a component of income tax expense.

(t) Revenue recognition

Solar power products

The Company recognizes revenues for solar product sales when persuasive evidence of an arrangement exists, delivery of the product has occurred and title and risk of loss has passed to the customers, the sales price is fixed or determinable and the collectability of the resulting receivable is reasonably assured. If collectability is not reasonably assured, the Company recognizes revenue only upon collection of cash. Revenues also include reimbursements received from customers for shipping and handling costs. Sales agreements typically contain the customary product warranties but do not contain any post-shipment obligations nor any return or credit provisions.

A majority of the Company's contracts provide that products are shipped under the term of free on board ("FOB"), ex-works, or cost, insurance and freight ("CIF") and delivered duty paid ("DDP"). Under FOB, the Company fulfills its obligation to deliver when the goods have passed over the ship's rail at the named port of shipment. The customer has to bear all costs and risks of loss or damage to the goods from that point. Under ex-works, the Company fulfills its obligation to deliver when it has made the goods available at its premises to the customer. The customer bears all costs and risks involved in taking the goods from the Company's premises to the desired destination. Under CIF, the Company must pay the costs, marine insurance and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel, is transferred to the customer when the goods pass the ship's rail in the port of shipment. Under DDP, the Company is responsible for making a safe delivery of goods to a named destination, paying all transportation expenses and the duty. The Company bears the risks and costs associated with supplying the goods to the delivery location.

As of December 31, 2012, 2013 and 2014, the Company had inventories of $18.4 million, $8.2 million and $7.5 million, respectively, relating to sales to customers where revenues were not recognized because the collection of payment was not reasonably assured. The delivered products remain as inventories on consolidated balance sheets, regardless of whether title has been transferred. In such cases, the Company recognizes revenue, adjusts inventories and recognizes cost of revenues when payment is collected from customers.

Revenues from sales to customers are recorded net of estimated returns.

The Company enters into toll manufacturing arrangements in which the Company receives cells and returns finished modules. In such cases, the title of the cells received and risk of loss remains with the seller. As a result, the Company does not recognize inventory on the consolidated balance sheets. The Company recognizes a service fee as revenue when the processed modules are delivered. During the years ended December 31, 2012, 2013 and 2014, the Company recognized revenue of $7,911,733, $13,952,550 and $16,577,901, respectively, under toll manufacturing arrangements.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

EPC services

The Company uses the percentage-of-completion method to recognize revenues for which the Company provides EPC services, unless the Company cannot make reasonably dependable estimates of the costs to complete the contract, in which case the Company would use the completed contract method. The percentage-of-completion method is considered appropriate in circumstances in which reasonably dependable estimates can be made and in which all the following conditions exist: (i) contracts executed by the parties normally include provisions that clearly specify the enforceable rights regarding goods or services to be provided and received by the parties, the consideration to be exchanged, and the manner and terms of settlement; (ii) the buyer can be expected to satisfy all obligations under the contract; and (iii) the contractor can be expected to perform all contractual obligations. The Company uses the cost-to-cost method to measure the percentage of completion and recognize revenue based on the estimated progress to completion. The Company periodically revises its profit estimates based on changes in facts, and immediately recognizes any losses that are identified on contracts. Incurred costs include all direct material, labor, subcontractor cost, and other associated costs. The Company recognizes job material costs as incurred costs when the job materials have been permanently attached or fitted to the solar power projects as required by the engineering design. The construction periods normally extend beyond six months and less than one year.

Solar power projects

The Company recognizes revenue from the sale of project assets in accordance with ASC 360-20, Real Estate Sales. For these transactions, the Company has determined that the project assets, which represent the costs of constructing solar power projects, represent "integral" equipment and as such, the entire transaction is in substance the sale of real estate and subject to the revenue recognition guidance under ASC 360-20 Real Estate Sales. The Company records the sale as revenue using one of the following revenue recognition methods, based upon evaluation of the substance and form of the terms and conditions of such real estate sales arrangements: (i) Full accrual method. The Company records revenue for certain sales arrangements after construction of discrete portions of a project or after the entire project is substantially complete. The Company recognizes revenue and profit using the full accrual method when all of the following requirements are met: (a) the sales are consummated; (b) the buyer's initial and continuing investments are adequate to demonstrate its commitment to pay; (c) the receivable is not subject to any future subordination; and (d) the Company has transferred the usual risk and rewards of ownership to the buyer. Specifically, the Company considers the following factors in determining whether the sales have been consummated: (a) the parties are bound by the terms of a contract; (b) all consideration has been exchanged; (c) permanent financing for which the seller is responsible has been arranged; and (d) all conditions precedent to closing have been performed, and the Company does not have any substantial continuing involvement with the project.
(ii) Percentage-of-completion method. The Company applies the percentage-of-completion method, as further described below, to certain real estate sales arrangements where the Company conveys control of land or land rights, (a) when a sale has been consummated; (b) the Company has transferred the usual risks and rewards of ownership to the buyer; (c) the initial and continuing investment criteria have been met; (d) the Company has the ability to estimate its costs and progress toward completion, and (e) all other revenue recognition criteria have been met. The initial and continuing investment

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

requirements, which demonstrate a buyer's commitment to honor their obligations for the sales arrangement, can typically be met through the receipt of cash or an irrevocable letter of credit from a highly creditworthy lending institution. When evaluating whether the usual risks and rewards of ownership have transferred to the buyer, the Company considers whether it has or may be contingently required to have any prohibited forms of continuing involvement with the project. Prohibited forms of continuing involvement in a real estate sales arrangement may include the Company retaining risks or rewards associated with the project that are not customary with the range of risks or rewards that an EPC contractor may assume. (iii) Installment method. Depending on whether the initial and continuing investment requirements have been met, and whether collectability from the buyer is reasonably assured, the Company may align its revenue recognition and release of project assets or deferred project costs to cost of sales with the receipt of payment from the buyer if the sale has been consummated and the Company has transferred the usual risks and rewards of ownership to the buyer.

During 2014, the Company recognized $754.2 million and $137.7 million of revenue from the sale of solar power projects using the full accrual method and percentage-of-completion method, respectively.

The Company allocates revenue for transactions involving multiple-element arrangements to each unit of accounting on a relative fair value basis. The Company estimates fair value on each unit of accounting on the following basis (i) vendor-specific objective evidence of selling price, if it exists, otherwise, (ii) third-party evidence of selling price. If neither (i) nor (ii) exists, management's best estimate of the selling price for that unit of accounting is used. The Company recognizes revenue for each unit of accounting when the revenue recognition criteria have been met.

Electricity revenue

The Company recognizes electricity revenue when persuasive evidence of an arrangement exists, electricity has been generated and transmitted to the grid, the price of electricity is fixed or determinable and the collectability of the resulting receivable is reasonably assured.

The Company recognizes government subsidy of electricity revenue generated from solar power systems when the condition attached to it has been met and there is reasonable assurance that the grant will be received. During the year ended December 31, 2014, the Company recognized government subsidy of $1,979,214 related to electricity generated from solar power systems in revenue.

(u) Shipping and handling costs

Payments received from customers for shipping and handling costs are included in net revenues. Shipping and handling costs relating to sales of $41,902,327, $33,937,727 and $55,671,167, are included in selling expenses for the years ended December 31, 2012, 2013 and 2014, respectively.

(v) Research and development

Research and development costs are expensed when incurred and amounted to $12,998,122, $11,684,993 and $12,056,951 for the years ended December 31, 2012, 2013 and 2014, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(w) Advertising expenses

Advertising expenses are expensed when incurred and amounted to $11,874,452, $4,669,237 and $6,581,392 for the years ended December 31, 2012, 2013 and 2014, respectively.

(x) Warranty cost

Before June 2009, the Company typically sold its standard solar modules with a two-year guarantee for defects in materials and workmanship and a 10-year and 25-year warranty against declines of more than 10% and 20%, respectively, from the initial minimum power generation capacity at the time of delivery. In June 2009, the Company increased its warranty against defects in materials and workmanship to six years. Effective August 1, 2011, the Company has increased its warranty against defects in materials and workmanship to ten years and the Company guarantee that, for a period of 25 years, its standard solar modules will maintain the following performance levels: (i) during the first year, the actual power output of the module will be no less than 97% of the labeled power output; (ii) from year 2 to year 24, the actual annual power output decline of the module will be no more than 0.7%; and (iii) by the end of year 25, the actual power output of the module will be no less than 80% of the labeled power output.

In resolving claims under the workmanship warranty, the Company has the option of remedying through repair, refurbishment or replacement of equipment. In resolving claims under the performance warranty, the Company has the right to repair or replace solar modules, at the Company's option.

For utility-scale solar power projects built by the Company, the Company provides a limited workmanship or balance of system warranty against defects in engineering design, installation and construction under normal use, operation and service conditions for a period of up to five years following the energizing of the solar power plant. In resolving claims under the workmanship or balance of system warranty, the Company has the option of remedying through repair, refurbishment or replacement of equipment. The Company has entered into similar workmanship warranties with its suppliers to back up its warranties.

The Company maintains warranty reserves to cover potential liabilities that could arise under these guarantees and warranties. Due to limited warranty claims to date, the Company accrues the estimated costs of warranties based on an assessment of its competitors' and its own actual claim history, industry-standard accelerated testing, estimates of failure rates from the Company's quality review, and other assumptions that the Company believes to be reasonable under the circumstances. Actual warranty costs are accumulated and charged against the accrued warranty liability. To the extent that accrual for warranty costs differs from the estimates, the Company will prospectively revise its accrual rate. The Company currently records a 1% warranty provision against the revenue for sales of solar power products.

In April 2010, the Company began entering into agreements with a group of insurance companies with high credit ratings to back up its warranties. Under the terms of the insurance policies, which are designed to match the terms of its solar module product warranty policy, the insurance companies are obliged to reimburse the Company, subject to certain maximum claim limits and certain deductibles, for the actual product warranty costs that the Company incurs under the terms of its solar module product

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

warranty policy. The Company records the insurance premiums initially as prepaid expenses and amortizes them over the respective policy period of one year. Each prepaid policy provides insurance against warranty costs for panels sold within that policy year. The unamortized carrying amount is $3,061,879, $1,082,500 and $1,196,313 as of December 31, 2012, 2013 and 2014, respectively and was included as a component of prepaid expenses and other current assets.

The warranty obligations the Company records relate to defects that existed when the product was sold to the customer. The event which the Company is insured against through its insurance policies is the sale of products with these defects. Accordingly, the Company views the insured losses attributable to the shipment of defective products covered under its warranty as analogous to potential claims, or claims that have been incurred as of the product ship date, but not yet reported. The Company expects to recover all or a portion of its obligation through insurance claims. Therefore, the Company's accounting policy is to record an asset for the amount determined to be probable of recovery from the insurance claims (not to exceed the amount of the total losses incurred), consistent with the guidance set forth at ASC 410-30.

The Company considers the following factors in determining whether an insurance receivable that is probable and recoverability can be reasonably estimated: (i) reputation and credit rating of the insurance company; (ii) comparison of the solar module product warranty policy against the terms of the insurance policies, to ensure valid warranty claims submitted by customers will be covered by the policy and therefore reimbursed by the insurance companies; and (iii) with respect to specific claims submitted, written communications from the insurance company are monitored to ensure the claim has been promptly submitted to and accepted by the insurance company, and reimbursements have been subsequently collected. The successfully processed claims provide further evidence that the insurance policies are functioning as anticipated.

To the extent uncertainties regarding the solvency of insurance carriers or the legal sufficiency of insurance claims (including if they became subject to litigation) were to arise, the Company will establish a provision for uncollectible amounts based on the specific facts and circumstances. To date, no provision had been determined to be necessary. In addition, to the extent that accrual for warranty costs differs from the estimates and the Company prospectively revises its accrual rate, this change may result in a change to the amount expected to be recovered from insurance.

As the warranty obligation and related recovery asset do not meet the criteria for offsetting, the gross amounts are reported in the Company's consolidated balance sheets. The asset is expected to be realized over the life of the warranty obligation, which is 25 years and is treated as a non-current asset consistent with the underlying warranty obligation. When a specific claim is submitted, and the corresponding insurance proceeds will be collected within twelve months of the balance sheet date, the Company will reclassify that portion of the receivable as being current. The insurance receivable amounts were $27,942,735 and $43,401,623 at the end of 2013 and 2014, respectively, and were included as a component of other non-current assets.

The Company made downward adjustments to its accrued warranty costs of $31,413,301 and other non-current assets of $17,691,653, for the year ended December 31, 2013, to reflect the general declining trend of the average selling price of solar modules, which is a primary input into the

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

estimated warranty costs. Accrued warranty costs (net effect of adjustments) of $12,516,349, $(16,464,540) and $18,569,972 are included in cost of revenues for the years ended December 31, 2012, 2013 and 2014, respectively.

(y) Redeemable non-controlling interests

Redeemable non-controlling interests are equity interests in common stock of consolidated subsidiaries that have redemption features that are not solely within the Company's control. These interests are classified as temporary equity because their redemption is considered probable. These interests are measured at the greater of estimated redemption value at the end of each reporting period or the initial carrying amount of the redeemable non-controlling interests adjusted for cumulative earnings allocations.

(z) Foreign currency translation

The United States dollar ("U.S. dollar" or "$"), the currency in which a substantial amount of the Company's transactions are denominated, is used as the functional and reporting currency of CSI. Monetary assets and liabilities denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the U.S. dollar during the year are converted into the U.S. dollar at the applicable rates of exchange prevailing on the transaction date. Transaction gains and losses are recognized in the consolidated statements of operations. Gains and losses on intra-entity foreign currency transactions that are of a long-term-investment nature (that is, settlement is not planned or anticipated in the foreseeable future) between consolidated entities are not recognized in earnings, but are included as a component of other comprehensive income.

The financial records of certain of the Company's subsidiaries are maintained in local currencies other than the U.S. dollar, such as Renminbi ("RMB"), Euro, Canadian dollar ("CAD") and Japanese yen, which are their functional currencies. Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as foreign currency translation adjustment and are shown as a separate component of other comprehensive income in the statements of comprehensive income.

(aa) Comprehensive income

Comprehensive income includes all changes in equity except those resulting from investments by owners and distributions to owners. For the years presented, total comprehensive income included (i) net income, (ii) foreign currency translation adjustments and (iii) gains and losses on intra-entity foreign currency transactions that are of a long-term-investment nature (that is, settlement is not planned or anticipated in the foreseeable future) between consolidated entities.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(ab) Foreign currency risk

The RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China foreign exchange trading system market. The Company's cash and cash equivalents and restricted cash denominated in RMB amounted to $491,288,121, $497,510,242 and $574,530,687 as of December 31, 2012, 2013 and 2014, respectively.

The prepayments made by the Company are unsecured and expose the Company to supplier credit risk. As of December 31, 2013 and 2014, gross prepayments made to individual suppliers in excess of 10% of total advances to suppliers are as follows:

	At December 31, 2013	At December 31, 2014
	$	$
Supplier A	18,506,251	16,268,349
Supplier B	10,497,138	10,459,225
Supplier C	9,840,223	9,804,708
Supplier D	2,904,207	9,389,406

(ad) Fair value of derivatives and financial instruments

The Company estimates fair value of financial assets and liabilities as the price that would be received from the sale of an asset or paid to transfer a liability (i.e., an exit price) on the measurement date in an orderly transaction between market participants. The fair value measurement guidance establishes a three-level fair value hierarchy that prioritizes the inputs into the valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority, Level 1, to measurements based on unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority, Level 3, to measurements based on unobservable inputs and classifies assets and liabilities with limited observable inputs or observable inputs for similar assets or liabilities as Level 2 measurement. When available, the Company uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Company measures fair value using valuation techniques that use when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

(ae) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing income (loss) attributable to holders of common shares by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per common share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares. Common share equivalents are not included in the calculation of dilutive earnings per share if their effects are anti-dilutive.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(af) Share-based compensation

The Company's share-based compensation with employees, such as share options, restricted shares and restricted share units ("RSUs"), is measured at the grant date, based on the fair value of the award, and is recognized as compensation expense, net of estimated forfeitures, over the period during which an employee is required to provide service in exchange for the award, which is generally the vesting period.

(ag) Recently issued accounting pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, a new pronouncement which amends the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment. The amendments in the ASU are effective in the first quarter of 2015. Early adoption is permitted. The Company does not expect the adoption of ASU 2014-08 to have a significant impact on our financial statement disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards. An entity has the option to apply the provisions of ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application. ASU 2014-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2016, and early adoption is not permitted. The Company is still in the process of assessing the potential financial impact to the Company.

In June 2014, the FASB issued ASU 2014-12, a new pronouncement which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The Company does not expect the adoption of ASU 2014-12 to have a significant impact on our financial statement disclosures.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40)—Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 provides guidance regarding management's responsibility to (i) evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and (ii) provide related footnote disclosures. ASU 2014-15 is effective for fiscal years and interim periods within those years beginning after December 15, 2016. The Company does not expect the adoption of ASU 2014-15 to have a significant impact on our financial statement disclosures.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810)—Amendments to the Consolidation Analysis. ASU 2015-02 modifies existing consolidation guidance related to (i) limited partnerships and similar legal entities, (ii) the evaluation of variable interests for fees paid to decision makers or service providers, (iii) the effect of fee arrangements and related parties on the primary beneficiary determination, and (iv) certain investment funds. These changes are expected to limit the number of consolidation models and place more emphasis on risk of loss when determining a controlling financial interest. ASU 2015-02 is effective for fiscal years and interim periods within those years beginning after December 15, 2015. The Company is still in the process of assessing the potential financial impact to the Company.

3. ACQUISITION

Acquisition of Projects 16

On April 17, 2012, the Company entered into a purchase agreement with a group of sellers ("Seller") under which the Company acquired 97% of the common shares and non-voting tracking shares in 16 solar power projects, representing approximately 190-200 MW (DC) from Seller. Each of these projects was awarded a 20-year power purchase contract by the Ontario Power Authority. Fifteen of these contracts were issued under Ontario's FIT program, and one was issued as part of Ontario's Renewable Energy Standard Offer Program. The following table summarized the total consideration the Company paid as at the closing date.

Cash consideration	186,716,547
Fair value of the issuance of warrant, net of cash received	7,774,990
Total consideration paid	$ 194,491,537

The Company has allocated the total consideration between the tangible assets and project assets on the consolidated balance sheets.

As a part of the consideration, the Company issued a warrant (the "Warrant") which entitled the Seller to acquire 9.90% of the Company's outstanding common shares. The Warrant will not be exercisable until the expiry of one year from the closing date (June 15, 2012), and will expire on the fifth anniversary of the closing date. The exercise price of the warrant is $5.0. The exercise price is subject to standard anti-dilution adjustments.

The fair market value of the Warrant was determined on the grant date through the binomial option pricing model using the following assumptions:

	As of June 15, 2012
Risk free rate	1.76%
Volatility ratio	93.50%
Dividend yield	—

In June 2013, the Seller exercised the Warrant in accordance with the terms contained therein.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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3. ACQUISITION (Continued)

As the non-voting tracking shares issued by the solar power projects were still held by the Seller on the closing date, and 97% of them are redeemable by the Company upon satisfaction of certain conditions, the non-voting tracking shares are considered puttable equity instruments with a redemption feature that is not solely within the Company's control, and accordingly presented as redeemable non-controlling interests on the consolidated balance sheets.

Acquisition of SunEdison Projects

On December 26, 2012, the Company acquired 100% interest in two utility-scale solar power projects in Ontario, Canada from SunEdison Power Canada Inc. ("SunEdison") with the total consideration of $20.5 million. The Company recorded them as project assets on the consolidated balance sheets. On February 8, 2013, the Company acquired 100% interest in a utility-scale solar power project in Ontario, Canada with a total capacity of approximately 10.5 MW (DC) from SunEdison with consideration of $8.8 million. On June 28, 2013, the Company acquired 100% interest in another utility-scale solar power project in Ontario, Canada with a total capacity of approximately 12 MW (DC) from SunEdison for consideration of $9.1million. The Company recorded them as project assets on the consolidated balance sheets. As of December 31, 2014, all of the SunEdison projects have been sold.

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for doubtful accounts are comprised of allowances for accounts receivable trade, advances to suppliers and other receivables.

An analysis of allowances for accounts receivable, trade for the years ended December 31, 2012, 2013 and 2014 is as follows:

	Years Ended December 31,		
	2012	2013	2014
	$	$	$
Beginning of the year	9,505,481	47,582,217	38,482,827
Allowances made (reversed) during the year, net	43,240,595	(1,897,423)	(5,843,084)
Accounts written-off against allowances	(5,325,908)	(7,877,676)	(8,677)
Foreign exchange effect	162,049	675,709	(814,166)
Closing balance	47,582,217	38,482,827	31,816,900

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(In U.S. dollars)

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS (Continued)

An analysis of allowances for advances to suppliers for the years ended December 31, 2012, 2013 and 2014 is as follows:

	Years Ended December 31,		
	2012	2013	2014
	$	$	$
Beginning of the year	38,123,721	38,545,487	40,046,830
Allowances made (reversed) during the year, net	370,622	855,066	4,349
Foreign exchange effect	51,144	646,277	(2,315,751)
Closing balance	38,545,487	40,046,830	37,735,428

An analysis of allowances for other receivables for the years ended December 31, 2012, 2013, 2014 is as follows:

	Years Ended December 31,		
	2012	2013	2014
	$	$	$
Beginning of the year	—	756,062	887,024
Allowances made (reversed) during the year, net	752,928	107,533	(52,671)
Foreign exchange effect	3,134	23,429	(4,751)
Closing balance	756,062	887,024	829,602

5. INVENTORIES

Inventories consist of the following:

	At December 31, 2013	At December 31, 2014
	$	$
Raw materials	52,610,348	95,223,795
Work-in-process	25,181,639	33,207,222
Finished goods	153,365,824	303,894,102
	231,157,811	432,325,119

In 2012, 2013 and 2014, inventory was written down by $3,085,529, $714,558 and $16,950,524, respectively, to reflect the lower of cost or market measurement.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

6. PROJECT ASSETS

Project assets consist of the following:

	At December 31, 2013	At December 31, 2014
	$	$
Project assets—Acquisition cost	244,636,069	119,060,212
Project assets—EPC and other cost	260,361,532	185,450,721
	504,997,601	304,510,933
Current portion	344,161,805	235,228,186
Non-current portion	160,835,796	69,282,747

The Company recorded impairment charges for project assets of $nil, $1,557,734 and $2,311,164 for the years ended December 31, 2012, 2013 and 2014, respectively.

7. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consist of the following:

	At December 31, 2013	At December 31, 2014
	$	$
Buildings	179,807,928	182,888,575
Solar power systems	—	75,344,514
Leasehold improvements	5,790,852	6,848,620
Machinery	456,349,087	459,271,771
Furniture, fixtures and equipment	36,549,260	36,526,271
Motor vehicles	2,954,325	3,365,166
	681,451,452	764,244,917
Accumulated depreciation	(283,885,686)	(349,315,817)
Impairment	(3,675,254)	(1,604,737)
	393,890,512	413,324,363
Construction in process	13,714,467	56,024,846
Property, plant and equipment, net	407,604,979	469,349,209

Depreciation expense of property, plant and equipment was $80,644,322, $79,726,604 and $81,068,252 for the years ended December 31, 2012, 2013 and 2014, respectively. Construction in process primarily represents production facilities under construction and the machinery under installation.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

8. INTANGIBLE ASSETS, NET

The following summarizes the Company's intangible assets:

As of December 31, 2014	Gross Carrying Amount	Accumulated Amortization	Net
	$	$	$
Technical know-how	1,621,897	(1,130,136)	491,761
Computer software	10,715,227	(4,601,193)	6,114,034
Total intangible assets, net	12,337,124	(5,731,329)	6,605,795

As of December 31, 2013	Gross Carrying Amount	Accumulated Amortization	Net
	$	$	$
Technical know-how	1,627,777	(1,004,715)	623,062
Computer software	7,490,070	(2,456,199)	5,033,871
Total intangible assets, net	9,117,847	(3,460,914)	5,656,933

Amortization expense for the years ended December 31, 2012, 2013 and 2014 were $754,148, $1,094,637 and $1,559,202, respectively.

Amortization expenses of the above intangible assets is expected to be approximately $1.4 million, $1.2 million, $0.9 million, $0.8 million and $2.3 million for the years ended December 31, 2015, 2016, 2017, 2018, 2019 and thereafter, respectively.

9. FAIR VALUE MEASUREMENT

As of December 31, 2013 and 2014, information about inputs into the fair value measurements of the Company's assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

	Fair Value Measurements Using			
As of December 31, 2014	Total Fair Value and Carrying Value on the Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	$	$	$	$
Assets:				
Foreign exchange forward contracts	9,642,728	—	9,642,728	—
Liabilities:				
Foreign exchange forward contracts	445,222	—	445,222	—

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

9. FAIR VALUE MEASUREMENT (Continued)

As of December 31, 2013	Total Fair Value and Carrying Value on the Balance Sheets	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	$	$	$	$
Assets:				
Foreign exchange forward contracts	7,323,422	—	7,323,422	—
Liabilities:				
Foreign exchange forward contracts	597,089	—	597,089	—

The Company's foreign currency derivative instruments relate to foreign exchange option or forward contracts involving major currencies such as Japanese yen, Euro, Canadian dollar and Renminbi. Since its derivative instruments are not traded on an exchange, the Company values them using valuation models. Interest rate yield curves and foreign exchange rates are the significant inputs into these valuation models. These inputs are observable in active markets over the terms of the instruments the Company holds, and accordingly, the fair value measurements are classified as Level 2 in the hierarchy. The Company considers the effect of its own credit standing and that of its counterparties in valuations of its derivative financial instruments.

The Company measures certain long-lived assets or long-term investments at fair value on a non-recurring basis in periods after initial measurement in circumstances when the fair value of such assets is below its recorded cost and impairment is required.

In accordance with ASC 360, the Company's mono-crystalline ingot furnaces with a carrying value of $5.8 million was written down to its fair value $2.1 million, resulting an impairment charge of $3.7 million included in general and administrative expenses in the consolidated statements of operations for the year ended December 31, 2013. The Company recorded impairment charges for certain idle assets of $1,567,954 for the years ended December 31, 2014. The fair value of the assets or investment was measured based on prices offered by unrelated third-party willing buyers and classified as level 3 fair value measurements as the offering prices are not observable.

The Company also holds financial instruments that are not recorded at fair value in the consolidated balance sheets, but whose fair value is required to be disclosed under U.S. GAAP.

The carrying value of cash and cash equivalents, restricted cash, trade receivables, billed and unbilled, amount due from a related party, accounts and short-term notes payable, due to related parties, and short-term borrowings approximate their fair value due to the short-term maturity of these instruments. Long-term borrowings of $151,391,572 and $134,299,521 as of December 31, 2013 and 2014 respectively, which approximate their fair value since these borrowings contain variable interest rates. The fair value of long-term borrowings was measured based on discounted cash flow approach, which is classified as level 2 as the key input can be corroborated with market data.

The carrying value of the Company's outstanding convertible notes as of December 31, 2014 was $150.0 million.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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9. FAIR VALUE MEASUREMENT (Continued)

Depending on the terms of the specific derivative instruments and market conditions, some of the Company's derivative instruments may be assets and others liabilities at any particular point in time.

The Company's primary objective for holding derivative financial instruments is to manage currency risk. The recognition of gains or losses resulting from changes in fair value of those derivative instruments is based on the use of each derivative instrument and whether it qualifies for hedge accounting.

The Company entered into certain foreign currency derivative contracts to protect against volatility of future cash flows caused by the changes in foreign exchange rates. The foreign currency derivative contracts do not qualify for hedge accounting and, as a result, the changes in fair value of the foreign currency derivative contracts are recognized in the consolidated statements of operations. The Company recorded a gain (loss) on foreign currency derivative contracts of $(4,369,173), $10,764,226 and $19,656,236 for the years ended December 31, 2012, 2013 and 2014, respectively.

The effect of fair value of derivative instruments on the consolidated balance sheets as of December 31, 2013 and 2014 and the effect of derivative instruments on consolidated statements of operations for the years ended December 31, 2013 and 2014 are as follows:

	Fair Value of Derivatives Asset			
	At December 31, 2013		At December 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
		$		$
Foreign exchange forward contracts	Foreign currency derivative assets	7,323,422	Foreign currency derivative assets	9,642,728

	Fair Value of Derivatives Liability			
	At December 31, 2013		At December 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
		$		$
Foreign exchange forward contracts	Foreign currency derivative liabilities	597,089	Foreign currency derivative liabilities	445,222

	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives		
		Years Ended December 31		
		2012	2013	2014
		$	$	$
Foreign exchange option contracts	Gain(Loss) on change in foreign currency derivatives	428,340	304,582	—
Foreign exchange forward contracts	Gain(Loss) on change in foreign currency derivatives	(4,797,513)	10,459,644	19,656,236
Total		(4,369,173)	10,764,226	19,656,236

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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10. INVESTMENTS IN AFFILIATES

Investments in affiliates consist of the following:

	At December 31,			
	2013		2014	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
	$	(%)	$	(%)
Suzhou Gaochuangte New Energy Co., Ltd.	7,123,976	40	7,112,103	40
CSI SkyPower	3,813,133	50	3,532,851	50
GCL-CSI (Suzhou) Photovoltaic Technology Co., Ltd.	2,584,143	10	3,310,861	10
Foto Light LP ("Foto Light")	—		2,389,722	5
Discovery Light LP ("Discovery Light")	—		2,125,176	5
Others	20,549,236	21-50	20,352,071	21-50
Total	34,070,488		38,822,784	

On December 17, 2009, CSI Cells Co., Ltd. ("SZCC", or "CSI Cells") established a joint venture, Suzhou Gaochuangte New Energy Co., Ltd., ("Gaochuangte"), for total cash consideration of $2,929,020. SZCC holds a 40% voting interests and one of the three board members is designated by SZCC and, as such, SZCC is considered to have significant influence over the investee. On July 4, 2011, Gaochuangte increased its share capital, and SZCC paid $3,118,800 in proportion to its ownership percentage.

On July 4, 2011, CSI Solar Power (China) Inc. ("SZSP") acquired a 10% interests in a joint venture, GCL-CSI (Suzhou) Photovoltaic Technology Co., Ltd, for cash consideration of $2,548,827. SZSP is able to exercise significant influence over the investee through its representative in the board.

On May 23, 2012, CSI established a joint venture, CSI SkyPower, for cash consideration of $3,428,751. In August 2013, CSI SkyPower increased its share capital, and CSI paid $4,000,045 in proportion to its ownership percentage. CSI holds a 50% voting interests and two of four board members are designated by CSI and, as such, CSI is considered to have significant influence over the investee.

On September 25, 2012, CSI Project Holdco, LLC ("USPH") acquired 21% equity interests in 9 separate utility-scale solar power projects from a third party by contribution of solar modules with an aggregate book value of $2,122,225. These equity interests were recorded at the carrying value of the modules contributed.

On September 27, 2012, USPH acquired equity interests of 30.3% and 28.3% in 2 separate utility-scale solar power projects, respectively, from a third party, by contribution of solar modules with an aggregate book value of $2,204,008. These equity interests were recorded at the carrying value of the modules contributed.

In September, 2012, USPH also acquired 21% equity interests in 12 separate utility-scale solar power projects and 30% equity interests in 3 separate utility-scale solar power projects from a third party by contribution of solar modules with an aggregate book value of $11,548,614. In the second

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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10. INVESTMENTS IN AFFILIATES (Continued)

quarter of 2013, 5 solar power projects increased their share capital, and USPH contributed solar modules with an aggregate book value of $5,791,202 in proportion to its ownership percentage. These equity interests were recorded at the carrying value of the modules contributed.

In December, 2014, CSI sold its 95% equity interests in two projects, Discovery Light and Foto Light to a third party buyer. The Company still held 5% equity interests of these two projects.

Equity in earnings (loss) of unconsolidated investees was $(1,969,306), $(3,064,006) and $487,346 for the years ended December 31, 2012, 2013 and 2014, respectively.

11. BORROWINGS

	At December 31, 2013	At December 31, 2014
	$	$
Bank borrowings	929,904,076	859,812,259
Analysis as:		
Short-term	588,765,154	655,925,862
Long-term, current portion	136,449,641	37,201,847
Subtotal for short-term	725,214,795	693,127,709
Long-term, non-current portion	142,653,448	103,611,101
Borrowings from non-banking institutions	62,035,833	63,073,449
Analysis as:		
Short-term	53,297,709	14,708,285
Long-term, current portion	—	17,676,744
Long-term, non-current portion	8,738,124	30,688,420
Total	929,904,076	859,812,259

As of December 31, 2014, the Company had contractual bank credit facilities of $760,604,494, of which $64,585,507 has been drawn down with the due dates beyond December 31, 2015, $521,811,874 has been drawn down with the due dates before December 31, 2015 and $174,207,112 was available for draw down upon demand. In addition, as of December 31, 2014, the Company also had non-binding bank credit facilities of $416,020,871, of which $352,410,374 has been drawn down with the due dates before December 31, 2015 and $63,610,497 was subject to banks' discretion upon request for additional drawn down.

As of December 31, 2014, short-term borrowings of $194,070,677 and long-term borrowings of $58,968,175 were secured by property, plant and equipment with carrying amounts of $202,198,318, inventories of $49,715,280, prepaid land use rights of $5,248,225 and project assets of $80,616,777.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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11. BORROWINGS (Continued)

a) Short-term

The Company's short-term borrowings consist of the following:

	At December 31, 2013	At December 31, 2014
	$	$
Bank borrowings		
Short-term bank borrowings secured by restricted cash	69,840,000	120,772,338
Short-term bank borrowings secured by inventories	32,905,247	35,881,746
Short-term bank borrowings guaranteed by Dr. Shawn Qu	30,161,927	57,419,443
Short-term bank borrowings secured by prepaid land use rights and property, plant and equipment	108,781,908	91,270,262
Short-term bank borrowings secured by project assets	28,035,954	45,148,851
Short-term bank borrowings secured by bank notes	36,420,800	—
Unsecured short-term borrowings	282,619,318	305,433,222
Long-term borrowings due within one year		
Long-term borrowings due within one year secured by prepaid land use rights and property, plant and equipment	19,926,520	5,033,502
Long-term borrowings due within one year secured by project assets	49,821,157	586,630
Long-term borrowings due within one year secured by restricted cash	—	19,400,000
Unsecured long-term borrowings due within one year	66,701,964	12,181,715
	725,214,795	693,127,709
Borrowings from non-banking institutions		
Long-term borrowings due within one year secured by project assets	—	16,149,686
Unsecured long-term borrowings due within one year	—	1,527,059
Unsecured short-term borrowings	53,297,709	14,708,284
	53,297,709	32,385,029
Total	778,512,504	725,512,738

The average interest rate on short-term borrowings was 4.67% and 4.63% per annum for the years ended December 31, 2013 and 2014, respectively. The short-term borrowings are repayable within one year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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11. BORROWINGS (Continued)

b) Long-term

The Company's long-term borrowings consist of the following:

	At December 31, 2013	At December 31, 2014
	$	$
Bank borrowings		
Unsecured long-term bank borrowings	62,664,031	50,162,122
Long-term bank borrowings secured by project assets	60,589,417	43,748,979
Long-term bank borrowings secured by restricted cash	19,400,000	9,700,000
Borrowings from non-banking institutions		
Long-term borrowings secured by project assets	7,590,000	15,219,196
Unsecured long-term borrowings	1,148,124	15,469.224
Total	151,391,572	134,299,521

The average interest rate on long-term borrowings was 6.15% and 6.32% per annum for the years ended December 31, 2013 and 2014, respectively.

Future principal repayment on the long-term borrowings are as follows:

2015	54,878,591
2016	57,778,769
2017	36,450,149
2018	7,304,681
2019 and thereafter	32,765,922
Total	189,178,112
Less: future principal repayment related to long-term borrowings, current portion	(54,878,591)
Total long-term portion	$ 134,299,521

On October 29, 2011, CSI Cells Co., Ltd. entered into a syndicated loan agreement with local Chinese commercial banks, denominated in RMB. The latest renewed total credit facility under this agreement equaled $73,165,550. The facility bears the base interest rate published by People's Bank of China for the same maturity for RMB denominated borrowings and the interest under both tranches is due quarterly in arrears. Outstanding borrowings under this agreement equaled $61,640,791 at December 31, 2014, which requires repayment of $11,524,759, $25,229,613, and $24,886,419 in 2015, 2016, and 2017 respectively. The borrowing under the agreement is guaranteed by CSI Solar Power (China) Inc., Canadian Solar Manufacturing (Luoyang) Inc. and Canadian Solar Manufacturing (Changshu) Inc. The agreement does not contain any financial covenants or restrictions.

11. BORROWINGS (Continued)

On October 28, 2013, CSI Cells Co., Ltd., entered into a loan agreement, denominated in RMB, with a state-owned trust company about research of solar photovoltaic technology. The total credit facility under this agreement equaled $1,143,978, which requires repayment of $1,148,124 in 2016. The loan is free of interest and does not contain any financial covenants or restrictions.

On June 26, 2012, Canadian Solar Japan K.K. entered into a loan agreement with a Japanese bank for working capital, denominated in Japanese yen. The latest renewed total credit facility under the agreement equaled $267,191, which has a maturity of 36 months. Outstanding borrowings under this agreement were $267,191 at December 31, 2014, which requires the repayment of $267,191 in 2015. The borrowing bears a fixed rate of 0.9% and does not contain any financial covenants or restrictions.

On February 28 2013, Canadian Solar Japan K.K. entered into a loan agreement with a Japanese bank for working capital, denominated in Japanese yen. The latest renewed total credit facility under this agreement equaled $435,855. The facility bears a fixed rate of 1.45% per year and requires repayment of $32,480 each month. The outstanding borrowings under this agreement equaled $435,855 at December 31, 2014, which requires repayment of $389,765, and $46,090 in 2015 and 2016 respectively. The agreement does not contain any financial covenants or restrictions.

On May 20, 2013, CSI Solar Manufacture Inc. and Tumushuke CSI New Energy Development Co., Ltd., the Company's 100% owned subsidiaries, entered into a loan agreement with a local Chinese bank, denominated in RMB, for construction of a solar power project in China. The latest renewed total credit facility under this agreement equaled $36,035,300 which requires repayment of $3,186,795, $3,105,083, $3,105,083, $3,268,508 and $23,369,831 in 2015, 2016, 2017, 2018, 2019 and thereafter, respectively. Interest is due quarterly in arrears. The outstanding balance as of December 31, 2014 equaled $36,035,300, which was guaranteed by CSI Solar Power (China) Inc. and secured by the project assets of Tumushuke CSI New Energy Development Co., Ltd. The borrowing bears a floating rate equal to the base interest rate published by People's Bank of China with the same maturities, which was 6.550% as of December 31, 2014 for loans of more than 5 years. The borrowing also contains financial covenants which require that the ratio of liabilities to assets of CSI Solar Manufacture Inc. and Tumushuke CSI New Energy Development Co., Ltd. shall not exceed 75%. As at December 31, 2014, the Company met all the requirements of the financial covenants.

On November 25, 2013, Canadian Solar International Limited entered into a loan agreement with a Chinese commercial bank overseas branch, denominated in U.S. dollars, for general working capital purposes. Outstanding borrowings under this agreement were $29,100,000 at December 31, 2014, which requires repayment of $19,400,000, and $9,700,000 in 2015 and 2016 respectively. The borrowing bears a floating interest rate equal to LIBOR+1.8% and the agreement does not contain any financial covenants or restrictions.

On December 4, 2013, Canadian Solar International Project 1 Limited, the Company's 100% owned subsidiary, entered into a loan agreement with, denominated in U.S. dollars, Harvest North Star Capital. The total credit facility under this agreement was $40,000,000 and will be used to finance the development of several ground-mounted solar power projects in Japan. Outstanding borrowings under this agreement equaled $34,335,015 at December 31, 2014, which requires repayment of $17,676,744 and $16,658,271 in 2015 and 2016 respectively. The loan is secured by project assets and guaranteed by

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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11. BORROWINGS (Continued)

Canadian Solar Inc. and bears 12.5% per annum rate. The agreement does not contain any financial covenants or restrictions.

On Aug 28, 2013, CSI Solar Power (China) Inc. entered into a financing agreement, denominated in RMB, with China Development Bank, Suzhou Branch, or CDB, pursuant to which CDB agreed to provide $7,517,568, in long-term construction financing for the construction of solar power projects in Suzhou National New and High-tech Industrial Development Zone. Outstanding borrowings under this agreement equaled $7,517,568 at December 31, 2014, which requires repayment of $1,143,978, $1,143,978, $1,143,978, $1,143,978, and $2,941,656 in 2015, 2016, 2017, 2018, 2019 and thereafter, respectively. The loan is secured by project assets and guaranteed by Canadian Solar Inc. and bears 6.55% per annum rate. The borrowing also contains financial covenants which require that the ratio of liabilities to assets of CSI Solar Power (China) Inc. shall not exceed 80% and the annual consolidated revenue shall exceed RMB 5 billion. As at December 31, 2014, the Company met all the requirements of the financial covenants.

On Nov 14, 2013, CSI Photovoltaic Energy (Sihong) Inc., the Company's 100% owned subsidiary, entered into a financing agreement, denominated in RMB, with CDB, pursuant to which CDB agreed to provide $5,229,613, in long-term construction financing to us for the construction of solar power projects in Sihong, Jiangsu. Outstanding borrowings under this agreement equaled $5,229,613 at December 31, 2014, which requires repayment of $702,729, $751,757, $751,757, $784,442, and $2,238,928 in 2015, 2016, 2017, 2018, 2019 and thereafter, respectively. The loan is secured by project assets and guaranteed by CSI Solar Power (China) Inc. and bears 6.878% per annum rate. The borrowing also contains financial covenants which require that the ratio of liabilities to assets of CSI Photovoltaic Energy (Sihong) Inc. shall not exceed 75%. As at December 31, 2014, the Company met all the requirements of the financial covenants.

On Jun 25, 2014, CSI-GCL (Yancheng) Solar Manufacturing Co., Ltd. entered into a financing agreement, denominated in RMB, with Jiangsu Haixin Energy Development Co., Ltd., or Haixin, pursuant to which Haixin agreed to provide $44,124,857, in long-term construction financing for the construction of solar power projects and production line construction in Yancheng, Jiangsu. The facility is composed of two tranches. The first tranche has a credit limit of $24,513,809, which requires repayment within three years and was for working capital purposes. The second tranche has a credit limit of $19,611,048 for the expansion of solar cell production capacity. As of December 31, 2014, CSI-GCL (Yancheng) Solar Manufacturing Co., Ltd. has drawn $6,684,524 and $6,201,647 respectively from the first and the second tranche. Both of the tranches are free of security and interest and the agreement does not contain any financial covenants or restrictions. The total outstanding borrowings under this agreement equaled $12,886,171 at December 31, 2014, which requires repayment of $6,201,647, $2,228,175, and $4,456,349 in 2017, 2018, 2019 and thereafter respectively. The agreement does not contain any financial covenants or restrictions.

On Feb 25, 2014, Glenarm LP,2172839 Ontario Corp, the Company's 100% owned subsidiary, entered into a financing agreement, denominated in Canadian dollars, with Natixis Bank, pursuant to which Natixis Bank agreed to provide $585,630, in long-term construction financing for the construction of solar power projects. Outstanding borrowings under this agreement were $585,630 at December 31,

11. BORROWINGS (Continued)

2014, which requires repayment of $585,630 in 2015. The loan is secured by project assets and bears 3.750% per annum rate. The agreement does not contain any financial covenants or restrictions.

c) Interest expense

The Company capitalized interest costs incurred into the Company's project assets or property, plant and equipment as follows during the years ended December 31, 2012, 2013 and 2014:

	Years Ended December 31		
	2012	2013	2014
	$	$	$
Interest capitalized—project assets	4,631,569	17,292,847	10,304,555
Interest capitalized—property, plant and equipment	670,374	347,791	203,067
Interest expense	53,304,640	46,244,456	48,905,848
Total interest incurred	58,606,583	63,885,094	59,413,470

12. SHORT-TERM NOTES PAYABLE

The Company enters into arrangements with banks whereby the banks issue notes to the Company's vendors, which effectively serve to extend the payment date of the associated accounts payable. Vendors may present the notes for payment to a bank, including the bank issuing the note, prior to the stated maturity date, but generally at a discount from the face amount of the note. The Company is generally required to deposit restricted cash balances with the issuing bank, which are utilized to immediately repay the bank upon the banks' settlement of the notes. Given the purpose of these arrangements is to extend the payment dates of accounts payable, the Company has recorded such amounts as short-term notes payable. As payments by the bank are immediately repaid by the Company's restricted cash balances and other deposits with that same bank, the notes payable do not represent cash borrowings from the bank and, as such, the associated cash payments have been recorded by the Company as an operating activity in the consolidated statements of cash flows. As of December 31, 2013 and 2014, short-term notes payable was $358,570,263 and $388,052,424, respectively.

13. ACCRUED WARRANTY COSTS

The Company's warranty activity is summarized below:

	Years Ended December 31,		
	2012	2013	2014
	$	$	$
Beginning balance	47,021,352	58,334,424	40,604,652
Warranty provision	12,516,349	(16,464,540)	18,569,972
Warranty costs incurred	(1,185,260)	(950,626)	(2,995,595)
Exchange effect	(18,017)	(314,606)	(1,534,768)
Ending balance	58,334,424	40,604,652	54,644,261

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

14. RESTRICTED NET ASSETS

As stipulated by the relevant laws and regulations applicable to China's foreign investment enterprise, the Company's PRC subsidiaries are required to make appropriations from net income as determined under accounting principles generally accepted in the PRC ("PRC GAAP") to non-distributable reserves, which include a general reserve, an enterprise expansion reserve and staff welfare and bonus reserve. The wholly-owned PRC subsidiaries are not required to make appropriations to the enterprise expansion reserve but appropriations to the general reserve are required to be made at not less than 10% of the profit after tax as determined under PRC GAAP. The board of directors determines the staff welfare and bonus reserve.

The general reserve is used to offset future losses. The subsidiaries may, upon a resolution passed by the stockholder, convert the general reserve into capital. The staff welfare and bonus reserve is used for the collective welfare of the employee of the subsidiaries. The enterprise expansion reserve is for the expansion of the subsidiaries' operations and can be converted to capital subject to approval by the relevant authorities. These reserves represent appropriations of the retained earnings determined in accordance with Chinese law.

In addition to the general reserve, the Company's PRC subsidiaries are required to obtain approval from the local PRC government prior to distributing any registered share capital. Accordingly, both the appropriations to general reserve and the registered share capital of the Company's PRC subsidiaries are considered as restricted net assets amounting to $393,532,526 as of December 31, 2014.

15. CONVERTIBLE NOTES

On February 18, 2014, the Company issued $130,000,000 of convertible notes (the "2014 Notes"). The Company granted the initial purchasers a 30-day option to purchase up to an additional US$20,000,000 aggregate principal amount of the 2014 Notes. On February 18, 2014, the option was fully exercised by initial purchasers. The key terms of the 2014 Notes are described as follows:

Maturity date. The 2014 Notes mature on February 15, 2019.

Interest. The 2014 Note holders are entitled to receive interest at 4.25% per annum on the principal outstanding, in semi-annually installments, payable in arrears on February 15 and August 15 of each year, beginning August 15, 2014..

Conversion. The initial conversion rate is 22.2222 shares per $1,000 initial principal amount, which represents an initial conversion price of approximately $45.00 per share. The 2014 Notes are convertible at any time prior to maturity. The conversion rate is subject to change for certain anti-dilution events and upon a change in control. If the holders elect to convert the 2014 Notes upon a change of control, the conversion rate will increase by a number of additional shares as determined by reference to an adjustment schedule based on the date on which the change in control becomes effective and the price paid per common share in the transaction (referred to as the "Fundamental Change Make-Whole Premium"). The Fundamental Make-Whole Premium is intended to compensate holders for the loss of time value upon early exercise.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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15. CONVERTIBLE NOTES (Continued)

Redemption. The Company may redeem for cash all or any portion of the notes, (i) at the Company's option, on or after February 21, 2017 if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption or (ii) following the occurrence of certain tax related events, in each case, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

As of December 31, 2014, the carrying value of the convertible notes was $150,000,000. Issuance costs amounted to $ 5,103,441. The debt issuance costs are being amortized through interest expense over the period from February 18, 2014, the date of issuance, to February 15, 2019, the date of expiration, using the effective interest rate method which was 4.98% for the year ended December 31, 2014. The amortization expense was $793,574 for the year ended December 31, 2014. Coupon interest of $5,521,205 was recorded for the year ended December 31, 2014, of which, $2,386,830 was not paid and was recorded in other current liabilities.

16. INCOME TAXES

The provision for income taxes is comprised of the following:

	Years Ended December 31,		
	2012	2013	2014
	$	$	$
Income (Loss) before Income Tax			
Canada	2,616,980	41,700,153	248,666,430
Other	(203,205,487)	11,503,569	72,650,567
	(200,588,507)	53,203,722	321,316,997
Current Tax			
Canada	2,447,930	1,694,557	17,721,440
Other	13,249,752	9,989,086	29,017,566
	15,697,682	11,683,643	46,739,006
Deferred Tax			
Canada	1,713,862	11,493,561	40,894,769
Other	(22,844,954)	(15,538,418)	(10,202,862)
	(21,131,092)	(4,044,857)	30,691,907
Total Income Tax (Benefit) Expense			
Canada	4,161,792	13,188,118	58,616,209
Other	(9,595,202)	(5,549,332)	18,814,704
	(5,433,410)	7,638,786	77,430,913

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

16. INCOME TAXES (Continued)

The Company mainly operates in Canada, PRC, Japan, Germany, the United States and Hong Kong.

Canada

The Company was incorporated in Ontario, Canada and is subject to both federal and Ontario provincial corporate income taxes at a rate of 26.5% for the years ended December 31, 2012, 2013 and 2014.

Canadian Solar Solutions Inc. was incorporated in Ontario, Canada and is subject to both federal and Ontario provincial corporate income taxes at a rate of 26.5%, 26.5% and 25% for the years ended December 31, 2012, 2013 and 2014, respectively.

United States

Canadian Solar (USA) Inc. was incorporated in Delaware, USA and is subject to federal, California, and other states' corporate income taxes at a rate of 35.55%, 38.10% and 37.95% for the years ended December 31, 2012, 2013 and 2014, respectively.

Japan

Canadian Solar Japan K.K. was incorporated in Japan and is subject to Japanese corporate income taxes at a normal statutory rate of approximately 40.69%, 38.01% and 35.64% for the years ended December 31, 2012, 2013 and 2014, respectively.

Germany

Canadian Solar EMEA GmbH was incorporated in Munich, Germany and is subject to German corporate income tax at a rate of approximately 33% for the years ended December 31, 2012, 2013 and 2014, respectively.

Hong Kong

Canadian Solar International Ltd. ("HKSI") was incorporated in Hong Kong, China, and is subject to Hong Kong profits tax at a rate of 16.5% for the years ended December 31, 2012, 2013 and 2014, respectively.

PRC

The other major operating subsidiaries, including CSI Solartronics (Changshu) Co., Ltd., CSI Solar Technologies Inc., CSI Cells Co., Ltd., Canadian Solar Manufacturing (Luoyang) Inc., CSI Solar Power (China) Inc. and Canadian Solar Manufacturing (Changshu) Inc., and Suzhou Sanysolar Materials Technology Co., Ltd. were governed by the PRC Enterprise Income Tax Law ("new EIT Law").

Under the new EIT Law, both foreign-invested enterprises and domestic enterprises are subject to a uniform enterprise income tax rate of 25%. The new EIT Law also provides a five-year transition

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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16. INCOME TAXES (Continued)

period for those enterprises established before the promulgation date of the new EIT Law and were entitled to preferential tax treatment under the previous tax law. Enterprises that were subject to an enterprise income tax rate lower than 25% will have the new uniform enterprise income tax rate of 25% phased in over a five-year period from the effective date of the EIT Law. Enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires, subject to certain limitations.

Accordingly, the enterprise income tax rates applicable to the Company's major operating subsidiaries in China are summarized as follows:

Company	Applicable enterprise income tax rate under the new EIT Law
CSI Solartronics (Changshu) Co., Ltd.	25%
CSI Solar Technologies Inc.	25% for 2013 and onwards; 12.5% for 2012 (half reduction of 25%)
CSI Cells Co., Ltd.	25% for 2013 and onwards; 15% for 2012 resulting from its High and New Technology Enterprise ("HNTE") status
Canadian Solar Manufacturing (Luoyang) Inc.	25% for 2012 and onwards;
Canadian Solar Manufacturing (Changshu) Inc.	25% for 2013 and onwards; 12.5% for 2012 (half reduction of 25%)
CSI Solar Power (China) Inc.	25%
Suzhou Sanysolar Materials Technology Co., Ltd.	15% for 2015, 2014 and 2013 resulting from its HNTE status; 25% for 2012

The Company makes an assessment of the level of authority for each of its uncertain tax positions (including the potential application of interest and penalties) based on their technical merits, and has measured the unrecognized benefits associated with such tax positions. This liability is recorded as liability for uncertain tax positions in the consolidated balance sheets. In accordance with its policies, the Company accrues and classifies interest and penalties associated with such unrecognized tax benefits as a component of its income tax provision. The amount of interest and penalties accrued as of December 31 2013 and 2014 was $4,191,070 and $4,734,706, respectively. The Company does not anticipate any significant changes to its liability for unrecognized tax positions within the next 12 months.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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16. INCOME TAXES (Continued)

The following table illustrates the movement and balance of the Company's liability for uncertain tax positions (excluding interest and penalties) for the years ended December 31, 2012, 2013 and 2014, respectively.

	Years Ended December 31,		
	2012	2013	2014
	$	$	$
Beginning balance	9,453,041	11,242,208	13,000,601
Addition for tax positions related to the current year	1,789,167	1,806,512	402,548
Reductions for tax positions from prior years/Statute of limitations expirations	—	(48,119)	(2,558,867)
Ending balance	11,242,208	13,000,601	10,844,282

The Company is subject to taxation in various jurisdictions where it operates, mainly including Canada and China. Generally, the Company's taxation years from 2007 to 2013 are open for reassessment to the Canadian tax authorities. The Company's taxation years from 2004 through 2014 are subject to examination by the Chinese tax authorities due to its permanent establishment in China.

According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of income taxes has resulted from the computational errors of the taxpayer. The statute of limitations could be extended to five years under special circumstances. Though not being clearly defined, a special circumstance would suffice where any underpayment of income taxes exceeds RMB100,000. For income tax adjustments relating to transfer pricing matters, the statute of limitations is ten years. Therefore, the Company's Chinese subsidiaries might be subject to reexamination by the Chinese tax authorities on non-transfer pricing matters for taxation years up to 2009 retrospectively, and on transfer pricing matters for taxation years up to 2004 retrospectively. There is no statute of limitations in case of tax evasion in China.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

16. INCOME TAXES (Continued)

The components of the deferred tax assets and liabilities are presented as follows:

	At December 31, 2013	At December 31, 2014
	$	$
Deferred tax assets:		
Accrued warranty costs	9,249,470	10,508,762
Bad debt allowance	13,418,947	9,318,321
Issuance costs	491,570	1,596,677
Inventory write-down	4,451,285	5,308,475
Depreciation difference of property, plant and equipment	23,431,856	26,148,567
Accrued liabilities related to countervailing and anti-dumping duty deposits	—	13,850,162
Deferred tax assets relating to sale of solar power plants	—	21,096,549
Net operating losses carry-forward	93,376,674	65,876,351
Others	4,858,010	6,947,306
Total deferred tax assets	149,277,812	160,651,170
Valuation allowance	(57,189,659)	(52,984,988)
Total deferred tax assets, net of valuation allowance	92,088,153	107,666,182
Analysis as:		
Current	29,137,910	40,810,322
Non-current	62,950,243	66,855,860
	92,088,153	107,666,182
Deferred tax liabilities:		
Foreign currency derivative assets	1,538,914	1,166,646
Depreciation difference of property, plant and equipment	5,598,193	5,264,152
Deferred profit of projects	15,236,918	70,359,704
Basis difference related to SkyPower acquisition	58,664,950	26,459,081
Others	922,772	1,806,298
Total deferred tax liabilities	81,961,747	105,055,881
Analysis as:		
Current	57,918,099	94,710,638
Non-current	24,043,648	10,345,243
	81,961,747	105,055,881

16. INCOME TAXES (Continued)

Movement of the valuation allowance is as follows:

	Years Ended December 31,		
	2012	2013	2014
	$	$	$
Beginning balance	39,745,271	54,140,359	57,189,659
Additions (Reversals)	14,530,536	4,670,785	(4,411,223)
Foreign exchange effect	(135,448)	(1,621,485)	206,552
Ending balance	54,140,359	57,189,659	52,984,988

As of December 31, 2014, the Company has accumulated net operating losses of $331,359,665, of which $120,172,850 will expire between 2015 and 2032, and the remaining can be carried forward indefinitely.

The Company considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will not be realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carry-forward periods, the Company's experience with tax attributes expiring unused and tax planning alternatives. The Company has considered the following possible sources of taxable income when assessing the realization of deferred tax assets:

- Tax planning strategies;
- Future reversals of existing taxable temporary differences;
- Further taxable income exclusive of reversing temporary differences and carry-forwards;

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible for tax purposes. As a result, the Company has recognized a valuation allowance of $57,189,659 and $52,984,988 as at December 31, 2013 and 2014, respectively.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

16. INCOME TAXES (Continued)

Reconciliation between the provision for income tax computed by applying Canadian federal and provincial statutory tax rates to income before income taxes and the actual provision and benefit for income taxes is as follows:

	Years Ended December 31,		
	2012	2013	2014
Combined federal and provincial income tax rate	27%	27%	27%
Expenses not deductible for tax purpose	(1)%	—	—
Effect of different tax rate of subsidiary operations in other jurisdiction	(7)%	1%	(2)%
Unrecognized tax benefits	(1)%	5%	—
Valuation allowance	(14)%	5%	(1)%
Change of tax rates in subsequent years	—	(23)%	—
Exchange gain (loss)	(1)%	—	—
	3%	15%	24%

In accordance with the EIT Law, dividends, which arise from profits of foreign invested enterprises earned after January 1, 2008, are subject to a 10% withholding income tax. Under applicable accounting principles, a deferred tax liability should be recorded for taxable temporary difference attributable to excess of financial reporting basis over tax basis in the investment in a foreign subsidiary. However, a deferred tax liability is not recognized if the basis difference is not expected to reverse in the foreseeable future and is expected to be permanent in duration. As of December 31, 2014, all of the undistributed earnings of approximately $155.6 million attributable to the Company's PRC subsidiaries and affiliates are considered to be permanently reinvested, and no provision for PRC withholding income tax on dividend has been made thereon accordingly. Upon distribution of those earnings generated after January 1, 2008, in the form of dividends or otherwise, the Company would be subject to the then applicable PRC tax laws and regulations. Distributions of earnings generated before January 1, 2008 are exempt from PRC dividend withholding tax. The amounts of unrecognized deferred tax liabilities for these earnings are in the range of $7.7 million to $15.3 million, as the withholding tax rate of the profit distribution will be 5% or 10% depends on whether the immediate offshore companies can enjoy the preferential withholding tax rate of 5%.

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(In U.S. dollars)

17. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings (loss) per share for the years indicated:

	Years Ended December 31,		
	2012	2013	2014
	(In U.S. dollars, except share and per share data)		
Numerator:			
Net income (loss) attributable to Canadian Solar Inc.—basic	$ (195,468,691)	$ 31,659,276	$ 239,501,317
Dilutive effect of convertible notes interest	—	—	4,641,363
Net income attributable to Canadian Solar Inc.—diluted	(195,468,691)	31,659,276	244,142,680
Denominator:			
Denominator for basic calculation—weighted average number of common shares—basic	43,190,778	46,306,739	54,408,037
Diluted effects of share number from share options and RSUs	—	4,081,545	2,051,601
Dilutive effects of share number from convertible notes	—	—	2,894,977
Denominator for diluted calculation—weighted average number of common shares—diluted	43,190,778	50,388,284	59,354,615
Basic earnings (loss) per share	$ (4.53)	$ 0.68	$ 4.40
Diluted earnings (loss) per share	$ (4.53)	$ $0.63	$ 4.11

The following table sets forth anti-dilutive shares excluded from the computation of diluted earnings (loss) per share for the years indicated.

	Years Ended December 31,		
	2012	2013	2014
Share options and RSUs	4,288,008	434,529	95,422
Warrant	4,273,102	—	—
	8,561,110	434,529	95,422

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(In U.S. dollars)

18. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances:

The amount due from related party of $4,216,925 as of December 31, 2014 consists of (i) a trade receivable of $1,499,294 fromGaochuangte, the Company's 40% owned affiliate, for solar power products sold, (ii) prepayments for bidding of $2,717,631 to the affiliate CSI Skypower, the Company's 50% owned affiliate. No amount was due as of December 31, 2014.

The amount due from related party of $4,688,692 as of December 31, 2013 is a trade receivable from the affiliate Gaochuangte, the Company's 40% owned affiliate, for module products sold.

The amount due to related party of $17,592,403 as of December 31, 2014 consists of (i) a government award of $81,713, payable to Dr. Shawn Qu, Chairman, President, Chief Executive Officer, and major shareholder of the Company, which was initially paid to the Company, (ii) a trade payable of $17,510,690 to Gaochuangte for the EPC service fees.

The amount due to related party of $19,871,718 as of December 31, 2013 consists of (i) a government award of $360,839, payable to Dr. Shawn Qu, which was initially paid to the Company, and (ii) a trade payable of $19,510,879 to Gaochuangte for the EPC service fees.

Related party transactions:

Guarantees and loans

Dr. Shawn Qu fully guaranteed a one-year RMB1,001 million, RMB1,866 million and RMB888 million ($145.1 million) loan facilities from Chinese commercial banks in 2012, 2013 and 2014, respectively. Amounts drawn down from the facilities as at December 31, 2013 and 2014 were $30,167,927 and $145,095,321, respectively.

In January 2014, Dr. Shawn Qu loaned the Company an aggregate of $25.0 million at an interest rate of 4.27%. The Company repaid the loans, including interest of $112,087.5 in January and February 2014. As of December 31, 2014, the Company had no outstanding borrowings with Dr. Shawn Qu.

In May, June and August of 2013, Dr. Shawn Qu loaned the Company an aggregate of $13.0 million at an interest rate of 4.27%. The Company fully repaid the loans, including interest of $241,729 in November and December 2013 and subsequently had no outstanding borrowings with Dr. Shawn Qu.

In October 2014, SZSP guaranteed loan facilities from Chinese banks for GCL-CSI (Suzhou) Photovoltaic Technology Co., Ltd of $6,077 (RMB37.2 million) in total due within three years.

Sales and purchase contracts with affiliates

In 2014, the Company sold solar power products to Gaochuangte in the amount of $2,568,369 (RMB15,739,750).

In 2013, the Company sold solar power products to Gaochuangte in the amount of $16,390,032 (RMB100,879,336).

CANADIAN SOLAR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(In U.S. dollars)

18. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

In 2014, the Company incurred costs of $5,514,704 (RMB33,884,201) to Gaochuangte for EPC services related to the Company's solar power projects. These amounts were recorded in project assets.

In 2013, the Company incurred costs of $53,288,764 (RMB330,254,003) to Gaochuangte for EPC services related to the Company's solar power projects. These amounts were recorded in project assets.

19. COMMITMENTS AND CONTINGENCIES

a) Operating lease commitments

The Company has operating lease agreements principally for its office properties in the PRC, Canada, Japan and the United States. Such leases have remaining terms ranging from 4 to 220 months and are renewable upon negotiation. Rental expenses were $8,618,436, $9,603,086 and $12,187,251 for the years ended December 31, 2012, 2013 and 2014, respectively.

Future minimum lease payments under non-cancelable operating lease agreements at December 31, 2014 were as follows:

Year Ending December 31:	$
2015	3,418,705
2016	3,168,452
2017	2,944,690
2018	1,561,373
2019	1,561,373
Thereafter	1,174,110
Total	13,828,703

b) Property, plant and equipment purchase commitments

As of December 31, 2014, short-term commitments for the purchase of property, plant and equipment were $30,751,637.

c) Supply purchase commitments

In order to secure future solar wafers supply, the Company has entered into long-term supply agreements with suppliers in the past several years. Under such agreements, the suppliers agreed to provide the Company with specified quantities of solar wafers, and the Company has made prepayments to the suppliers in accordance with the supply contracts.

Total purchases under the long-term agreements were approximately $143,109,363, $213,833,248 and $143,197,346 during the years ended December 31, 2012, 2013 and 2014, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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19. COMMITMENTS AND CONTINGENCIES (Continued)

The following is a schedule, by year, of future minimum obligation, using market prices as of December 31, 2014, under all supply agreements as of December 31, 2014:

Year Ending December 31:	$
2015	$ 403,660,729

d) Contingencies

Deutsche Solar AG

In 2007, the Company entered into a twelve-year wafer supply agreement with Deutsche Solar AG, under which the Company was required to purchase a contracted minimum volume of wafers at pre-determined fixed prices and in accordance with a pre-determined schedule, commencing January 1, 2009. The fixed prices may be adjusted annually at the beginning of each calendar year by Deutsche Solar AG to reflect certain changes in their material costs. The agreement also contains a take-or-pay provision, which requires the Company to pay the contracted amount regardless of whether the Company acquires the contracted annual minimum volumes. In 2009, the Company did not meet the minimum volume requirements under the agreement. Deutsche Solar AG agreed that the Company could fulfill its fiscal 2009 purchase obligation in fiscal 2010. In 2010, the Company fulfilled its 2009 purchase commitment under the agreement but did not meet the minimum purchase obligation for 2010. In 2011, the Company did not meet its purchase commitment for the respective years. The Company believes that the take-or-pay provisions of the agreement are void under German law and, accordingly, as of December 31, 2010 had not accrued for the full $21,143,853 that would otherwise be due under the take-or-pay provision of the agreement. Rather, the Company assumed that it would be permitted to purchase its 2010 contracted quantity, in addition to its 2011 contracted quantity, in fiscal 2011 and had included the purchase obligation for both years in its evaluation of the loss on the long-term purchase commitments. The Company did not record a loss on firm purchase commitments in any of the three years ended December 31, 2014.

In December 2011, Deutsche Solar AG gave notice to the Company to terminate the twelve-year wafer supply agreement with immediate effect. Deutsche Solar AG justified the termination with alleged breach of the agreement by the Company. In the notice, Deutsche Solar AG also reserved its right to claim damage of Euro148.6 million in court. The agreement was terminated in 2011. As a result, the Company reclassified the accrued loss on firm purchase commitments reserve of $27,862,017 as of December 31, 2011 to loss contingency accruals. In addition, the Company made a full bad debt allowance of $17,408,593 against the balance of its advance payments to Deutsche Solar as a result of the termination of the long-term supply contract. As of December 31, 2014, the accrued amount of $26,205,679 represents the Company's best estimate for its loss contingency. Deutsche Solar did not specify the basis for its claimed damage of Euro 148.6 million in the notice.

LDK

In 2007, the Company entered into a three-year agreement with Jiangxi LDK Solar Hi-Tech Co., Ltd., or LDK, under which the Company purchased specified quantities of silicon wafers

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19. COMMITMENTS AND CONTINGENCIES (Continued)

and LDK converted the Company's reclaimed silicon feedstock into wafers. In June 2008, the Company entered into two long-term supply purchase agreements with LDK in which the Company was required to purchase a contracted minimum volume of wafers at pre-determined fixed prices and in accordance with a pre-determined schedule. In April 2010, the Company sent a notice to LDK and announced termination of these two contracts. In July 2010, the Company filed a request for arbitration against LDK with the Shanghai Branch of the China International Economic and Trade Arbitration Commission, or CIETAC Shanghai Branch. In its arbitration request, the Company asked LDK to refund (i) an advance payment of RMB10.0 million that it had made to LDK pursuant to a three-year wafer supply agreement between CSI Cells and LDK entered into in October 2007 and (ii) two advance payments totaling RMB50.0 million that CSI Cells had made to LDK pursuant to two ten-year supply agreements between CSI Cells and LDK entered into in June 2008. The first hearing was held in October 2010, during which the Company and LDK exchanged and reviewed the evidence. After the first hearing, LDK counterclaimed against the Company, seeking for (i) forfeiture of the three advance payments totaling RMB60.0 million that CSI Cells had made to LDK pursuant to the October 2007 and June 2008 agreements; (ii) compensation of approximately RMB377.0 million or the loss due to the alleged breach of the June 2008 agreements by CSI Cells; (iii) a penalty of approximately RMB15.2 million due to the alleged breach of the June 2008 agreements by CSI Cells; and (iv) arbitration expenses up to RMB4.7 million. The second hearing was held on March 9, 2011, during which the parties presented arguments to the arbitration commission. The arbitration commission hosted a settlement discussion between the parties on May 13, 2011. In December of 2012, CIETAC Shanghai Branch awarded RMB248.9 million plus RMB2.2 million in arbitration expenses in favor of LDK in relation to the wafer supply contracts the Company entered into with LDK, including RMB60.0 million previously paid deposits. CIETAC Shanghai Branch determined that the Company had no legal grounds to cancel the long-term supply agreements. As of December 31, 2013 and 2014, the Company had provided a full allowance against the advance to LDK of $9,840,223 and $9,797,708, respectively due to the uncertainty of recovery. In December 2012, the Company made a non-cash provision totaling $30.0 million following an arbitration award made against the Company by CIETAC Shanghai Branch in favor of LDK.

In February 2013, LDK filed for enforcement proceedings against the Company with the Jiangsu Suzhou Intermediate People's Court, or the Suzhou Intermediate Court. In May 2013, the Suzhou Intermediate Court dismissed a request by LDK to enforce this arbitration award, after which LDK initiated additional proceedings against the Company in the Xinyu Intermediate People's Court, Jiangxi Province, or the Xinyu Intermediate Court, claiming that the Company's rights to the initial deposits had been forfeited. Accordingly, the Company reversed the provision of $30.0 million in the first quarter of 2013. On November 29, 2013, the Suzhou Intermediate Court vacated its decision of May 2013, or the May 2013 Decision, to dismiss a request by LDK, to enforce an arbitration award against the Company made by the former Shanghai branch of China International Economic and Trade Arbitration Commission, or CIETAC, in favor of LDK in the amount of RMB248.9 million relating to certain wafer supply contracts entered into between the Company and LDK in October 2007 and June 2008, and ruled that the case be re-adjudicated. This decision followed a request for re-adjudication issued by the Jiangsu Provincial High Court, which reviewed the May 2013 Decision and ordered the Suzhou Intermediate Court to retry the case on the grounds that its May 2013 Decision was based on

19. COMMITMENTS AND CONTINGENCIES (Continued)

insufficient legal grounds. The Suzhou Intermediate Court has already finished its hearing of this case and the Company is now waiting for the outcome. If the Suzhou Intermediate Court reverses the May 2013 Decision, the Company may be liable for a payment of RMB191.2 million to LDK. The Company has not made a provision for this amount. The Xinyu Intermediate Court, on October 18, 2013, postponed a related proceeding demanding the Company forfeit deposits of RMB25 million and RMB35 million paid to LDK in conjunction with the 2007 and 2008 supply contracts. The Xinyu Intermediate Court suspended its proceedings pending the outcome of the Suzhou Intermediate Court's re-examination of the May 2013 Decision.

In March 2014, LDK filed an application for arbitration with the CIETAC in Shanghai, seeking for (i) compensation of RMB530.0 million for economic losses (including losses of potential profits) caused by the alleged breach of the June 2008 agreements; (ii) attorney fees of RMB1.2 million; and (iii) arbitration expenses. CIETAC sent the Notice of Arbitration to the Company on April 8, 2014. The Company believes the claims stated in the new application for arbitration overlap with the previous action that CIETAC Shanghai Branch has already decided upon, and which the Suzhou Intermediate Court refused to enforce. The Company filed objection to jurisdiction to CIETAC in April 2014, but CIETAC dismissed it. Therefore, the Company counterclaimed against LDK in July 2014, seeking for (i) a refund of the advance payment of RMB35.0 million; (ii) attorney fees of RMB1.0 million; and (iii) arbitration expenses. The hearing was held in October 2014 in Shanghai. CIETAC has not yet ruled on this case.

The Company disputes the merits of the proceedings brought against it by LDK and will defend itself vigorously against these claims. No provision has been provided as of December 31, 2014.

Class Action Lawsuits

Following the two subpoenas from the SEC in 2010, six class action lawsuits were filed in the U.S. District Court for the Southern District of New York, or the New York cases, and another class action lawsuit was filed in the U.S. District Court for the Northern District of California, or the California case. The New York cases were consolidated into a single action in December 2010. On January 5, 2011, the California case was dismissed by the plaintiff, who became a member of the lead plaintiff group in the New York action. On March 11, 2011, a Consolidated Complaint was filed with respect to the New York action. The Consolidated Complaint alleges generally that the Company's financial disclosures during 2009 and early 2010 were false or misleading; asserts claims under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 thereunder; and names the Company, its chief executive officer and its former chief financial officer as defendants. The Company filed its motion to dismiss in May 2011, which was taken under submission by the Court in July 2011. On March 30, 2012, the Court dismissed the Consolidated Complaint with leave to amend, and the plaintiffs filed an Amended Consolidated Complaint against the same defendants on April 19, 2012. On March 29, 2013, the Court dismissed with prejudice a class action lawsuit filed against us and certain named defendants alleging that our financial disclosures during 2009 and early 2010 were false or misleading and in violation of federal securities law. The court found that the plaintiffs failed to adequately allege a securities law violation and granted the Company's motion to dismiss all claims against all defendants with prejudice.

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19. COMMITMENTS AND CONTINGENCIES (Continued)

On December 20, 2013, the United States Court of Appeals for the Second Circuit affirmed the district court's order dismissing such class action lawsuit.

In addition, a similar class action lawsuit was filed against the Company and certain of its executive officers in the Ontario Superior Court of Justice on August 10, 2010. The lawsuit alleges generally that the Company's financial disclosures during 2009 and 2010 were false or misleading and brings claims under the shareholders' relief provisions of the CBCA, Part XXIII.1 of the Ontario Securities Act as well as claims based on negligent misrepresentation. In December 2010, the Company filed a motion to dismiss the Ontario action on the basis that the Ontario Court has no jurisdiction over the claims and potential claims advanced by the plaintiff. The court dismissed the Company's motion on August 29, 2011. On March 30, 2012, the Ontario Court of Appeal denied the Company's appeal with regard to its jurisdictional motion. On November 29, 2012, the Supreme Court of Canada denied the Company's application for leave to appeal the order of the Ontario Court of Appeal. The plaintiff's motions for class certification and leave to assert the statutory cause of action under the Ontario Securities Act were served in January 2013 and initially scheduled for argument in the Ontario Superior Court of Justice in June 2013.However, the plaintiff's motions were adjourned in view of the plaintiff's decision to seek an order compelling the Company to file additional evidence on the motions. On July 29, 2013 the Court dismissed the plaintiff's motion to compel evidence. On September 24, 2013 the plaintiff's application for leave to appeal from the July 29 order was dismissed. In September 2014, the plaintiff obtained an order granting him leave to assert the statutory cause of action under the Ontario Securities Act for certain of his misrepresentation claims. In January 2015, the plaintiff obtained an order for class certification in respect of the claims for which he obtained leave to assert the statutory cause of action under the Ontario Securities Act, for certain negligent misrepresentation claims and for oppression remedy claims advanced under the CBCA. The Company is seeking leave to appeal from specific aspects of these two decisions. The motion for leave to appeal will be decided in 2015. The Company believes the Ontario action is without merit and the Company is defending it vigorously.

Countervailing and anti-dumping duties

In October 2011, a trade action was filed with the U.S. Department of Commerce, or USDOC, and the U.S. International Trade Commission, or USITC, by the U.S. unit of SolarWorld AG and six other U.S. firms, accusing Chinese producers of crystalline silicon photovoltaic cells, or CSPV cells, whether or not incorporated into modules, of selling their products (i.e., CSPV cells or modules incorporating these cells) into the United States at less than fair value, or dumping, and of receiving countervailable subsidies from the Chinese authorities. These firms asked the U.S. government to impose anti-dumping and countervailing duties on Chinese-origin CSPV cells. The Company was identified as one of a number of Chinese exporting producers of the subject goods to the U.S. market. The Company also has affiliated U.S. operations that import the subject goods from China.

On October 9, 2012, the USDOC issued final affirmative determinations in the anti-dumping and countervailing duty investigations. On November 7, 2012, the USITC ruled that imports of CSPV cells had caused material injury to the U.S. CSPV industry. As a result of these rulings, the Company is required to pay cash deposits on Chinese-origin CSPV cells imported into the U.S., whether alone or incorporated into modules. The announced cash deposit rates applicable to the Company were 13.94%

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19. COMMITMENTS AND CONTINGENCIES (Continued)

(anti-dumping duty) and 15.24% (countervailing duty). The Company paid all the cash deposits due under these determinations. The rates at which duties will be assessed and payable are subject to ongoing administrative reviews that are likely to conclude in July 2015 and may differ from the announced deposit rates. These duties could materially and adversely affect the Company's affiliated U.S. import operations and increase the Company's cost of selling into the United States. A number of parties have challenged the rulings of the USDOC and the USITC in appeals to the U.S. Court of International Trade. Decisions on these appeals are not expected before the end of 2015.

On December 31, 2013, the U.S. unit of SolarWorld AG filed a new trade action with the USDOC and the USITC accusing Chinese producers of certain CSPV cells and modules of dumping their products into the U.S. and of receiving countervailable subsidies from the Chinese authorities. This trade action also accused Taiwanese producers of certain CSPV cells and modules of dumping their products into the U.S.. Excluded from these new actions were those Chinese-origin solar products covered by the 2012 rulings detailed in the prior paragraphs. The Company was identified as one of a number of Chinese producers exporting subject goods to the U.S. market. The Company also has affiliated U.S. operations that import goods subject to these new investigations.

On December 16, 2014, the USDOC issued final affirmative determinations in these anti-dumping and countervailing duty investigations. On January 21, 2015, the USITC ruled that imports of these CSPV products had caused material injury to the U.S. CSPV industry. As a result of these rulings, we are required to pay cash deposits on subject CSPV imports from China. Cash deposit rates for our subject Chinese-origin products were announced as being 30.06% (anti-dumping duty) and 38.43% (countervailing duty). The rates at which duties will be assessed and payable will be subject to administrative reviews beginning in 2016. Those reviews may result in duty rates that differ from the announced deposit rates. A number of parties have appealed these USDOC and USITC rulings to the U.S. Court of International Trade. Decisions on these appeals are not expected before the end of 2015.

In 2014, a total of $39.1 million cash deposits were provided relating to countervailing and anti-dumping rulings in the U.S., of which $36.0 million were charged into cost of sales and $3.1 million remained as inventories as at December 31, 2014. Given the significant uncertainty surrounding the investigations and their ultimate resolution, the Company is unable to estimate any additional possible loss or range of loss that may arise from this action.

On September 6, 2012, following a complaint lodged by EU ProSun, an ad-hoc industry association of EU CSPV module, cell and wafer manufacturers, the European Commission initiated an anti-dumping investigation concerning imports into the EU of CSPV modules and key components (i.e., cells and wafers) originating in China. On November 8, 2012, following a complaint lodged by the same parties, the European Commission initiated an anti-subsidy investigation on these same products. In each investigation, the Company was identified as one of a number of Chinese exporting producers of these products to the EU market. The Company also has affiliated EU operations that import these products into the EU.

On December 6, 2013, the EU imposed definitive anti-dumping and countervailing measures on imports of CSPV modules and key components (i.e., cells) originating in or consigned from China. Under the terms of an undertaking entered into with the European Commission, duties are not payable

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19. COMMITMENTS AND CONTINGENCIES (Continued)

on the Company's products sold into the EU, so long as the Company respects the terms and conditions of the undertaking, including a volume ceiling and minimum import price arrangement, and until the measures expire or the European Commission withdraws the undertaking.

In February 2014, the Company filed separate actions with the General Court of the EU for annulment of the regulation imposing the definitive anti-dumping measures and of the regulation imposing the definitive countervailing measures. These actions for annulment are ongoing.

On March 5, 2015, the European Commission disclosed that it was proposing to withdraw acceptance of the undertaking as regards to the Company. In summary, the European Commission alleged that the Company (i) provided certain non-reported benefits to its customers and thereby violated the minimum price requirements, (ii) made parallel sales of modules covered and modules not covered by the undertaking to the same customers, in excess of the permissible limits, and (iii) used one original equipment manufacturer to assemble modules outside of China, rendering the monitoring of the undertaking impracticable. The Company is contesting this proposal, as it believes that none of its actions constitute a breach of its commitments. Timing for a decision is uncertain. Should the undertaking be withdrawn, duties could be assessed on imports of our modules and cells originating in or consigned from China.

In Canada, in December 2014, the Canadian government initiated concurrent anti-dumping and countervailing duties investigations on imported solar modules and laminates from China. The scope of the investigations includes thin-film and CSPV modules and laminates over 100 W but not cells. The Company completed and submitted a complete request for information response to the Canada Borer Services Agency, or CBSA, and provided views and legal arguments in opposition to a preliminary finding of injury as a domestic Canadian producer to the Canadian International Trade Tribunal. The Company submitted the data and its submitted data was subject to on-site verification by Canadian officials from March 23, 2014 to March 26, 2015. In June 2015, the CBSA will release its final determinations of dumping and subsidization and the last stage of the injury investigation will proceed by way of a hearing on the evidence of material injury and threat of injury to the domestic Canadian industry. Termination of the proceeding or a finding resulting in the imposition of duties will be announced on July 3, 2015.

20. SEGMENT INFORMATION

The Company uses the management approach to determine operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making decisions, allocating resources and assessing performance. The Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer of the Company, who reviews consolidated and segment results when making decisions about allocating resources and assessing performance of the Company.

The Company operates its business in two principal reportable business segments, i.e., module segment and energy segment. The module segment primarily involves design, development, manufacture and sales of solar power products and solar system kits. The energy segment involves solar power project development, EPC services, O&M services and electricity revenue generation. The sales

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20. SEGMENT INFORMATION (Continued)

from module segment to energy segment have terms and conditions similar to sales to third parties. The Company's CODM reviews net revenue and gross profit and does not review balance sheet information by segment.

The following table summarizes the Company's revenues and gross profit generated from each segment:

	Years Ended December 31, 2014			
	Module Segment	Energy Segment	Elimination	Total
	$	$	$	$
Net revenues	2,034,625,620	1,212,898,642	(286,897,652)	2,960,626,610
Cost of revenues	1,721,474,395	931,761,029	(273,602,190)	2,379,633,234
Gross profit	313,151,225	281,137,613	(13,295,462)	580,993,376

	Years Ended December 31, 2013			
	Module Segment	Energy Segment	Elimination	Total
	$	$	$	$
Net revenues	1,483,751,544	324,253,896	(153,649,376)	1,654,356,064
Cost of revenues	1,298,949,247	233,722,515	(154,010,669)	1,378,661,093
Gross profit	184,802,297	90,531,381	361,293	275,694,971

	Years Ended December 31, 2012			
	Module Segment	Energy Segment	Elimination	Total
	$	$	$	$
Net revenues	1,374,922,213	56,356,803	(136,449,603)	1,294,829,413
Cost of revenues	1,289,104,683	43,041,635	(127,678,335)	1,204,467,983
Gross profit	85,817,530	13,315,168	(8,771,268)	90,361,430

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20. SEGMENT INFORMATION (Continued)

The following table summarizes the Company's net revenues generated from different geographic locations. The information presented below is based on the location of customer's headquarters:

	Years Ended December 31,		
	2012	2013	2014
	$	$	$
Europe:			
—Germany	422,038,906	72,186,472	137,011,822
—United Kingdom	28,266,410	32,901,446	59,878,185
—France	18,726,891	26,405,640	9,990,167
—Netherlands	21,998,224	12,881,805	9,166,320
—Spain	71,982,482	16,135,229	1,124,816
—Others	93,446,815	19,826,057	23,086,978
	656,459,728	180,336,649	240,258,288
The Americas:			
—Canada	86,327,618	371,840,958	1,182,091,018
—United States	254,096,258	215,262,233	604,537,140
—Others	1,828,736	1,175,485	8,861,773
	342,252,612	588,278,676	1,795,489,931
Asia and other regions:			
—Japan	120,248,386	483,787,914	623,691,469
—PRC	89,120,632	199,663,742	163,657,880
—India	22,523,243	68,731,110	63,816,728
—Singapore	969,796	36,743,424	18,021,083
—Others	63,255,016	96,814,549	55,691,231
	296,117,073	885,740,739	924,878,391
Total net revenues	1,294,829,413	1,654,356,064	2,960,626,610

The following table summarizes the Company's long-lived assets, including property, plant and equipment and project assets at December 31, 2013 and 2014 by geographic region, based on the physical location of the assets:

	At December 31, 2013	At December 31, 2014
	$	$
PRC	441,711,646	438,640,711
Canada	115,404,304	29,152,090
Others	11,324,825	70,839,155
Total long-lived assets	568,440,775	538,631,956

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20. SEGMENT INFORMATION (Continued)

The following table summarizes the Company's revenues generated from each product or service:

	Years Ended December 31,		
	2012	2013	2014
	$	$	$
Solar power products	1,132,767,404	1,143,246,845	1,550,386,288
Solar system kits	92,624,999	149,767,825	104,214,589
Solar power projects	55,050,856	292,024,142	891,919,632
EPC services	658,927	29,878,653	316,571,793
Electricity	117,938	1,326,761	2,863,053
O&M services	529,082	1,024,340	1,544,164
Others	13,080,207	37,087,498	93,127,091
Total net revenues	1,294,829,413	1,654,356,064	2,960,626,610

21. MAJOR CUSTOMERS

Details of customers accounting for 10% or more of total net revenues are as follows:

	Years Ended December 31		
	2012	2013	2014
	$	$	$
Company A	—	196,538,334	218,631,492

The accounts receivable from the three customers with the largest receivable balances represents 9%, 8% and 5% of the balance of the account at December 31, 2014, and 15%, 7% and 6% of the balance of the account at December 31, 2013, respectively. The balance from the customer with the largest receivable balance is $35,569,229 and $42,655,751 as of December 31, 2014 and at December 31, 2013 respectively.

22. EMPLOYEE BENEFIT PLANS

Employees of the Company located in the PRC are covered by the retirement schemes defined by local practice and regulations, which are essentially defined contribution schemes. The calculation of contributions for these eligible employees is based on 20% of the applicable payroll cost in 2014. The expense paid by the Company to these defined contributions schemes was $5,880,203, $4,740,434 and $5,806,226 for the years ended December 31, 2012, 2013 and 2014, respectively.

In addition, in 2014, the Company is required by PRC law to contribute approximately 10%, 8%, 2% and 2% of applicable salaries for medical insurance benefits, housing funds, unemployment and other statutory benefits, respectively. The PRC government is directly responsible for the payment of the benefits to these employees. The amounts contributed for these benefits were $6,012,889, $5,461,137 and $5,980,338 for the years ended December 31, 2012, 2013 and 2014, respectively.

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23. SHARE-BASED COMPENSATION

In March 2006, the Company adopted a share incentive plan, or the Plan. The purpose of the Plan is to promote the success and enhance the value of the Company by linking the personal interests of the directors, employees and consultants to those of the shareholders and providing the directors, employees and consultants with an incentive for outstanding performance to generate superior returns to the shareholders. The Plan is also intended to motivate, attract and retain the services of the directors, employees and consultants upon whose judgment, interest and effort the successful conduct of the Company's operations is largely dependent. In September 2010, the shareholders approved an amendment to the Plan to increase the maximum number of common shares which may be issued pursuant to all awards of options, restricted shares and RSUs under the Plan to the sum of (i) 2,330,000 plus (ii) the sum of (a) 1% of the number of outstanding common shares of the Company on the first day of each of 2007, 2008 and 2009 and (b) 2.5% of the number of outstanding common shares of the Company outstanding on the first day of each calendar year after 2009. The Plan will expire on, and no awards may be granted after, May 8, 2021. Under the terms of the Plan, options are generally granted with an exercise price equal to the fair market value of the Company's ordinary shares and expire ten years from the date of grant.

Options to Employees

As of December 31, 2014, there was $417,697 in total unrecognized compensation expense related to share-based compensation awards, which is expected to be recognized over a weighted-average period of 0.64 years. During the years ended December 31, 2012, 2013 and 2014, $3,433,077, $2,186,407 and $1,321,239 was recognized as compensation expense, respectively.

The Company utilizes the Binomial option-pricing model to estimate the fair value of stock options.

The following assumptions were used to estimate the fair value of stock options granted in 2012, 2013 and 2014:

	2012	2013	2014
Risk free rate	3.15%	2.47%	—
Volatility ratio	78.79%	89.60%	—
Dividend yield	—	—	—
Annual exit rate	3.49%	3.58%	—
Exercise multiple	4.40	4.10	—

The Company used the market yield of U.S. dollar dominated Chinese International government bonds with maturity periods that can cover the contractual life of the shares option for the risk-free rates. In 2012, the expected volatility of the future ordinary share price was based on the price volatility of the Company and the shares of comparable companies in the industry, which are listed and publicly traded over the most recent period, equal to the expected maturity period of the issued options. Volatility is estimated based on annualized standard deviation of daily stock price return of the Company and the comparable companies. In 2013, since the Company has been listed for approximately 7 years and its share price history is more comparable to the life of the issued options,

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23. SHARE-BASED COMPENSATION (Continued)

the Company estimated the expected volatility based on the annualized standard deviation of its daily stock price return from the date of listing to the valuation date. The Company's dividend policy is to retain earnings for reinvestment purpose and the Company does not intend to distribute dividends, thus the dividend yield is assumed to be zero. The Company estimated the annual exit rates based on the historical general exit rate of staff at different levels. The Company estimated the exercise multiple based on the historical exercise pattern of prior employee stock options granted by the Company.

A summary of the option activity is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Terms	Aggregate Intrinsic Value
		$		$
Options outstanding at January 1, 2014	1,176,860	11.73	6 years	22,405,886
Granted	—	—		
Exercised	(307,810)	10.62		
Forfeited	(22,937)	8.85		
Options outstanding at December 31, 2014	846,113	12.21	5 years	11,793,938
Options vested or expected to be vested at December 31, 2014	822,866	12.25	4 years	11,476,756
Options exercisable at December 31, 2014	739,676	12.59	4 years	10,236,165

The weighted average grant-date fair value of options granted in 2012, 2013 and 2014 was $2.22, $6.07 and nil, respectively. The total intrinsic value of options exercised during the years ended December 31, 2012, 2013 and 2014 was $38,958, $20,439,470 and $7,493,277, respectively.

RSUs to Employees

The Company granted 1,400,237, 1,361,623 and 283,862 RSUs to employees in 2012, 2013 and 2014, respectively. The RSUs entitle the holders to receive the Company's common shares upon vesting. The RSUs were granted for free and generally vest over periods from one to four years based on the specific terms of the grants. The fair market value of the Company's ordinary shares at the date of grant resulted in total compensation cost of approximately $3.7 million, $4.9 million and $7.3 million that will be recognized ratably over the vesting period for the RSUs granted in 2012, 2013 and 2014, respectively. In the years ended December 31, 2012, 2013 and 2014, the Company recognized nil, $2,321,143 and $3,766,686 in compensation expense associated with these awards, respectively.

As of December 31, 2014, there was $10,647,260 of total unrecognized share-based compensation related to unvested RSUs, which is expected to be recognized over a weighted-average period of 1.48 years.

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23. SHARE-BASED COMPENSATION (Continued)

A summary of the RSU activity is as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
		$
Unvested at January 1, 2014	2,077,640	4.32
Granted	283,862	27.57
Vested	(625,003)	4.70
Forfeited	(126,280)	5.60
Unvested at December 31, 2014	1,610,219	7.76

The total fair value of RSUs vested during the years ended December 31, 2012, 2013 and 2014 was $1,007,340, $1,944,483 and $2,965,491, respectively.

24. SUBSEQUENT EVENTS

In March 2015, the Company acquired 100% of the equity interests in Recurrent Energy, LLC, a leading North American solar energy developer, from Sharp Corporation for a total consideration of $265 million. The valuation and initial accounting for the acquisition has not yet completed as of the date of this report.

Additional Information—Financial Statement Schedule I

Canadian Solar Inc.

Schedule I has been provided pursuant to the requirements of Rule 12-04(a) and 4-08(e)(3) of Regulation S-X, which require condensed financial information as to financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented as the restricted net assets of Canadian Solar Inc.'s consolidated and unconsolidated subsidiaries not available for distribution to Canadian Solar Inc. as of December 31, 2014 of $393,532,526, exceeded the 25% threshold.

The condensed financial information has been prepared using the same accounting policies as set out in the consolidated financial statements, except that the equity method has been used to account for investments in subsidiaries.

FINANCIAL INFORMATION OF PARENT COMPANY

BALANCE SHEETS

	December 31, 2013	December 31, 2014
	(In U.S. dollars, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	29,585,498	3,454,972
Accounts receivable trade, net of allowance for doubtful accounts of $5,209,909 and $4,302,411 at December 31, 2013 and 2014, respectively	351,207	4,005,689
Inventories	156,179	442,606
Amounts due from related parties—current	128,261,643	252,569,838
Advances to suppliers, net	—	1,991,396
Prepaid expenses and other current assets	2,240,692	5,852,442
Total current assets	160,595,219	268,316,943
Investment in subsidiaries	252,177,589	534,848,697
Deferred tax assets, net	4,863,395	3,655,138
Amount due from related parties—non-current	150,000,000	150,000,000
Other non-current assets	28,491,395	48,219,119
TOTAL ASSETS	596,127,598	1,005,039,897
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	12,246,050	—
Accounts payable	13,127	4,560
Amounts due to related parties	141,139,539	99,011,445
Other current liabilities	3,936,495	6,824,785
Total current liabilities	157,335,211	105,840,790
Accrued warranty costs	18,188,694	18,272,826
Convertible notes	—	150,000,000
Long-term borrowings	16,393,089	—
Liability for uncertain tax positions	13,681,821	14,315,282
TOTAL LIABILITIES	205,598,815	288,428,898
Equity:		
Common shares—no par value: unlimited authorized shares, 51,034,343 and 55,161,856 shares issued and outstanding at December 31, 2013 and 2014, respectively	561,241,785	675,236,489
Additional paid-in capital	(32,121,269)	(25,682,022)
Retained earnings (Accumulated deficit)	(192,502,847)	46,998,469
Accumulated other comprehensive income	53,911,114	20,058,063
TOTAL EQUITY	390,528,783	716,610,999
TOTAL LIABILITIES AND EQUITY	596,127,598	1,005,039,897

FINANCIAL INFORMATION OF PARENT COMPANY

STATEMENTS OF OPERATIONS

	Years Ended December 31		
	2012	2013	2014
		(In U.S. dollars)	
Net revenues	111,414,327	11,802,218	15,899,641
Cost of revenues	80,190,744	5,282,597	4,401,056
Gross profit	31,223,583	6,519,621	11,498,585
Operating expenses:			
Selling expenses	3,649,131	3,520,618	3,999,535
General and administrative expenses	11,955,578	5,724,288	8,331,139
Research and development expenses	764,145	714,980	415,857
Total operating expenses	16,368,854	9,959,886	12,746,531
Income (loss) from operations	14,854,729	(3,440,265)	(1,247,946)
Other income (expenses):			
Interest expense	(255,502)	—	(6,328,588)
Interest income	1,559,207	12,021,534	10,369,290
Foreign exchange loss	(622,816)	(8,454,989)	(5,335,145)
Others	—	427,560	47,092
Other income (expenses), net:	680,889	3,994,105	(1,247,351)
Profit (loss) before income taxes and equity in earnings (loss) of subsidiaries and unconsolidated investees	15,535,618	553,840	(2,495,297)
Income tax expense	(7,441,590)	(1,275,114)	(1,006,201)
Equity in earnings (loss) of subsidiaries	(202,699,044)	35,132,523	243,283,097
Equity in loss of unconsolidated investees	(863,675)	(2,751,973)	(280,282)
Net Income (loss)	(195,468,691)	31,659,276	239,501,317

FINANCIAL INFORMATION OF PARENT COMPANY

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,		
	2012	2013	2014
		(In U.S. dollars)	
Net income (loss)	(195,468,691)	31,659,276	239,501,317
Other comprehensive income (net of tax of nil):			
Foreign currency translation adjustment	5,239,819	3,115,584	(33,853,050)
Comprehensive income (loss) attributable to Canadian Solar Inc.	(190,228,872)	34,774,860	205,648,267

FINANCIAL INFORMATION OF PARENT COMPANY

STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2012	2013	2014
		(In U.S. dollars)	
Operating activities:			
Net Income (loss)	(195,468,691)	31,659,276	239,501,317
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,950	5,092	727
Loss on disposal of property, plant and equipment	—	—	3,919
Allowance for doubtful debts	8,369,187	1,872,247	11,434,154
Amortization of discount on debt	49,699	—	—
Equity in (earnings) loss of subsidiaries	202,699,044	(35,132,523)	(243,283,097)
Equity in loss of unconsolidated investees	863,675	2,751,973	280,282
Share-based compensation	5,185,242	6,175,006	5,087,925
Changes in operating assets and liabilities:			
Inventories	9,840,507	2,827,896	(286,427)
Accounts receivable trade	(1,317,532)	627,106	(5,243,925)
Amounts due from related parties	(121,173,334)	85,992,946	3,904,909
Advances to suppliers	(293,911)	(282,804)	(11,836,107)
Other current assets	(7,540,414)	8,311,717	(2,260,429)
Other non-current assets	(20,387,009)	6,860,201	(19,727,525)
Accounts payable	79	9,023	(8,567)
Advances from customers	(452,417)	(121,511)	(656,985)
Amounts due to related parties	(18,298,349)	(18,331,820)	(42,128,094)
Accrued warranty costs	431,138	(14,644,337)	84,132
Other current liabilities	(4,255,036)	(2,558,022)	3,545,274
Liability for uncertain tax positions	1,975,793	141,795	633,461
Deferred taxes	5,718,014	406,214	1,208,257
Net cash provided by (used in) operating activities	(134,047,365)	76,569,475	(59,746,799)
Investing activities:			
Decrease (increase) in restricted cash	5,731,365	—	—
Investment in subsidiaries	(13,319,864)	(10,602,333)	(39,668,294)
Purchases of property, plant and equipment	(3,589)	(266)	(4,845)
Payment of borrowings to a related party	—	—	(139,088,104)
Proceeds from interest receivable	—	—	10,875,000
Net cash used in investing activities	(7,592,088)	(10,602,599)	(167,886,243)
Financing activities:			
Proceeds from short-term borrowings	68,000,000	—	—
Repayment of short-term borrowings	—	(55,753,950)	(12,246,050)
Proceeds from long-term borrowings	70,063,488	—	—
Repayment of long-term borrowings	—	(53,670,399)	(16,393,089)
Payment for repurchase of convertible senior notes	(1,000,000)	—	—
Proceeds from issuance of warrants	2,500,000	—	—
Proceeds from issuance of common shares offering	—	50,000,000	115,009,200
Issuance costs paid for common shares offering	—	(2,112,623)	(6,090,340)
Proceeds from issuance of convertible notes	—	—	150,000,000
Issuance cost paid on convertible notes	—	—	(5,103,441)
Proceeds from exercise of stock options	158,766	10,792,703	3,342,573
Net cash provided by financing activities	139,722,254	(50,744,269)	228,518,853
Effect of exchange rate changes	5,239,819	3,115,585	(27,016,337)
Net increase (decrease) in cash and cash equivalents	3,322,620	18,338,192	(26,130,526)
Cash and cash equivalents at the beginning of the year	7,924,686	11,247,306	29,585,498
Cash and cash equivalents at the end of the year	11,247,306	29,585,498	3,454,972
Supplemental disclosure of cash flow information:			
Interest paid	255,502	—	3,941,758
Income taxes paid	290,813	297,643	735,894

Appendix 1

Major Subsidiaries of CSI

The following table sets forth information concerning CSI's major subsidiaries:

Subsidiary	Place and date of Incorporation	Attributable Equity Interest Held	Principal Activity
CSI Solartronics (Changshu) Co., Ltd.	PRC November 23, 2001	100%	Developing solar power Project
CSI Solar Technologies Inc.	PRC August 8, 2003	100%	Research and developing solar Modules
CSI Solar Manufacture Inc.	PRC January 7, 2005	100%	Production of solar modules
Canadian Solar Manufacturing (Luoyang) Inc.	PRC February 24, 2006	100%	Manufacture of solar modules, ingots and wafers
Canadian Solar Manufacturing (Changshu) Inc.	PRC August 1, 2006	100%	Production of solar modules
CSI Cells Co., Ltd.	PRC August 23, 2006	100%	Manufacture of solar cells
Canadian Solar (USA) Inc.	USA June 8, 2007	100%	Sales and marketing of Modules
CSI Project Consulting GmbH	Germany May 26, 2009	70%	Developing solar power project
Canadian Solar Japan K.K.	Japan June 21, 2009	90.67%	Sales and marketing of Modules
Canadian Solar Solutions Inc.	Canada June 22, 2009	100%	Developing solar power project
CSI Solar Power (China) Inc.	PRC July 7, 2009	100%	Investment holding
Canadian Solar EMEA GmbH	Germany August 21, 2009	100%	Sales and marketing of Modules
Canadian Solar (Australia) Pty., Ltd.	Australia February 3, 2011	100%	Sales and marketing of Modules
Canadian Solar International Ltd.	Hong Kong March 25, 2011	100%	Sales and marketing of modules
Canadian Solar O&M (Ontario) Inc.	Canada May 10, 2011	100%	Developing solar power project
Suzhou Sanysolar Materials Technology Co., Ltd.	PRC August 17, 2011	80%	Production of solar module materials
Canadian Solar South East Asia Pte., Ltd.	Singapore September 19, 2011	100%	Sales and marketing of modules
Canadian Solar Manufacturing (Suzhou) Inc.	PRC February 13, 2012	61%	Manufacture of solar modules, cells
Canadian Solar South Africa Pty., Ltd.	South Africa June 22, 2012	100%	Sales and marketing modules
Canadian Solar Brasil Servicos De Consultoria EM Energia Solar Ltda.	Brazil November 14, 2012	100%	Consulting services in energy solutions, certification and importation of photovoltaic modules
Canadian Solar Middle East Limited	United Arab Emirates December 10, 2012	100%	Energy generation and distribution
Canadian Solartronics (Suzhou) Co., Ltd.	PRC March 14, 2013	100%	Developing solar power project
Canadian Solar (Thailand) Ltd.	Thailand March 29, 2013	100%	Developing solar power project
Canadian Solar Construction (USA) LLC	USA May 20, 2014	100%	EPC maintenance service
CSI-GCL (Yancheng) Solar Manufacturing Co., Ltd.	PRC May 29, 2014	80%	Research and developing solar modules, and solar power projects development
Changshu Tegu New Materials Technology Co., Ltd.	PRC September 2, 2014	75%	EVA solar packaging film research and development, production, and sales
Changshu Tlink Co., Ltd.	PRC December 26, 2014	100%	Junction box research, development, production and sales

EXHIBIT 4.6

Execution Version

PURCHASE AND SALE AGREEMENT

by and among

Sharp Corporation,

Sharp US Holding Inc.,

Canadian Solar Energy Acquisition Co.

and

Canadian Solar Inc.

Dated as of February 3, 2015

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PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT is made as of February 3, 2015 (this "Agreement"), by and among Canadian Solar Energy Acquisition Co., a Delaware corporation ("Buyer"), and Sharp Corporation, a Japanese corporation ("Seller Parent") and the sole stockholder of Sharp US Holding Inc., a Delaware corporation ("Seller"), which is the sole member of Recurrent Energy, LLC, a Delaware limited liability company (the "Company") and Canadian Solar Inc., a Canadian corporation ("CSI"), solely for purposes of Section 12.19 and the other provisions in Article XII to extent related thereto. Buyer, Seller, and Seller Parent are each referred to herein as a "Party" or, collectively, as the "Parties."

RECITALS

WHEREAS, Seller Parent is the sole stockholder of Seller, which owns one hundred percent (100%) of the outstanding Equity Securities in the Company (the "Company Interests").

WHEREAS, Seller desires to sell, assign, transfer, convey and deliver to Buyer, free and clear of all Liens other than Permitted Encumbrances, all of its right, title and interest in and to the Company Interests, and Buyer desires to purchase from Seller such right, title and interest, on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I.
DEFINITIONS

1.01. Definitions. As used in this Agreement, the following defined terms have the meanings indicated below:

"409A Plan" has the meaning given to that term in Section 3.12(g).

"Acquisition Proposal" means any proposal or offer for a merger or consolidation involving the Company or any Company Subsidiary or any proposal or offer to acquire in any manner the business or Assets of the Company or any of the Company Subsidiaries (excluding excess spare equipment in the ordinary course of business and the sale of the Company Subsidiary that owns the real estate for the Company's Tranquility project (on terms consistent with document 2.17.2.5.3 in the Data Room) and the Breen 2 land (provided that the purchase price is Two Hundred and Fifty Thousand U. S. Dollars ($250,000.00), plus or minus twenty percent (20%)), other than the transactions contemplated by this Agreement.

"Action" means any litigation, claim, arbitration, audit, hearing, suit, investigation or proceeding (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Authority or arbitrator or any other Person.

"Adjustment Amount" has the meaning given to that term in Section 2.04(b).

"Adjustment Statement" has the meaning given to that term in Section 2.04(b).

"Affiliate" means any Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Person specified. For purposes of this definition, "control" of a Person means the power to direct or cause the direction of the management and policies of such Person whether through the ownership of voting securities or ownership interests, by Contract or otherwise.

"Agreement" has the meaning given to that term in the preamble to this Agreement, as the same may be amended from time to time.

"AJCA" has the meaning given to that term in Section 3.12(g).

"Applicable Laws" means all applicable laws, statutes, rules, regulations, treaties, orders, protocols, judgments, common law, decrees, directives, writs, ordinances and other pronouncements having the effect of law of the United States, any non-U.S. country or any state, county, city, province, territory or other political subdivision thereof or of any Governmental Authority.

"Assets" means, with respect to any Person, all right, title and interest of such Person in and to assets and rights of any kind, whether tangible or intangible, real or personal, including land and properties (or interests therein, including rights of way, leaseholds and easements), buildings, equipment, machinery, improvements, fixtures, Contracts, Environmental Attributes, solar data, reports, plans (including design and engineering plans) and studies (including those related to interconnection, environmental, cultural, resource and market matters), Governmental Approvals, intellectual property, inventory, books and records, proprietary rights, return and other rights under or pursuant to all warranties, representations and guarantees, cash, accounts receivable, deposits and prepaid expenses.

"Assignment Agreement" means an Assignment and Assumption Agreement, in the form attached hereto as Exhibit B, pursuant to which the Company Interests will be transferred from Seller to Buyer.

"Audited Financial Statements" has the meaning given to that term in Section 3.05.

"Balance Sheet" has the meaning given to that term in Section 3.05.

"Base Purchase Price" has the meaning given to that term in Section 2.03.

"Benefits Continuation Period" has the meaning given to that term in Section 6.04(c).

"Books and Records" means to the extent related the Company or the Projects and in Seller Parent's, Seller's or the Company's possession or reasonably obtainable by Seller Parent, Seller or the Company, any and all files, documents, instruments, papers, books and records, data, reports, accounting records, ledgers, computer files and programs, correspondence, maps, surveys, engineering documents and other Project reports, and other business records relating to the ownership, business or condition of the Company, any Company Subsidiary or any Project, including such books and records that are generated or commissioned by Seller or any of its Affiliates prior to Closing, including, where applicable, financial statements and related work papers and letters from accountants, budgets, ledgers, journals, minute books, membership interest certificates and books, membership interest transfer ledgers, Contracts, Governmental Approvals, retrieval programs, operating data and plans and environmental studies and plans, if any.

"Business Day" means a day other than Saturday, Sunday or any day on which banks located in New York, New York or San Francisco, California are authorized or obligated to close.

"Buyer" has the meaning given to that term in the preamble to this Agreement.

"Buyer's Approvals" has the meaning given to that term in Section 5.03(b).

"Buyer Confidential Information" has the meaning given to that term in Section 6.10(b).

"Cap" has the meaning given to that term in Section 11.04(b).

"Change in Control Payments" means (a) any severance, retention, bonus, consent fee, profit sharing payment or other similar payment to any Person under any Contract or Company Employee Benefit Plan, including the Management Alignment Bonus Plan, except for any additional or enhanced severance, retention, bonus, consent fee, profit sharing payment or other similar payments agreed to by Buyer or an Affiliate thereof with any Person, and (b) any increase of any benefits otherwise payable by the Company or the Company Subsidiaries, in each case of the foregoing clauses (a) and (b), which become due and payable on the Closing Date or as result of the transactions contemplated by this Agreement; (c) any severance or other similar payment to any Person arising from a termination of employment (or notice of termination given) prior to the Closing Date; (d) any amounts owed to the Company's Chief Executive Officer and Chief Financial Officer under any annual bonus incentive plan (including guaranteed payments thereunder); (e) any amounts due as a result of the termination of, or otherwise under, the Management Alignment Bonus Plan; and (f) all Company-paid payroll taxes related to any of the foregoing.

"CIP" means construction in progress costs capitalized in accordance with GAAP and the Company's accounting policies set forth in, or otherwise used in the preparation of, the Audited Financial Statements.

"Claim" means any demand, claim or Action.

"Closing" means the consummation of the transactions to be taken on the Closing Date contemplated by this Agreement.

"Closing CIP Amount" means an amount equal to the Effective Date CIP Amount plus the Interim CIP Amount.

"Closing Consideration" means the Base Purchase Price, *minus* Transaction Expenses, *plus or minus* the Estimated Closing Date Net Asset Adjustment, *plus* the Estimated CIP Amount, *plus* the Specified Operating Expenses.

"Closing Date" means (a) the second (2nd) Business Day following the date on which the last of the conditions set forth in Article VII and Article VIII (other than the Closing Date Conditions, but subject to the satisfaction or waiver thereof at the Closing) are satisfied or waived by the applicable Parties; provided that if all conditions set forth in Articles VII and Article VIII are satisfied or waived other than receipt of the consents listed as items #1, #2, #5 and #9 Schedule 3.03 and such consents are received on March 30, 2015, then March 31, 2015 or (b) such other date as the Parties mutually agreed upon in writing.

"Closing Date Conditions" means the conditions set forth in Article VII and Article VIII that by their nature are intended to be satisfied at the Closing.

"Closing Date Net Asset Adjustment" means the amount, calculated as of the Closing Date, equal to (a) the Specified Assets, *less* (b) the Specified Liabilities, *less* (c) the Target Net Asset Amount, calculated in a manner consistent with the pro forma calculation set forth in Schedule 1.01(a) and in accordance with GAAP and the Company's accounting policies set forth in, or otherwise used in the preparation of, the Audited Financial Statements.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning given to that term in the preamble to this Agreement.

"Company Contracts" has the meaning given to that term in Section 3.10(a).

"Company Employee" has the meaning given to that term in Section 6.04(b).

"Company Employee Benefit Plan" means any Employee Benefit Plan established or maintained by the Company or any Company Subsidiary, or to which the Company or any Company Subsidiary contributes or has an obligation to contribute, or with respect to which the Company or any Company Subsidiary has any actual or contingent material Liabilities (whether singly or collectively with any other Employee Benefit Plan), or in which any Company Employee participates and specifically includes all of the employment agreements and retention agreements to which the Company is a party.

"Company Interests" has the meaning given to that term in the preamble to this Agreement.

"Company IP" means all Intellectual Property owned by the Company or any Company Subsidiary, including all patent, copyright, trademark and service mark registrations and applications and domain names issued to, assigned to and filed by the Company or any Company Subsidiary.

"Company Securities" has the meaning given to that term in Section 3.02.

"Company Subsidiary" has the meaning given to that term in Section 3.04(a).

"Company's Approvals" has the meaning given to that term in Section 3.03(b).

"Conclusive Adjustment Amount" has the meaning given to that term in Section 2.04(e).

"Conclusive Adjustment Statement" has the meaning given to that term in Section 2.04(d).

"Conclusive Statement" has the meaning given to that term in Section 2.04(d).

"Contract" means any legally binding contract, agreement, license, sublicense, assignment, purchase agreement, invoice, indenture, lease, sublease, easement, instrument of indebtedness, security agreement, guarantee, purchase order, sales order, offer to sell, option, right of first refusal, distribution agreement, right to discounts, maintenance agreement or undertaking or instrument of any kind, obligation or other arrangement or agreement, in each case whether oral or written, including any amendments and other modifications thereto.

"CSI" has the meaning given to that term in the preamble to this Agreement.

"D&O Tail Coverage" has the meaning given to that term in Section 6.09(b).

"Data Room" means all documents and materials posted to and not removed from the Firmex website in the folder named "Project Phoenix" with respect to the Projects, the Company and the Company Subsidiaries prior to the date hereof, and a copy of such Data Room as of the date hereof on CD-ROM will be delivered to Orrick on the Effective Date, to be held in trust for Buyer, and delivered to Buyer on the Closing Date (provided, however, that the folder entitled "Employee Information" shall be provided separately to the appropriate individual at Buyer).

"De Minimis Loss" has the meaning given to that term in Section 11.04(a).

"Debt Obligations" as applied to any Person, means, without duplication, (a) all indebtedness for borrowed money, including all indebtedness evidenced by a note, bond, debenture or similar instrument, (b) that portion of obligations with respect to capital leases that is classified as a liability on a balance sheet in conformity with GAAP, applied on a consistent basis with the financial statements of such Person, and (c) any obligation owed for all or any part of the deferred purchase price for the purchase of a business or assets that in accordance with GAAP would be included as liabilities on the balance sheet of such Person, (d) liabilities under any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement or other similar agreement designed to protect the Company or any Company Subsidiary against fluctuations in interest rates or other currency fluctuations, (e) all liabilities with respect to any commitment by which the Company or any Company Subsidiary assures a creditor against loss (including, without limitation, contingent reimbursement obligations of the Company or any Company Subsidiary with respect to letters of credit) other than indemnity and other obligations under Contracts not evidencing debt, (f) any obligations under capitalized leases, conditional sales contracts and other similar title retention instruments whether short term or long term, (g) any indebtedness secured by a Lien on any property or Assets of the Company or any Company Subsidiary and/or any off-balance sheet financings, (h) to the extent due and payable, all accrued interest, prepayment premiums, penalties, expenses or other amounts related to any of the foregoing, and (i) all liabilities with respect to the obligations of other Persons of the types described in clauses (a) - (h) above guaranteed in any manner by the Company or any Company Subsidiary. For clarification, it is understood that the following shall not constitute "Debt Obligations" hereunder: operating leases, power purchase agreements, trade payables (including accrued interest thereon) and accrued expenses and prepaid or deferred revenue arising in the ordinary course of business.

"Disclosure Schedule" means (a) with respect to Seller Parent, the lists, descriptions, exceptions and other information and materials prepared by Seller Parent and attached to this Agreement, and (b) with respect to Buyer, the lists, descriptions, exceptions and other information and materials prepared by Buyer and attached to this Agreement.

"Dispute" has the meaning given to that term in Section 12.15.

"Effective Date CIP Amount" means all CIP made by or on behalf of Seller, the Company, any Company Subsidiary for the period through December 31, 2014, as set forth on Schedule 1.01(h).

"Employee Benefit Plan" means any (a) nonqualified deferred compensation, (b) qualified defined contribution retirement plan, program or arrangement which is an Employee Pension Benefit Plan, (c) qualified defined benefit retirement plan, program or arrangement which is an Employee Pension Benefit Plan (including any Multiemployer Plan), (d) Employee Welfare Benefit Plan or fringe benefit plan or program, or (e) profit sharing, bonus, incentive, profits interest or other equity, employment, change in control, or severance plan, program or agreement.

"Employee Pension Benefit Plan" means an "employee pension benefit plan" as defined in Section 3(2) of ERISA.

"Employee Welfare Benefit Plan" means an "employee welfare benefit plan" as defined in Section 3(1) of ERISA.

"Enforceability Exceptions" has the meaning given to that term in Section 3.10(c).

"Environmental Attributes" means any and all claims, credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, resulting from the avoidance of the emission of any gas, chemical, or other substance to the air, soil or water, related to the Projects. Environmental Attributes include but are not limited to: (a) any avoided emissions of pollutants to the air, soil, or water such as (subject to the foregoing) sulfur oxides (SOx), nitrogen oxides (NOX), carbon monoxide (CO), and other pollutants; and (b) any avoided emissions or carbon dioxide (CO2), methane (CH4), and other greenhouse gases (GHGs) that have been determined by the United States Intergovernmental Panel on Climate Change to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere.

"Environmental Condition" means the presence, release, threatened release, or disposal of any Hazardous Substance at, in, on or from the Real Property that requires investigation, reporting, remediation or other response action under any Environmental Law or any material violation of any Environmental Law with respect to the Company or any Company Subsidiary, including without limitation arising from any presence, release, threatened release, or disposal of any Hazardous Substance at, in, on, from or affecting the Projects.

"Environmental Laws" means any and all Applicable Laws or Orders of any Governmental Authority regulating or imposing Liability concerning pollution and protection of the environment (including air, water, land, flora and fauna), natural resources or human health or the generation, use, handling, treatment, storage, disposal and transportation of Hazardous Substances.

"Environmental Liability" means any Liability (including any Liability for natural resource damages, costs of environmental remediation, fines, attorneys' fees or penalties) arising under any Environmental Laws.

"Equity Securities" means with respect to any Person, any share, capital stock, partnership interest (whether general or limited), membership or similar interest or participation that confers the right to receive a share of the profits or losses of the issuing entity, or any other indicia of equity ownership (including any option, warrant, profits interest or similar right or security or right convertible, exchangeable or exercisable therefor or other instrument or right the value of which is based on any of the foregoing) in such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means a Person that is treated as a single employer with the Company for purposes of Section 414(b) or 414(c) of the Code.

"Estimated CIP Amount" has the meaning given to that term in Section 2.04(a).

"Estimated Closing Date Adjustment Amount" has the meaning given to that term in Section 2.04(a).

"Estimated Specified Operating Expenses" has the meaning given to that term in Section 2.04(a).

"Financial Statements" has the meaning given to that term in Section 3.05.

"Fundamental Representations" means (a) with respect to Seller Parent, the representations and warranties set forth in Sections 3.01, 3.02, 3.03(a), 3.04, 3.11, 3.19, 3.21, 3.27, 4.01, 4.02, 4.03(a) and 4.06, and (b) with respect to Buyer, the representations and warranties set forth in Sections 5.01, 5.02 and 5.03(a).

"GAAP" means generally accepted accounting principles in the United States, consistently applied throughout the specified periods.

"General Release" has the meaning given to that term in Section 7.08.

"Governmental Approval" means any authorization, consent, approval, license, permit, franchise, tariff, rate, certification, agreement, directive, waiver, exemption, variance or Order of any Governmental Authority.

“Governmental Authority” means any governmental authority, agency, department, board, commission or instrumentality of the United States or any non-U.S. country, any state or local body of the United States or any non-U.S. country or any political subdivision of any of the foregoing, and any tribunal, court or arbitrator(s) of competent jurisdiction.

“Hazardous Substance” means any chemical, material, substance or waste that is regulated under or defined as hazardous or toxic under any Environmental Law or with respect to which liability or standards of conduct are imposed under any Environmental Law, including petroleum products and byproducts, asbestos and asbestos containing materials and polychlorinated biphenyls.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

“ICC Arbitration Rules” has the meaning given to that term in Section 12.15.

“Indemnified Director or Officer” and “Indemnified Directors and Officers” have the meanings given to those terms in Section 6.09(a).

“Indemnified Party” means, in the case of an indemnification claim pursuant to Section 11.02(a), Buyer, any Affiliate of Buyer or their respective officers, directors, employees, successors and permitted assigns and, in the case of an indemnification claim pursuant to Section 11.02(b), Seller Parent, any Affiliate of Seller Parent or their respective officers, directors, employees, successors and permitted assigns.

“Indemnifying Party” means, in the case of an indemnification claim pursuant to Section 11.02(a), Seller Parent and its successors and permitted assigns and, in the case of an indemnification claim pursuant to Section 11.02(b), Buyer and its successors and permitted assigns.

“Indemnity Threshold” has the meaning given to that term in Section 11.04(a).

“Intellectual Property” means all intellectual property, including: (a) patents, inventions, discoveries, processes, designs, techniques, developments, technology, and related improvements and know-how, whether or not patented or patentable; (b) copyrights and works of authorship in any media, including computer hardware, software, firmware, applications, files, systems, networks, databases and compilations, documentation and related textual works, graphics, advertising, marketing and promotional materials, photographs, artwork, drawings, articles, textual works, and Internet site content; (c) trademarks, service marks, trade names, brand names, corporate names, domain names, logos trade dress and other source indicators and the goodwill of any business symbolized thereby; and (d) trade secrets, drawings, blueprints and all non-public, confidential or proprietary information, documents, materials, analyses, and lists.

“Interim CIP Amount” means all CIP made by or on behalf of Seller Parent, Seller, the Company, any Company Subsidiary from January 1, 2015 until the Closing Date, as contemplated by the Pre-Approved Expenditures with respect to the Interim Period or otherwise consented to in writing by Buyer, less any reductions in any CIP made during the period between January 1, 2015 and the Closing Date, including by virtue of any write-offs.

"Interim Period" has the meaning given to that term in Section 6.01.

"Key Employees" has the meaning given to that term in Section 6.10(a).

"Knowledge of Seller Parent" means the actual knowledge of Sam Yahiro, Steve Finno, Arno Harris, Michael Metzner, David Brochu, Stacy Colby-King, Hiroto Nakamura and Mitchell Randall where actual knowledge includes such facts or matters that a prudent individual could be expected to discover or otherwise become aware of in the course of conducting a reasonable good faith inquiry regarding the accuracy of any representation or warranty in this Agreement, which inquiry shall be limited to (i) interviews or discussions by such persons with the employees of Seller Parent, Seller and their Affiliates, the Company or any Company Subsidiary specifically responsible for the subject matter to which knowledge is pertinent, (ii) actual receipt of information by such persons that reasonably conveys the specific matter in respect of which knowledge is pertinent, or (iii) any information provided in the Data Room relevant to the subject matter to which knowledge is pertinent.

"Lease" has the meaning given in Section 3.16(b).

"Leased Real Property" has the meaning given in Section 3.16(b).

"Liabilities" means all Debt Obligations, other obligations and other liabilities of a Person (whether known or unknown, absolute, accrued or unaccrued, contingent, liquidated or unliquidated, fixed or otherwise, or whether due or to become due).

"Liens" means any mortgage, pledge, bailment (in the nature of a pledge or for purposes of security), deed of trust, the grant of power to confess judgment, conditional sale or title retention agreement (including any lease in the nature thereof), lien, charge, claim, option, equitable interest, security interest, assignment, hypothecation, power of sale, encumbrance, restriction on transfer, exclusive license, other agreement or arrangement that has the same or a similar effect to the granting of security or of any similar right of any kind (including any conditional sale or other title retention agreement) or any arrangement or obligation to create the foregoing.

"Losses" means all demands, losses, Claims, Actions or causes of action, assessments, damages, Liabilities, costs and expenses, obligations, damages, deficiencies, Taxes, penalties, fines or expenses, whether or not arising out of third party claims, including interest, penalties, reasonable attorneys' fees, disbursements and expenses, and court costs.

"Management Alignment Bonus Plan" means that certain plan adopted by the Company on November 7, 2014 to motivate and compensate certain key employees of the Company in connection with a change of control.

"Material Adverse Effect" means any state of facts, change, development, event, effect, condition or occurrence ("Effect") that (x) is materially adverse to the Properties, Liabilities, the results of operations or financial condition of the Company and the Company Subsidiaries taken as a whole or (y) would, individually or in the aggregate, result in a material adverse effect on Seller Parent's or Seller's ability to perform its obligations under this Agreement or consummate the transactions contemplated hereby, other than any Effect attributable to (a) any adoption, implementation, promulgation, repeal, modification, reinterpretation or proposal of any Applicable Law, (b) any change affecting the international, national, regional, state, provincial or local electric generating, transmission or distribution industry, (c) any change in international, national, regional, state, provincial or local wholesale or retail electric power prices, (d) any change or development in international, national, regional, state, provincial or local electric transmission or distribution systems, (e) any change in general regulatory or political conditions, including any engagement of hostilities, act of war or terrorist activity or any change imposed by a Governmental Authority associated with additional security, (f) any effect of weather, geological or meteorological events, (g) any change in GAAP (including the rules and principles related to accelerated depreciation), (h) the announcement, pendency or consummation of the transactions contemplated by this Agreement, (i) any change or development in any foreign exchange, financial, banking or securities market (including any increased interest rates or other costs for, or reduction in the availability of, financing or suspension of trading in, or limitation on prices for, securities on a securities market (including an over-the-counter market), exchange or trading platform) or the economy in general, or (j) any trade action, labor strike, request for representation, organizing campaign, work stoppage, slowdown, lockout or other labor dispute affecting third parties; except in the cases of clauses (a) through (j) above, to the extent the adverse effect on the Company or any Company Subsidiary would reasonably be expected to have a disproportionate impact on the Company or the Company Subsidiaries, taken as a whole, relative to other solar energy project development companies (in which case only the incremental disproportionate effect or effects may be deemed either alone or in combination to constitute, or taken into account in determining whether there has been a Material Adverse Effect); provided, however, that any loss or claim relating to any Material Adverse Effect that is cured prior to the Closing Date to Buyer's reasonable satisfaction shall not be considered a Material Adverse Effect.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 3(37) of ERISA.

"Near-Term Projects" means each of the Projects set forth in Schedule 1.01(b).

"Neutral Accounting Arbitrator" has the meaning given to that term in Section 2.04(d).

"Nondisclosure Agreement" means that certain Nondisclosure Agreement, dated as of September 14, 2014, by and between Canadian Solar Inc. and the Company, as modified by that certain Exclusivity Agreement, dated as of December 23, 2014, between Sharp Corporation and CSI.

"Obligations" has the meaning given to that term in Section 12.19.

"Option Agreements" has the meaning given to that term in Section 3.16(b).

"Optioned Real Property" has the meaning given to that term in Section 3.16(b).

"Order" means any writ, judgment, decree, injunction or similar order of any Governmental Authority (in each such case whether preliminary or final).

"Organizational Documents" means, with respect to any Person, the articles or certificate of incorporation or organization and by-laws, the limited partnership agreement, the partnership agreement or the limited liability company agreement, or such other organizational documents of such Person.

"Owned Real Property" has the meaning given to that term in Section 3.16(a).

"Party" and "Parties" have the meanings given to those terms in the preamble to this Agreement.

"Permitted Encumbrances" means (a) those restrictions on transfer imposed by applicable securities laws, and (b) any Liens created by Buyer or its Representatives.

"Permitted Lien" means (a) any Lien for Taxes not yet delinquent or being contested in good faith by appropriate proceedings; (b) any Lien arising in the ordinary course of business by operation of Applicable Law, including statutory or common law Liens arising in the ordinary course of business in favor of carriers, warehousemen, mechanics and materialmen, and statutory or common law Liens arising in the ordinary course of business to secure claims for labor, materials or supplies, with respect to a Liability that is included in the Balance Sheet (or arising thereafter in the ordinary course of business) and is (1) not yet delinquent or (2) is being contested in good faith; (c) any Lien reflected in the Balance Sheet; (d) any purchase money Lien arising in the ordinary course of business; (e) imperfections or irregularities of title and other Liens that do not, in the aggregate, materially detract from the value of the affected Real Property or the suitability of the affected Real Property for development of the applicable Project; (f) zoning, planning, and other similar limitations and restrictions, and all rights of any Governmental Authority to regulate any Real Property that do not, in the aggregate, materially detract from the value of the affected Real Property or the suitability of the affected Real Property for development of the applicable Project; (g) all matters of record, that do not, in the aggregate, materially detract from the value of the affected Real Property or the suitability of the affected Real Property for development of the applicable Project; (h) the terms and conditions of the Company Contracts and the Governmental Approvals applicable to the Company or any Company Subsidiary; (i) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security Applicable Laws; (j) any Lien that is released on or prior to the Closing; (k) all matters that are disclosed on any title insurance policy insuring any Real Property or in any title commitments, title reports or other title materials, or on any survey, in each case only to the extent delivered by Seller Parent or Seller to Buyer or otherwise made available to Buyer and which such matters, (x) to the Knowledge of Seller Parent would not have a material adverse impact on the Company, the Company Subsidiaries, or their respective ability to develop the Projects, or (y) Seller Parent reasonably believes will be resolved within a time period and with an associated cost or expense that would not have a material adverse impact on the Company, the Company Subsidiaries, or their respective ability to develop the Projects (collectively "Disclosed Title Matters") and (l) the matters identified on Schedule 1.01(c).

"Person" means any individual, corporation, partnership, joint venture, trust, limited liability company, unincorporated organization, Governmental Authority or other entity.

"Pre-Approved Expenditures" means (i) those expenditures set forth on Schedule 1.01(f), plus (ii) an amount equal to five percent (5%) of the amounts set forth on Schedule 1.01(f).

"Pre-Closing Tax Returns" has the meaning given to that term in Section 9.03(a).

"Preliminary Statement" has the meaning given to that term in Section 2.04(a).

"Project Sale" means each of the projects sold by the Company and any Company Subsidiary as described further in Schedule 1.01(d).

"Projects" means the projects set forth on Schedule 1.01(e).

"Properties" means, as to any Person, all Assets and properties of every kind, nature, character and description (whether real, personal or mixed, whether tangible or intangible, and wherever situated) operated, owned or leased by such Person.

"Purchase Price Allocation" has the meaning given that term in Section 9.03(d).

"Real Property" has the meaning given to that term in Section 3.16(b).

"REC" means a tradable certificate, credit, allowance, green tag, or other transferable document conferring ownership, howsoever entitled, created pursuant to the requirements of a Governmental Authority, typically measured in one megawatt-hour increments.

"Recurrent Energy Marks" has the meaning given to that term in Section 6.11.

"Regulatory Filings" has the meaning given to that term in Section 6.03(c)(i).

"Representations Survival Period" shall have the meaning given to that term in Section 11.01(a).

"Representatives" means, as to any Person, its officers, directors, Affiliates, employees, partners, members, stockholders, counsel, accountants, financial advisers, engineers and consultants.

"Resolution Period" has the meaning given to that term in Section 2.04(c).

"Seller" has the meaning given to that term in the preamble to this Agreement.

"Seller Parent" has the meaning given to that term in the preamble to this Agreement.

"Seller Parent's and Seller's Approvals" has the meaning given to that term in Section 4.03(b).

"Seller's Statement" has the meaning given to that term in Section 2.04(c).

"Sharp Bridge Loans" means the documents listed under the heading "Sharp Bridge Loans" on Schedule 3.18.

"Site" means the real property and improvements thereon forming a part of, or used or intended to be used in connection with, the Projects. Any reference to a Site shall include, by definition, the surface and subsurface elements (although not necessarily the subsurface mineral rights), including the soils and groundwater present at the Site, and any reference to items "at the Site" shall include all items "at, on, in, upon, over, across, under and within" the Site.

"Specified Assets" means the assets listed in the pro forma Closing Date Net Asset Adjustment set forth in Schedule 1.01(a), the amount of which shall be determined in accordance with GAAP and the Company's accounting policies set forth in, or otherwise used in the preparation of, the Audited Financial Statements; provided that the Specified Assets shall not include any CIP.

"Specified Liabilities" means the liabilities listed in the pro forma Closing Date Net Asset Adjustment set forth in Schedule 1.01(a), the amount of which shall be determined in accordance with GAAP and the Company's accounting policies set forth in, or otherwise used in the preparation of, the Audited Financial Statements. For the avoidance of doubt, Transaction Expenses shall not be included in the Specified Liabilities.

"Specified Operating Expenses" means up to Two Million Five Hundred Thousand U. S. Dollars ($2,500,000) of the documented, reasonable (a) third-party professional fees incurred by the Company or any of the Company Subsidiaries, in connection with the Projects for which there is no power purchase agreement in effect as of the Effective Date, and (b) transaction costs incurred by the Company or any of the Company Subsidiaries in connection with the Projects, in each case only to the extent consistent with the Pre-Approved Expenditures as set forth in Schedule 1.01(f).

"Statement" has the meaning given to that term in Section 2.04(b).

"Straddle Period" means any Tax period beginning on or before the Closing Date and ending after the Closing Date.

"Subsidiary" means, with respect to any Person, any other Person of which such Person (either alone or through or together with any other subsidiary) owns, directly or indirectly, fifty percent (50%) or more of the outstanding equity securities or securities carrying the voting power in the election of the board of directors or other governing body of such Person.

"Subsidiary Securities" has the meaning given to that term in Section 3.04(a).

"Support Obligations" has the meaning given to that term in Section 6.08.

"Target Group Confidential Information" has the meaning given to that term in Section 3.30.

"Target Net Asset Amount" means Thirty Six Million Four Hundred Forty Four Thousand Nine Hundred Sixty Three U. S. Dollars ($36,444,963.00), which is the amount set forth in the pro forma calculation of the Closing Date Net Asset Adjustment as of December 31, 2014 set forth in Schedule 1.01(a).

"Tax" means any and all federal, state, local or foreign taxes (including any interest, fines, assessments, penalties or additions to tax imposed in connection therewith or with respect thereto), including (a) taxes imposed on, or measured by, income, franchise, profits or gross receipts, and (b) ad valorem, value added, capital gains, sales, goods and services, use, real or personal property, capital stock, license, branch, payroll, estimated, withholding, employment, social security (or similar), unemployment, compensation, utility, severance, production, excise, stamp, occupation, premium, windfall profits and transfer taxes.

"Tax Authority" means, with respect to any Tax, the Governmental Authority that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such Governmental Authority.

"Tax Return" means any return, report, information return, declaration, claim for refund, election or other document, together with all schedules, attachments, amendments and supplements thereto, supplied to or required to be supplied to any Tax Authority.

"Termination Date" has the meaning given to that term in Section 10.01(b)(i).

"Third Party Claim" has the meaning given to that term in Section 11.03.

"Tier 1 Supplier" means the suppliers set forth on Schedule 1.01(i).

"Total Purchase Price" has the meaning given to that term in Section 2.03.

"Transaction Documents" means, collectively, this Agreement, the Assignment Agreement, the General Release and all other agreements between the Parties or their Affiliates entered into pursuant to the terms hereof in order to carry out the Closing and the other transactions contemplated hereby.

"Transaction Expenses" means, in each case unless otherwise paid prior to the Closing Date, (a) any and all costs and expenses of the Company and any Company Subsidiaries incurred in connection with the preparation, execution and consummation of this Agreement (and the transactions contemplated hereby), including fees and disbursements of attorneys, investment bankers, accountants and other professional advisors by the Company or the Company Subsidiaries, and (b) any Change in Control Payments.

"U.S. Dollars" means the lawful currency of the United States.

1.02. Rules of Construction.

(a) All article, section, subsection, schedule and annex references used in this Agreement are to articles, sections, subsections, schedules and annexes to this Agreement unless otherwise specified. The annexes and schedules attached to this Agreement constitute a part of this Agreement and are incorporated in this Agreement for all purposes.

(b) If a term is defined as one part of speech (such as a noun), it shall have a corresponding meaning when used as another part of speech (such as a verb). Unless the context of this Agreement clearly requires otherwise, words importing the masculine gender shall include the feminine and neutral genders and vice versa. The words "includes" or "including" shall mean "including without limitation," and the words "hereof," "hereby," "herein," "hereunder" and similar terms in this Agreement shall refer to this Agreement as a whole and not any particular section or article in which such words appear. Currency amounts referenced in this Agreement are in U.S. Dollars. The singular includes the plural.

(c) Time is of the essence in this Agreement. Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified. Whenever any action must be taken hereunder on or by a day that is not a Business Day, then such action may be validly taken on or by the next day that is a Business Day.

(d) Each Party acknowledges that it and its attorneys have been given an equal opportunity to negotiate the terms and conditions of this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party or any similar rule operating against the drafter of an agreement shall not be applicable to the construction or interpretation of this Agreement.

(e) All accounting terms used herein and not expressly defined herein shall have the respective meanings given such terms under GAAP.

ARTICLE II.
PURCHASE AND SALE OF COMPANY INTERESTS

2.01. Purchase and Sale of Company Interests. On the terms and subject to the conditions of this Agreement, Buyer agrees to purchase the Company Interests from Seller, and Seller agrees to sell and to transfer, the Company Interests to Buyer, free and clear of all Liens other than Permitted Encumbrances.

2.02. Closing. The Closing will take place on the Closing Date at the offices of Orrick, Herrington & Sutcliffe LLP, at 405 Howard St., San Francisco, CA 94105, or at such other place as the Parties shall mutually agree in writing, at 9:00 a.m. Pacific time. At the Closing, the Parties will satisfy each of the Closing Date Conditions unless waived in accordance with Article VII and Article VIII.

2.03. Total Purchase Price. The aggregate purchase price for the Company Interests shall be the net sum of the following: (i) One Hundred Twenty Five Thousand U. S. Dollars ($125,000,000) (the "Base Purchase Price"), *minus* (ii) Transaction Expenses, *plus or minus* (iii) as applicable, the Closing Date Net Asset Adjustment, *plus* (iv) the Closing CIP Amount, *plus* (v) the Specified Operating Expenses (the Base Purchase Price, as adjusted for the foregoing clauses (ii), (iii), (iv) and (v), and further pursuant to Section 2.04(e), the "Total Purchase Price"). At the Closing, Buyer shall pay (a) the Closing Consideration to Seller (or Seller Parent as contemplated by Section 6.12) in cash and (b) the Transaction Expenses to the payees of such Transaction Expenses in cash by wire transfer of immediately available funds to the accounts designated in writing by Seller; provided, however, that, to the extent the Closing Consideration exceeds Two Hundred Million U.S. Dollars ($200,000,000), then Buyer shall pay to Seller (or Seller Parent as contemplated by Section 6.12) such amount over Two Hundred Million U.S. Dollars ($200,000,000) within thirty (30) days after the Closing Date.

2.04. Adjustments to Base Purchase Price.

(a) Seller shall, at least five (5) Business Days prior to the Closing Date, cause to be prepared and delivered to Buyer a statement (the "Preliminary Statement") setting forth Seller's good faith estimate of (i) the Closing Date Net Asset Adjustment, (ii) the Closing CIP Amount and (iii) the Specified Operating Expenses and the components and calculation of such amounts. Prior to the Closing, Buyer may dispute in good faith in accordance with the terms of this Agreement, Seller's estimate of the Closing Date Net Asset Adjustment, Closing CIP Amount or Specified Operating Expenses by delivering written notice of such dispute to Seller no later than 5:00 p.m. Pacific Time on the last Business Day before the Closing Date. The portion of estimate of the Closing Date Net Asset Adjustment provided in the Preliminary Statement not disputed in good faith in accordance with the terms of this Agreement by Buyer in writing as provided in this Section 2.04(a) is referred to herein as the "Estimated Closing Date Adjustment Amount." The portion of estimate of the Closing CIP Amount provided in the Preliminary Statement not disputed in good faith in accordance with the terms of this Agreement by Buyer in writing as provided in this Section 2.04(a) is referred to herein as the "Estimated CIP Amount." The portion of the estimate of the Specified Operating Expenses provided in the Preliminary Statement not disputed in good faith in accordance with the terms of this Agreement by Buyer in writing as provided in this Section 2.04(a) is referred to herein as the "Estimated Specified Operating Expenses". In no event shall Buyer's failure to dispute any of the items set forth on the Preliminary Statement in any way limit Buyer's right to calculate the Closing Date Net Asset Adjustment, the Closing CIP Amount, the Specified Operating Expenses or to otherwise prepare the Adjustment Statement, including with respect to items in the Preliminary Statement that Buyer did not dispute.

(b) Within sixty (60) days after the Closing Date, Buyer shall cause to be prepared and delivered to Seller a statement (the "Statement") setting forth Buyer's calculation of the Closing Date Net Asset Adjustment, the Closing CIP Amount, the Specified Operating Expenses and the components and calculation of such amounts. At the same time, Buyer shall also cause to be prepared and delivered to Seller a statement (the "Adjustment Statement") setting forth the calculation (in each case whether a positive or negative number) of the amount of the Closing Date Net Asset Adjustment as shown on the Statement minus the Estimated Closing Date Adjustment Amount plus the amount of the Closing CIP Amount as shown on the Statement minus the Estimated CIP Amount plus the amount of the Specified Operating Expenses as shown on the Statement minus the Estimated Specified Operating Expenses (such aggregate amount, whether a positive or negative number, the "Adjustment Amount"). Buyer shall provide Seller and its accountants with reasonable access to the relevant work papers, Books and Records and employees of Buyer, the Company and the Company Subsidiaries, in each case during normal business hours and upon prior written request, to the extent reasonably required in connection with their review of and any dispute with respect to the Statement and the Adjustment Statement and shall furnish Seller with any other information that might be relevant to the calculation of the Adjustment Amount, as reasonably requested by Seller.

(c) After receipt of the Statement and the Adjustment Statement, Seller will have thirty (30) days from receipt to review the Statement and the Adjustment Statement. Unless Seller delivers to Buyer written notice setting forth in reasonable detail the specific items disputed by Seller and a written statement setting forth Seller's calculation of each line item shown on the Statement or Adjustment Statement so disputed and the amount in dispute (the "Seller's Statement") on or prior to the thirtieth (30th) day after its receipt of the Statement and the Adjustment Statement, Seller will be deemed to have accepted and agreed to the Statement and the Adjustment Statement and such agreement will be final, binding and conclusive on the Parties. Any items on the Statement or Adjustment Statement as to which Seller has not given notice of its objection and provided an alternative calculation will be deemed to have been agreed upon by the Parties. If Seller so notifies Buyer of its objections to any of the Statement or the Adjustment Statement and provides Buyer with the Seller's Statement in a timely manner, the Parties will, within thirty (30) calendar days following such delivery of notice (the "Resolution Period"), attempt to resolve their differences. Any resolution by the Parties during the Resolution Period as to any disputed amounts will be final, binding and conclusive on the Parties.

(d) If the Parties do not resolve all disputed items by the end of the Resolution Period, then all items remaining in dispute will be submitted within thirty (30) days after the expiration of the Resolution Period to a national independent accounting firm mutually acceptable to the Parties (the "Neutral Accounting Arbitrator"). The Neutral Accounting Arbitrator shall act as an arbitrator to determine only those items in dispute, and such determination shall be made in accordance with the terms and conditions of this Agreement. All fees and expenses relating to the work, if any, to be performed by the Neutral Accounting Arbitrator will be allocated between Buyer, on the one hand, and Seller, on the other hand, in inverse proportion as they shall prevail on the amounts of such disputed items so submitted (as finally determined by the Neutral Accounting Arbitrator). The Neutral Accounting Arbitrator will deliver to the Parties a written determination (such determination to include a work sheet setting forth all material calculations used in arriving at such determination and to be based solely on information provided to the Neutral Accounting Arbitrator by the Parties) of the disputed items within thirty (30) days of receipt of the disputed items (or as soon as practicable thereafter), which determination will be final, binding and conclusive on the Parties. The Neutral Accounting Arbitrator shall only resolve the disputed amounts by choosing the amounts submitted by a Party or amounts in between. The final, binding and conclusive Statement and Adjustment Statement, which either are the Statement and Adjustment Statement from Buyer that are not timely disputed by Seller pursuant to Section 2.04(c), agreed upon (or deemed to have been agreed upon) by the Parties pursuant to Section 2.04(c) or are delivered by the Neutral Accounting Arbitrator in accordance with this Section 2.04(d), will be the "Conclusive Statement" and the "Conclusive Adjustment Statement," respectively. In the event that either Party fails to submit its statement regarding any items remaining in dispute within the time determined by the Neutral Accounting Arbitrator, then the Neutral Accounting Arbitrator shall render a decision based solely on the evidence timely submitted to the Neutral Accounting Arbitrator by the Parties.

(e) If the Adjustment Amount as shown on the Conclusive Adjustment Statement (the "Conclusive Adjustment Amount") is a negative number, then the Total Purchase Price will be reduced by the amount of the Conclusive Adjustment Amount and Seller shall pay to Buyer in cash of such amount by wire transfer of immediately available funds to an account or accounts designated in writing by Buyer prior to the date when such payment is due. If the Conclusive Adjustment Amount is a positive number, then the Total Purchase Price will be increased by the amount of the Conclusive Adjustment Amount and Buyer shall pay to Seller in cash of such amount by wire transfer of immediately available funds to an account or accounts designated in writing by Seller prior to the date when such payment is due. All payments to be made pursuant to this Section 2.04(e) will be made on the fifth (5th) Business Day following the date on which the Parties agree to, or the Neutral Accounting Arbitrator delivers, the Conclusive Statement and the Conclusive Adjustment Statement. If Seller assigns its rights to receive the Total Purchase Price per Section 6.12, all references to Seller in Section 2.04(a) through (e) shall refer to Seller Parent.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF SELLER PARENT
RELATING TO THE COMPANY AND THE COMPANY SUBSIDIARIES

Except as disclosed in Seller Parent's Disclosure Schedule, Seller Parent hereby represents and warrants to Buyer as of the date of this Agreement and the Closing Date as follows:

3.01. Organization; Qualification. The Company and each Company Subsidiary is duly formed, validly existing and in good standing under the Applicable Laws of its jurisdiction of organization, and has all requisite organizational power and authority to conduct its business as it is now being conducted and to own, lease and operate its Properties. The Company and each Company Subsidiary is duly qualified or licensed to do business in each jurisdiction in which the ownership or operation of its Properties make such qualification or licensing necessary, except in those jurisdictions where the failure to be so duly qualified or licensed would not result in a Material Adverse Effect.

3.02. Capitalization. The outstanding Equity Securities of the Company consist solely of the Company Interests held by Seller, which Company Interests are free and clear of all Liens other than Permitted Encumbrances. Except as set forth in the first sentence of this Section 3.02, there are no (a) Equity Securities in the Company issued or outstanding, (b) securities convertible into or exchangeable or exercisable for Equity Securities in the Company, or (c) voting trusts or agreements, pledge agreements, buy-sell agreements, rights of first refusal, preemptive rights, "drag-along" or "tag-along" rights, stock appreciation rights, redemption or repurchase rights, anti-dilutive rights or proxy subscriptions, options, warrants, calls, rights, convertible securities or other Contracts of any character obligating the Company to issue, transfer or sell any of its Equity Securities (the items in clauses (a), (b), and (c), collectively, "Company Securities"). All issued and outstanding Equity Securities of the Company are duly authorized, fully paid and non-assessable (to the extent applicable) and were issued in compliance with all applicable securities laws. The Organizational Documents of the Company have been made available to Buyer.

3.03. No Conflicts; Consents and Approvals. The execution and delivery by Seller Parent of this Agreement do not and the performance by Seller Parent of its obligations under this Agreement will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the Organizational Documents of the Company or any of the Company Subsidiaries;

(b) subject to the receipt or making of the filings, waivers, approvals, consents, authorizations and notices set forth on Schedule 3.03 (collectively, the "Company's Approvals"), be in violation of or result in a breach of or default (or give rise to any right of termination, cancellation or acceleration) under (with or without the giving of notice, the lapse of time, or both) any material Contract to which the Company or any of the Company Subsidiaries is a party, except for (i) any such violations or defaults (or rights of termination, cancellation or acceleration) which would not have a material adverse impact on the Company, the Company Subsidiaries, their respective ability to develop the Projects, or the transactions contemplated hereby and (ii) approvals required as a result of the business activities of Buyer and its Affiliates; or

(c) (i) conflict with, violate or breach any term or provision of any Applicable Law applicable to the Company or any of the Company Subsidiaries, except as would not be material or (ii) require any consent or approval of any Governmental Authority, or notice to, or declaration, filing or registration with, any Governmental Authority, under any Applicable Law, other than (x) such consents, approvals, notices, declarations, filings or registrations which, if not made or obtained, would not have a material adverse impact on the Company, the Company Subsidiaries, their respective ability to develop the Projects, or the transactions contemplated hereby, (y) the Company Approvals and (z) such approvals required as a result of the business activities of Buyer and its Affiliates.

3.04. Subsidiaries.

(a) Schedule 3.04(a) sets forth the name, jurisdiction of incorporation or organization and the Company's direct or indirect ownership percentage of each subsidiary of the Company (each, a "Company Subsidiary"). All outstanding Equity Securities of the Company Subsidiaries are validly issued, fully paid and nonassessable and were issued in compliance with all applicable securities laws and, except as set forth in Schedule 3.04(a), are owned by the Company or another Company Subsidiary free of preemptive (or similar) rights and free and clear of any Liens, except for Permitted Encumbrances. Except as set forth in Schedule 3.04(a) (which schedule may be updated for any change in Subsidiary Securities permitted or consented to by Buyer in accordance with Section 6.02), there are no (i) Equity Securities of any Company Subsidiary issued or outstanding, (ii) securities convertible into or exchangeable or exercisable for Equity Securities of any Company Subsidiary, or (iii) subscriptions, options, warrants, calls, rights, convertible securities or other Contracts of any character obligating any Company Subsidiary to issue, transfer or sell any of its Equity Securities (the items in clauses (i), (ii) and (iii), collectively, "Subsidiary Securities"). The Organizational Documents of each Company Subsidiary of the date of this Agreement have been made available to Buyer.

(b) Except as provided herein or as set forth in Schedule 3.04(b), there are no (i) outstanding obligations of the Company or any Company Subsidiary to repurchase, redeem or otherwise acquire any Company Securities or Subsidiary Securities or (ii) outstanding obligations of the Company or any Company Subsidiary to provide funds to or make any investment (in the form of a loan, capital contribution or otherwise) in the Company, any Company Subsidiary or any other Person.

(c) Except as set forth in the Seller Parent's Disclosure Schedules, the Company has not engaged in any business, incurred any material capital expense or acquired any real or material personal property other than owning all of the membership interests of the Company Subsidiaries.

(d) Schedule 3.04(d) lists all officers, directors and managers of the Company and each Company Subsidiary.

3.05. Financial Statements. Seller Parent has delivered to Buyer true and complete copies of the following financial statements: (a) the audited consolidated balance sheet of the Company and the Company Subsidiaries as of March 31, 2014 and the related audited statement of comprehensive income and cash flows for the fiscal year then ended (the "Audited Financial Statements"); and (b) the unaudited consolidated balance sheet of the Company and the Company Subsidiaries as of December 31, 2014 (the "Balance Sheet") and the related unaudited statements of operations and cash flows for the nine months then ended (clauses (a) and (b) collectively, the "Financial Statements"). Except as set forth in the notes thereto, the Financial Statements were prepared in accordance with GAAP and fairly present in all material respects the financial condition and results of operations of the Company and the Company Subsidiaries as of the respective dates thereof and for the respective periods covered thereby, subject in the case of the interim financial statements to normal year-end adjustments and the absence of notes and other presentation items.

3.06. Liabilities. Except for (a) the Transaction Expenses, (b) Liabilities incurred since the date of the Balance Sheet in the ordinary course of business, (c) Liabilities disclosed in Schedule 3.06, (d) Liabilities incurred pursuant to any Contract in the ordinary course of business (none of which involves a Liability that would constitute a breach of the representations set forth in Sections 3.08, 3.10(d), 3.14 or 3.15 or a Liability relating to a tort), and (e) Liabilities consented to by Buyer in accordance with Section 6.02 the Company and the Company Subsidiaries have no Liabilities that would be required to be reflected on the Balance Sheet prepared in accordance with GAAP which are not reflected or reserved against in the Balance Sheet.

3.07. Absence of Certain Changes. Since the date of the Balance Sheet and until the date of this Agreement, except as disclosed in Schedule 3.07, (a) there has not occurred any circumstance, development, event or series of such occurrences that has had or would result in a Material Adverse Effect, (b) the Company and each Company Subsidiary has conducted their respective businesses only in the ordinary course of business and (c) neither the Company nor any Company Subsidiary has taken any action that, if taken after the date hereof, would require the prior written consent of Buyer pursuant to Section 6.02(a) (other than Section 6.02(a)(iii) and Section 6.02(a)(xiv)).

3.08. Legal Proceedings. Except as set forth in Schedule 3.08, there are no Actions pending or, to the Knowledge of Seller Parent, threatened in writing against the Company or any Company Subsidiary, nor are there any outstanding Orders (other than Orders and requirements of Governmental Authorities in association with ordinary permitting, interconnection requests, module procurement and similar requirements for project development) that affect or bind the Company, any Company Subsidiary or any of their respective Properties and, in each case of this Section 3.08, would have a material adverse impact on the Company, the Company Subsidiaries, their respective ability to develop the Projects, or the transactions contemplated hereby. In each place that "Action" is used in this Article III or Article IV, such term shall only include pending or threatened audits or investigations to the Knowledge of Seller Parent, and shall exclude review and approval of permit applications, certifications, reports and notices.

3.09. Compliance with Applicable Laws. Except as has been cured or otherwise resolved in all material respects, since January 1, 2010 and, to the Knowledge of Seller Parent prior to such date, the Company and the Company Subsidiaries have not violated and are in compliance with any Applicable Laws, except where any such violation would not be material. The Company and each Company Subsidiary either is not a "holding company" under the Public utility Holding Company Act of 2005 or is a holding company that is entitled to the exemptions and waivers set forth at 18 C.F.R. § 366.3(a). The Company and each Company Subsidiary is not a "public utility" under Section 201 of the Federal Power Act. Each Company Subsidiary that owns generation facilities located within the United States either has obtained status as a qualifying small power producer pursuant to Section 3(17)(D) of the Federal Power Act and 18 C.F.R. Part 292 or as an exempt wholesale generator status pursuant to 18 C.F.R. § 366.7, and, if subject to and not exempt from Sections 205 and 206 of the Federal Power Act, has obtained market based rate authority pursuant to Section 205 of the Federal Power Act as necessary to conduct its business in compliance with all applicable Laws.

3.10. Company Contracts.

(a) Schedule 3.10(a) sets forth as of the date hereof a true and complete list of all of the following Contracts to which the Company or any Company Subsidiary is a party or by which it or its Assets may be bound, that is (i) Contracts pursuant to which the Company or any Company Subsidiary is obligated to pay or entitled to receive more than Two Hundred and Fifty Thousand U.S. Dollars ($250,000) over the life of the Contract, (ii) a Contract between the Company or any Company Subsidiary, on the one hand, and any Affiliate of the Company or any Company Subsidiary or any Representative, on the other hand, other than Company Employee Benefit Plans (including employment and retention agreements); (iii) any joint venture, teaming or similar agreement in connection with the development of any Project; (iv) any interconnection or transmission-related agreements or, to the extent an interconnection or transmission-related agreement has not be executed, any applications for interconnection or transmission of or from any Project, (v) any power purchase or sale agreement, hedge contract or REC contract, (vi) any agreements with any engineering, construction, design and/or procurement contractor, solar panel manufacturer or other material equipment supplier, utility, contractor or other third party; (vii) any Debt Obligation and material ancillary documents related thereto; (viii) any Contract that includes a "most favored pricing" or similar clause or other provision restricting the right of the Company or any Company Subsidiary to operate, exclusivity agreement or other Contract which prohibits it from freely engaging in business anywhere in the world, including any exclusivity agreement with any construction contractor, solar panel manufacturer, supplier utility or contractor; (ix) any Contract respecting any partnership, joint venture, strategic alliance or other similar Contract or arrangement; (x) any Leases and Option Agreements (as defined below); (xi) provides for non-monetary obligations on the part of the Company or any Company Subsidiary, the non-performance of which obligations would reasonably be expected to have a Material Adverse Effect, other than Disclosed Title Matters; (xii) purchase and sale agreements and related material documents relating to the acquisition or sale by the Company or any Company Subsidiary of any solar project or substantially all of the assets relating to a solar project; (xiii) is a conciliation, settlement, or similar agreement with any Governmental Authority; (xiv) continuing grants any power of attorney; and (xv) each amendment, supplement and modification of any of the foregoing (collectively, the "Company Contracts").

(b) Seller Parent has provided Buyer with, or access to, true and complete copies of all Company Contracts except to the extent that providing a copy of such Company Contract would breach the confidentiality provisions set forth therein and each such Contract is set forth in Schedule 3.10(b), provided that Seller Parent has used commercially reasonable efforts to procure consent of the applicable counterparty thereto.

(c) Each of the Company Contracts constitutes a legal, valid and binding obligation of the Company or Company Subsidiary party thereto and, to the Knowledge of Seller Parent, of the other parties thereto, except (i) as limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, arrangement, moratorium or other similar Applicable Laws relating to or affecting the rights of creditors generally, or by general equitable principles (the "Enforceability Exceptions"), and (ii) in each case where the failure to constitute a legal, valid and binding obligation would not have a material adverse impact on the Company, the Company Subsidiaries, their respective ability to develop the Projects, or the transactions contemplated hereby.

(d) Neither Seller Parent, nor any of its Affiliates (which, for the avoidance of doubt, includes the Company and each Company Subsidiary) party to such Company Contract is in breach of or default of any material obligation under such Company Contract, and, to the Knowledge of Seller Parent, no event has occurred or otherwise exists that with notice or lapse of time would constitute a breach or default of any material obligation under such Company Contract by Seller, nor any of its Affiliates (which, for the avoidance of doubt, includes the Company and each Company Subsidiary) party to such Company Contract, or permit termination, modification, or acceleration of such Company Contract or any rights or obligations of Seller Parent or any such Affiliates of Seller Parent under such Company Contract. Seller Parent has provided Buyer with, or access to, true and complete copies of all Company Contracts.

(e) To the Knowledge of Seller Parent, no party to any such Company Contract other than Seller Parent, nor any of its Affiliates (which, for the avoidance of doubt, includes the Company and each Company Subsidiary) is in breach of or default of any material obligation under such Company Contract by such other party, and, to the Knowledge of Seller Parent, no event has occurred or otherwise exists that with notice or lapse of time would constitute a breach or default by such other party, or permit termination, modification, or acceleration of such other party's rights or obligations under such Company Contract.

(f) There are no amounts withheld or amounts for which a counterparty currently has a claim for offset against amounts otherwise due and payable under any Company Contract.

(g) Neither the Company nor any Company Subsidiary has received from the applicable counterparty any written or, to the Knowledge of Seller Parent, oral notice of termination of, or intent to terminate, any Company Contract.

(h) Neither the Company nor any Company Subsidiary has received any written or, to the Knowledge of Seller Parent, oral notice from any other party to any of the Company Contracts that such other party is entitled to reduce in a material manner any amount to be paid by such party under such Company Contracts as a result of or in connection with any action taken or order issued by any Governmental Authority.

(i) Neither the Company nor any Company Subsidiary has a material outstanding claim or cause of action (including relating to availability), whether for liquidated damages or other monetary damages or otherwise, under any Company Contract (including a warranty agreement), and neither the Company nor any Company Subsidiary has received written, or to the Knowledge of Seller Parent, oral notice of any claim or cause of action (including relating to availability) against it, whether for liquidated damages or other monetary damages, under any Company Contract (including a power purchase or sale agreement).

(j) Schedule 3.10(j) sets forth the categories of Change in Control Payments.

3.11. Taxes.

(a) Except as set forth in Schedule 3.11:

(i) All Tax Returns that were required to be filed by or with respect to the Company or the Company Subsidiaries have been timely filed (taking into account any extension of time within which to file) and all such Tax Returns are complete and accurate in all material respects. None of the Company or any of the Company Subsidiaries is the beneficiary of any extension of time within which to file any Tax Return.

(ii) All Taxes for which the Company or the Company Subsidiaries are liable have been timely paid (other than Taxes not yet due and payable). Except as set forth on Schedule 3.11(a)(ii), the Company and the Company Subsidiaries have withheld and timely paid (including any withholding tax on payments made to Seller Parent or Seller) over to the appropriate Tax Authority all Taxes which they are required to withhold from amounts paid or owing to any employee, independent contractor, creditor or other third party. The unpaid Taxes of the Company and the Company Subsidiaries do not exceed such reserve for Tax liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) reflected on the face of the Balance Sheet as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of Seller Parent, Seller, the Company, and the Company Subsidiaries in filing Tax Returns. Since the date of the Balance Sheet, neither the Company nor any Company Subsidiary has (i) changed a method of accounting for Tax purposes, (ii) surrendered any right to a Tax refund, (iii) changed an accounting period with respect to Taxes, (iv) filed an amended Tax Return, or (v) made, changed, or revoked any election with respect to Taxes.

(iii) There are no Liens for Taxes (other than for current Taxes not yet delinquent) on any of the Company's or any Company Subsidiary's Properties, or on the membership interests in the Company.

(iv) No deficiencies for any Taxes have been proposed, asserted or assessed in writing against the Company or any Company Subsidiary that are still pending.

(v) There are no outstanding agreements, waivers, arrangements or requests for such agreements, waivers or arrangements extending the statutory period of limitations applicable to any claim for, or period of collection or assessment of, Taxes of or with respect to the Company or any Company Subsidiary.

(vi) No written or, to the Knowledge of Seller Parent (based on personal contact with an agent of a Tax Authority), oral notice has been received by the Company or any Company Subsidiary indicating that any Tax Return of the Company or any Company Subsidiary is under current examination by any Tax Authority.

(vii) None of the Company or any Company Subsidiary has entered into any "listed transaction," as defined in Treasury Regulation Section 1.6011-4(b)(2).

(viii) Other than with respect to Project Sales and any customary tax indemnification provisions in Company Contracts, none of the Company nor any Company Subsidiary (A) is a party to or has any liability under any tax sharing or tax indemnification agreement or (B) has any liability for Taxes of any other Person.

(ix) Each Company Subsidiary's current classification for federal tax purposes is set forth on Schedule 3.11(a)(ix). The Company is currently classified as a disregarded entity for federal tax purposes and previously was classified as a partnership and a corporation for federal tax purposes.

(x) Other than those Company Subsidiaries listed on Schedule 3.11(a)(x), no Company Subsidiary has received or applied for a cash grant in lieu of the available energy tax credit pursuant to Section 48 of the Code under the terms of Section 1603 of the American Recovery and Reinvestment Act of 2009, as amended, and any rules, regulations or other guidance promulgated thereunder.

(xi) Neither the Company nor any Company Subsidiary is or has been a "tax-exempt entity" within the meaning of Section 168(h)(2) of the Code (determined after application of Section 168(h)(2)(B) of the Code) or is a "tax-exempt controlled entity" within the meaning of Section 168(h)(6)(F)(iii) of the Code, unless such entity has made the election provided in Section 168(h)(6)(F)(ii) of the Code.

(xii) Except as set forth on Schedule 3.10(a), no power of attorney is currently in effect, and no Tax ruling has been requested of any Governmental Authority with respect to any Tax matter, relating to the Company or any Company Subsidiary.

(xiii) The Company has not filed or been included as a member in a consolidated, unitary, or combined Tax Return with another Person, other than a group the common parent of which was the Company.

(xiv) No claim has ever been made by any Governmental Authority in a jurisdiction where the Company, any Company Subsidiary or Seller Parent does not file Tax Returns that the Company, any Company Subsidiary, or Seller Parent is or may be subject to Taxes assessed by such jurisdiction or that such Taxes may be assessed by such jurisdiction with respect to the Assets or activities of the Company or any Company Subsidiary.

(xv) Except as set forth on Schedule 3.11(a)(xv), neither the Company nor any Company Subsidiary has a permanent establishment in any country other than the United States or Canada. Neither the Company nor any Company Subsidiary has participated in an international boycott, as defined in Section 999 of the Code. Any intercompany transactions between or among the Company each Company Subsidiary or Seller Parent and its Affiliates (other than to the extent of any such transaction that for federal tax purposes is regarded as not having occurred) has used arm's length prices and has satisfied all transfer pricing documentation requirements.

(xvi) No federal, state, local or other grant, financing, tax credit, or similar incentive, including any investment tax credit, production tax credit, or financing described in Section 45(b)(3) of the Code, has been applied for, claimed or received with respect to any Project or any of the Project Assets other than any operating Project or Project Assets of an operating Project.

(b) This Section 3.11 and Section 3.27 contain the sole and exclusive representations and warranties of Seller Parent with respect to Tax matters.

3.12. Employee Matters.

(a) Except as described in Schedule 3.12(a), (i) the Company and the Company Subsidiaries have not experienced any labor strikes or work stoppages by their employees due to labor disagreements in the last three (3) years and to the Knowledge of Seller Parent, none is currently pending; (ii) to the Knowledge of Seller Parent, the Company and the Company Subsidiaries are in compliance with all Applicable Laws respecting employment and employment practices, equal employment opportunity, occupational health and safety, terms and conditions of employment and wages and hours; (iii) the Company and the Company Subsidiaries have not received written notice from any Governmental Authority of any unfair labor practice charge, complaint or proceeding against the Company or any Company Subsidiary pending or threatened before the National Labor Relations Board or any other Governmental Authority with respect to their employees; and (iv) the Company and the Company Subsidiaries are not parties to any collective bargaining agreements.

(b) Schedule 3.12(b) contains a true and complete list of each Company Employee Benefit Plan. With respect to each such Company Employee Benefit Plan, Seller Parent made available to Buyer a true and complete copy of all documents comprising such Company Employee Benefit Plan (or, to the extent no such copy exists, an accurate description) thereof, and, to the extent applicable, each of the following related thereto: (i) the most recent summary plan description and all summaries of material modifications, (ii) any related trust agreement, annuity contract, insurance contract or other funding instrument, (iii) any administrative service or other material agreements or documents related to the administration of such Company Employee Benefit Plan, (v) the most recent qualification letter, opinion letter or similar document issued by the Internal Revenue Service, (vi) the three most recent Form 5500 filings, with all schedules and attachments, and (vii) the annual discrimination testing report for the last three plan years.

(c) Except as would not result in a Material Adverse Effect, no event has occurred and no condition exists with respect to any Company Employee Benefit Plan that would be reasonably likely to subject the Company or an ERISA Affiliate to any tax, fine, lien, penalty or other liability imposed by ERISA, the Code or other Applicable Law; and no Company Employee Benefit Plan is subject to Title IV of ERISA (including any Multiemployer Plan). To the Knowledge of Seller Parent, no party to any such Company Employee Benefit Plan is in breach of or default of any material obligation under such Company Employee Benefit Plan, and, to the Knowledge of Seller Parent, no event has occurred or otherwise exists that with notice or lapse of time would constitute a breach or default by any party. Neither the Company nor any Company Subsidiary has a material outstanding claim or cause of action, whether for liquidated damages or other monetary damages or otherwise, under any Company Employee Benefit Plan.

(d) The Internal Revenue Service has issued a currently effective favorable determination letter with respect to each Company Employee Benefit Plan that is intended to be a "qualified plan" within the meaning of Section 401 of the Code or the Company Employee Benefit Plan is in the form of a pre-approved master or prototype plan that is the subject of a favorable opinion letter, upon which the Company may rely, and each trust maintained pursuant thereto has been determined to be exempt from federal income taxation under Section 501 of the Code by the Internal Revenue Service. Each such Company Employee Benefit Plan has been timely amended since the date of the latest favorable determination letter or opinion letter in accordance with all Applicable Laws. Nothing has occurred with respect to the operation of any such Company Employee Benefit Plan that is reasonably likely to cause the loss of such qualification or exemption or the imposition of any liability, penalty or Tax under ERISA or the Code or the assertion of claims by "participants" (as that term is defined in Section 3(7) of ERISA) other than routine benefit claims.

(e) There are no claims (except claims for benefits payable in the ordinary course of business and proceedings with respect to qualified domestic relations orders), suits or proceedings pending or, to the Knowledge of Seller Parent, threatened against or involving any Company Employee Benefit Plan, asserting any rights or claims to benefits under any Company Employee Benefit Plan or asserting any claims against any administrator, fiduciary or sponsor thereof. There are no pending or, to the Knowledge of Seller Parent, threatened investigations by any Government Entity involving any Company Employee Benefit Plan. Neither the Company nor any ERISA Affiliate has any Liability or obligation, including under any Employee Benefit Plan, arising out of the hiring of individuals to provide services and treating such individuals as consultants or independent contractors and not employees for federal income tax or other purposes. There are no "leased employees" (as such term is defined in Section 414(n) of the Code) of the Company or any ERISA Affiliate.

(f) All Company Employee Benefit Plans have been established, maintained and administered in accordance with their terms and with all provisions of Applicable Laws, including ERISA and the Code, except for instances of noncompliance where the costs associated with compliance or failing to comply, individually or in the aggregate, would reasonably not be expected to have a Material Adverse Effect on the Company or any ERISA Affiliate. All reports and information required to be filed with any Government Entity or provided to participants or their beneficiaries have been timely filed or disclosed and, when filed or disclosed, were accurate and complete. All contributions or premiums required to be made to, or benefit Liabilities arising under the terms of, each Company Employee Benefit Plan, including Liabilities for incurred, but not reported medical claims, for all periods have been made or adequately reserved for or have been accurately disclosed as Liabilities on the Financial Statements.

(g) Each Company Employee Benefit Plan that is a "non-qualified deferred compensation plan" (within the meaning of Section 409A(d)(1) of the Code) that is subject to Section 409A of the Code ("409A Plan") has been operated in good faith compliance with Section 409A of the Code since January 1, 2005 and was, prior to January 1, 2009, amended to fully comply with the requirements of the final regulations promulgated under Section 409A of the Code. No Company Employee Benefit Plan that would be a 409A Plan but for the effective date provisions applicable to Section 409A of the Code as set forth in Section 885(d) of the American Jobs Creation Act of 2004, as amended ("AJCA") has been "materially modified" within the meaning of section 885(d)(2)(B) of AJCA after October 3, 2004 or has been operated in violation of Section 409A. Neither the Company nor any ERISA Affiliate is required to provide any gross-up, make-whole, or other additional payment with respect to Taxes, interest or penalties imposed under any tax provisions, including Section 409A or Section 4999 of the Code.

(h) None of the Company Employee Benefit Plans promises or provides retiree medical or other retiree welfare benefits to any Person except as required by Applicable Law and neither the Company nor any ERISA Affiliate has represented, promised, or contracted to provide such retiree benefits to any employee, former employee, director, consultant or other Person, except as required by Applicable Law.

(i) Except as set forth in Schedule 3.12(i) or as required by applicable Law with respect to any Company Employee Benefit Plan, neither the execution of this Agreement nor the consummation of the transactions contemplated hereby (either alone or in conjunction with any other event) will: (i) increase any benefits otherwise payable under any Company Employee Benefit Plan, (ii) result in the acceleration of the time of payment or vesting of any such benefits, (iii) limit or prohibit the ability to amend or terminate any Company Employee Benefit Plan, (iv) require the funding of any trust or other funding vehicle, (v) renew or extend the term of any agreement in respect of compensation for an employee of the Company or any ERISA Affiliate that would create any Liability for Buyer after the Closing or (vi) result in any payment or benefits for any current or former Company Employee that may be considered "excess parachute payments" under Section 280G of the Code.

(j) For each month for which the provisions of Code Section 4980H apply to the Company and each Company Subsidiary, the Company and each Company Subsidiary has taken commercially reasonable steps necessary to ensure that no tax could become due under Code Section 4980H, and has maintained adequate records to permit the Company and each Company Subsidiary to comply with its reporting obligations under Sections 6055 and 6056 of the Code.

(k) No Company Employee Benefit Plan is subject to the Applicable Law of any jurisdiction other than the United States or the Province of Ontario, Canada.

(l) With respect to each insurance policy that insures any benefits under any Company Employee Benefit Plan, such policy is valid and binding, no material premiums due and payable thereunder by the Company or a Company Subsidiary are unpaid and neither the Company nor any Company Subsidiary has received any notice of cancellation or termination in respect of any such policy or is in non-curable default under any such policy.

(m) Seller has provided Buyer as Schedule 3.12(m)(i), a true, correct and complete list of each of the employees and individual service providers holding positions at the Company or the Company Subsidiaries showing each such person's name, position, location of employment, status as exempt/non-exempt, salary and target bonuses for the current fiscal year. Except as contemplated by this Agreement and as set forth on Schedule 3.12(m)(ii), to the Knowledge of Seller Parent, no employee of the Company or any of the Company Subsidiaries has given written notice to the Company or any of the Company Subsidiaries that any such employee shall terminate his or her employment or service with the Company or any of the Company Subsidiaries. The employment of each of the employees of the Company or any of the Company Subsidiaries is "at will" and neither the Company nor any of the Company Subsidiaries has any obligation to provide any particular form or period of notice prior to terminating the employment of any of their respective employees.

3.13. Insurance. Schedule 3.13 contains a true and complete list of all insurance policies currently in effect as of the date hereof that insure the business, operations, employees or Properties of the Company and the Company Subsidiaries, including the Projects, or affect or relate to the ownership, use or operation of any of the Properties of the Company and the Company Subsidiaries, including the Projects, and that have been issued to the Company and the Company Subsidiaries. Each such policy is valid and binding, no material premiums due under any such policies have not been paid and neither the Company nor any Company Subsidiary has received any notice of cancellation or termination in respect of any such policy or is in default under any such policy. No outstanding claims have been made under such policies.

3.14. Environmental Matters. Except as set forth in Schedule 3.14: (a) the Company, the Company Subsidiaries and the Projects are, and, to the Knowledge of Seller Parent, other than with respect to Project Sales which have not resulted in any claims for non-compliance, have been for the past five (5) years, in compliance in all material respects with all applicable Environmental Laws; (b) the Company and the Company Subsidiaries have not received any written, or, to the Knowledge of Seller Parent, oral notice of, any material violations of Environmental Law or Environmental Liability relating to the Company, the Company Subsidiaries or the Projects; (c) to the Knowledge of Seller Parent, there are no events, conditions or circumstances which have resulted or would result in an Environmental Condition that will result in the imposition of any material Environmental Liability on the Company, the Company Subsidiaries or the Projects; and (f) Seller Parent has made available to Buyer copies of all material reports, assessments and analyses in the Company's or any Company Subsidiary's possession relating to Environmental Conditions, Environmental Liabilities and Government Approvals. This Section 3.14 and Section 3.20 contain the sole and exclusive representations and warranties of Seller with respect to environmental matters.

3.15. Intellectual Property. Except as set forth in Schedule 3.15: (a) the Company or a Company Subsidiary owns or has the valid right to use all the Intellectual Property necessary to conduct their respective businesses as currently conducted free and clear of all Liens other than Permitted Liens; (b) the use of the Company IP by the Company and the Company Subsidiaries does not materially infringe the Intellectual Property of any third party and, to the Knowledge of Seller Parent, no third-party is infringing the Company IP; (c) no Action or Order is outstanding or pending or, to the Knowledge of Seller Parent, threatened that seeks to cancel, limit or challenge the ownership, use, validity or enforceability of any Company IP; and (d) the Company and the Company Subsidiaries have taken all customary steps (including executing non-disclosure and intellectual property assignment agreements and filing for statutory protections) to protect and maintain the Company IP. Section 3.15, and Section 3.30 contain the sole and exclusive representations and warranties of Seller with respect to the Company IP.

3.16. Property.

(a) The Company and the Company Subsidiaries own in fee simple the real property described in Schedule 3.16(a), in each case subject only to Permitted Liens (the "Owned Real Property").

(b) All leases of real property (each, a "Lease") to which the Company or any Company Subsidiary is a party, as lessee, are listed in Schedule 3.16(b) (the Company's or applicable Company Subsidiary's interest in property which is leased pursuant to the Leases is referred to herein as the "Leased Real Property"). Such Leases have not been assigned nor have the premises demised thereunder been subleased, in whole or in part, except as set forth in Schedule 3.16(b). All leases of real property to which the Company or any Company Subsidiary is a party, as lessor, are separately listed in Schedule 3.16(b). All options to purchase, option to lease, options to obtain an easement or other form of option agreement relating to real property to which the Company or any Company subsidiary is a party are listed in Schedule 3.16(b) (the "Option Agreements"). The Company's or applicable Company Subsidiary's interest in properties which are the subject of the Option Agreements are referred to herein as the "Optioned Real Property", and the Owned Real Property, the Leased Real Property and the Optioned Real Property, the Company's or applicable Company Subsidiary's interest in all easements, tenancies, subleases, licenses, rights-of-way, occupancies, co-tenancies or other rights of possession collectively, are referred to herein as the "Real Property". Except for the Real Property, to the Knowledge of Seller Parent, there are no other beneficial real property interests such as leases, easements, tenancies, subleases, licenses, rights-of-way, occupancies, co-tenancies or other rights of possession or use in effect, oral or written which benefits such Site or the Project or any options for any of the foregoing. The Company and each Company Subsidiary has good and valid title or leasehold title (as applicable) to all of its respective personal property Assets (tangible and intangible), free and clear of all Liens other than Permitted Liens. All payments required to be made by the Company and each Company Subsidiary under each Lease as of the Closing shall have been made by the Company or such Company Subsidiary on or before Closing. None of the Owned Real Property and, to the Knowledge of Seller Parent, none of the other Real Property is subject to any Liens or other rights of third-parties, other than the Permitted Liens.

(c) A Company Subsidiary holds good and valid leasehold title in and to the Sites that are the subject of the Leases as lessee under the Leases in each case subject only to Permitted Liens. The Leases and Option Agreements are in full force and effect, and constitute valid and binding legal obligations enforceable against the Company Subsidiary party thereto and, to the Knowledge of Seller Parent, each other party thereto in accordance with their terms, and will not be rendered invalid or unenforceable as a result of the transactions contemplated hereby, except, in each case, as such enforceability may be limited by the Enforceability Exceptions. There are no understandings, amendments, modifications or changes, oral or written, between the applicable Company Subsidiary and any of the parties to the Leases or Option Agreements which in any material manner vary the obligations or rights of the parties thereunder. Schedule 3.16(c) sets forth the current status of mineral rights and site control (including waivers of surface access with respect to mineral rights) with respect to all Real Property for the Near-Term Projects. Except as separately listed in Schedule 3.16(c), to Knowledge of Seller Parent based on current facts and circumstances, the Company or a Company Subsidiary has acquired sufficient mineral rights (or has acquired sufficient waivers of surface access with respect to mineral rights) to enable Stewart Title Guaranty Company, Fidelity National Title Company or another nationally recognized title insurance company to issue policies of title insurance with ALTA endorsement 35.3-06 with respect to all material Real Property necessary to develop, construct and operate the Near-Term Projects. To the Knowledge of Seller Parent, the uses currently proposed to be made of the Real Property in connection with the Projects are or will be authorized under existing environmental, zoning, flood control and other land use regulations applicable to the relevant Real Property and Project. To the Knowledge of Seller Parent, there are no zoning or other land use proceedings (including condemnation proceedings), either instituted or, planned to be instituted, that would preclude or materially and adversely affect the use, development and/or operation of the applicable Real Property for the applicable Project.

(d) To the Knowledge of Seller Parent, there is no writ, injunction, decree, order, award, ruling, stipulation or judgment outstanding, nor any Action pending or threatened relating to the ownership, lease, use, occupancy or operation of any Owned Real Property or, to the Knowledge of Seller Parent, any other Real Property, except as disclosed on Schedule 3.08. None of Seller, the Company or any Company Subsidiary has received any written notice of any of the following, and, to the Knowledge of Seller Parent, none of the following events or conditions have occurred or currently exist: any written claims from any Governmental Authority having jurisdiction over the Projects or the real Property or from any Person who will provide utility service to the Real Property, that there are not sufficient easements and rights-of-way required for the operation of the Projects in the ordinary course, to provide ingress and egress to and from the Real Property, or for the applicable Company Subsidiary to satisfy its obligations under any Company Contracts.

(e) All Owned Real Property and, to the Knowledge of Seller Parent, all other Real Property is currently being maintained in all material respects in accordance with Applicable Laws, and none of Seller, the Company or any Company Subsidiary have received any notification that any Real Property is currently in violation of any Applicable Law with respect to such Real Property. Except as set forth in the Leases and Option Agreements, there are no rents, royalties, fees or other amounts incurred, payable or receivable by any Company Subsidiary in connection with the Real Property other than Permitted Liens and Taxes.

(f) Except as set forth on Schedule 3.16(f), to Knowledge of Seller Parent based on current facts and circumstances, (a) the Real Property constitutes all of the real property interests reasonably necessary to develop, construct, use and operate all of the Near-Term Projects and (b) such real property interests are sufficient in all material respects for the applicable Company Subsidiaries to access, develop, install, construct, own and operate all of the Near-Term Projects as contemplated by the Company Contracts and any other contracts or agreements to be entered into by the Company Subsidiaries in connection with the Near-Term Projects, including for the sale of electricity and Environmental Attributes generated by or associated with the Near-Term Projects. Except as set forth on Schedule 3.16(a) and Schedule 3.16(b), none of the Company or any Company Subsidiary owns, leases, licenses or otherwise has interests (including option interests) in any other real property other than the Real Property.

(g) The Company and each Company Subsidiary has good and marketable title or leasehold interests, as applicable, to their respective personal property Assets, free and clear of any and all Liens (other than Permitted Liens).

3.17. Condemnation. Except as set forth in Schedule 3.17, neither the Company nor any Company Subsidiary has received written notice from any Governmental Authority of any pending or threatened proceeding to condemn or take by power of eminent domain or otherwise, by any Governmental Authority, all or any material part of the Properties.

3.18. Related Party Transactions. Except as set forth on Schedule 3.18, no officer, manager or director of the Company or any Company Subsidiary: (a) owns, directly or indirectly, any of the outstanding Equity Securities of any Person that furnished or sold, or furnishes or sells, material services, products, land or technology to the Company or any Company Subsidiary for use in the Projects, (b) owns, directly or indirectly, any outstanding Equity Securities of any Person that purchases from or sells or furnishes to the Company or any Company Subsidiary any material goods or services used in the Projects, or (c) is party to any material Contract with the Company or any Company Subsidiary (other than the Organizational Documents, Contracts with respect to Change in Control Payments, and employment, confidentiality and indemnification Contracts with Company Employees).

3.19. Brokers. Neither the Company nor any Company Subsidiary has any Liability to pay fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

3.20. Governmental Approvals. True and correct copies of each material Governmental Approval that has been obtained by or for the benefit of the Company Subsidiaries for the Projects have been made available to Buyer. All material Governmental Approvals necessary for the construction, development, ownership and operation of the Projects have been obtained, except for Governmental Approvals not yet required as of the date that this representation is made based on current stage of development of such Project. All such material discretionary Governmental Approvals issued or to be issued in the Company's or a Company Subsidiaries' name necessary for the construction, development, ownership and operation to the Near-Term Projects are set forth on Part I of Schedule 3.20. Each Governmental Approval required to be held currently by the Company or any Company Subsidiary based on the current stage of development of the relevant Project and held by the Company or any Company Subsidiary is in full force and effect and, to the Knowledge of Seller Parent, not subject to any current Action that could reasonably be expected to allow any material modification or revocation thereof. If the Applicable Law pursuant to which a Governmental Approval was issued specified a period of limited administrative or judicial appeal, except as set forth on Part II of Schedule 3.20, all such appeal periods have expired with respect thereto, and, to the Knowledge of Seller Parent, neither the Company nor any such Company Subsidiary is in violation of any such Governmental Approvals which would not have a material adverse impact on the Company, the Company Subsidiaries, their respective ability to develop the Projects, or the transactions contemplated hereby. There are no Actions pending, or to the Knowledge of Seller Parent threatened, which might reasonably be expected to result in the revocation or termination of any such Governmental Approval currently held by the Company or any Company Subsidiary in respect of the applicable Project or the imposition of any material penalty or condition thereunder. To the Knowledge of Seller Parent, no event has occurred and is continuing that constitutes, or after notice or lapse of time or both would constitute, any material violation of any such Governmental Approval, or could reasonably be expected to result in a material adverse modification, revocation, or termination of, or any other material adverse change in, any such Governmental Approval. To the Knowledge of Seller Parent, there are no specific circumstances directly related to a Governmental Approval which is required, has been applied for and has not yet been issued that would give a reasonable person reason to believe that such Governmental Approval would not be issued in due course in a form substantially conforming to the form of Governmental Approval for which the Company or relevant Company Subsidiary applied, acknowledging that some Governmental Approvals may be discretionary.

3.21. Debt Obligations. Except as set forth in Schedule 3.21, neither the Company nor any Company Subsidiary has any Debt Obligations.

3.22. Project Interconnection. The interconnection queue positions held by the Company Subsidiaries and any Affiliate in respect of a Project, and all material written agreements, studies and reports in the Company or the Company Subsidiaries' possession entered into or issued by the applicable interconnection or transmission provider in connection with such queue positions or the Projects, are as listed on Schedule 3.22. Other than as disclosed in the documents listed on Schedule 3.22, neither the Company, Company Subsidiaries nor any Affiliate has received written notice (or, to the Knowledge of Seller Parent, any oral notice) from the applicable interconnection or transmission provider specific to a Project, that the such interconnection or transmission provider has taken or has determined to take any action with respect to termination of such queue positions or the rights under any agreements set forth on Schedule 3.22. The Company, Company Subsidiaries or any Affiliates, as applicable, have timely made all material deposits and other payments, and filed all material reports and other information, required in order to maintain such interconnection queue positions and interconnection and transmission rights in the documents listed on Schedule 3.22.

3.23. Books and Records. The Books and Records have been kept and maintained in all material respects as required by Applicable Laws, and contain true, correct and complete copies of the governing documents, material meetings and consents in lieu of meetings of the members or managers of the Company and each Company Subsidiary, and such records accurately reflect in all material respects all transactions referred to in such minutes and consents.

3.24. Bank Accounts. Schedule 3.24 contains a true and correct list of the names of all banks and other financial institutions in which the Company or any Company Subsidiary currently has an account, deposit or safe deposit box, along with the account numbers and the names of all Persons holding check signing or withdrawal power or access thereto or control thereunder.

3.25. Foreign Corrupt Practices Act. Except as set forth on Schedule 3.25, Neither the Company nor any Company Subsidiary or any of their respective directors, officers, employees or, to the Knowledge of Seller Parent, any agents or any other Persons acting on their behalf has, in connection with the operation of their respective businesses, (a) used any corporate or other funds for unlawful contributions, payments, gifts or entertainment, or made any unlawful expenditures relating to political activity to foreign officials, candidates or members of any Governmental Authority or political party or organization, or established or maintained any unlawful or unrecorded funds in violation of Section 104 of the Foreign Corrupt Practices Act of 1977, as amended, or any other similar applicable Law, or (b) violated in any material respect or operated in material non-compliance with any export restrictions, anti-boycott regulations, embargo regulations or other similar Laws.

3.26. Hedging. Except as set forth in Schedule 3.26, neither the Company nor any Company Subsidiary has executed any physical or financial electricity hedge contracts, currency or interest rate hedge contracts, exchange-traded futures or options transactions, over-the-counter transactions or derivatives thereof, interest rate swap agreements, trades or similar transactions.

3.27. Project Sales. There are no outstanding indemnification claims or payments, purchase price payments or purchase price adjustments (including earn-outs and similar post-closing adjustments) to be made to or by any Person with respect to any of the Project Sales for which Seller Parent, Seller, the Company or Company Subsidiary is liable. There are no indemnification claims or indemnification payments, purchase price payments or purchase price adjustments (including earn-outs and similar post-closing adjustments) that will in the future be required to be made to or by any Person with respect to any of the Project Sales for which Seller Parent, Seller, the Company or Company Subsidiary is or will be liable.

3.28. Environmental Attributes. Except as set forth in Schedule 3.28, and other than pursuant to the power purchase agreements listed on Schedule 3.10(a), (a) the Company Contracts do not convey any Environmental Attributes of the Projects to any Person and (b) the Projects retain full title to all Environmental Attributes associated with the Project Assets and (c) nothing in the Company Contracts, and nothing about the Project Assets, prevent the Projects from selling Environmental Attributes, including RECs.

3.29. Accuracy of Information. The representations and warranties given by Seller Parent in this Agreement or any certificate, document or other instrument delivered by Seller Parent or Seller hereunder, do not contain any untrue statement of material fact, nor to the Knowledge of Seller Parent, do they omit to state a material fact necessary to make the statements or facts contained herein or therein, in light of the circumstances under which they were made, not misleading, taken as a whole. Except as set forth in the Schedules to this Agreement, to the Knowledge of Seller, there is no material fact with respect to the development, construction and operation of any Project that has not been disclosed to Buyer that could reasonably be expected to have a Material Adverse Effect.

3.30. Confidential Information Protection. The Company and the Company Subsidiaries have taken all commercially reasonable steps to protect and preserve the confidentiality of all trade secrets and other confidential or non-public information of the Company and the Company Subsidiaries or provided by any third party to the Company or the Company Subsidiaries ("Target Group Confidential Information"). All current and former employees and contractors of the Company and the Company Subsidiaries and third parties having access to Confidential Information have executed and delivered to the Company or the Company Subsidiaries a written legally binding agreement regarding the protection of such Target Group Confidential Information. The Company and the Company Subsidiaries have implemented and maintain a reasonable security plan consistent with industry practices of companies offering similar products or services. To the Knowledge of Seller Parent, the Company and the Company Subsidiaries have not experienced any breach of security or otherwise unauthorized access by third parties to the Target Group Confidential Information in the possession, custody or control of the Company and the Company Subsidiaries.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES OF SELLER PARENT RELATING TO SELLER PARENT AND SELLER

Seller Parent represents and warrants to Buyer as of the date of this Agreement and the Closing Date as follows:

4.01. Organization; Qualification. Each of Seller and Seller Parent is duly formed, validly existing and in good standing under the Applicable Laws of its jurisdiction of organization, and has all requisite organizational power and authority to conduct its business as it is now being conducted and to own, lease and operate its Properties.

4.02. Authority; Enforceability. Each of Seller and Seller Parent has all requisite organizational power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by Seller and Seller Parent of this Agreement and the performance by Seller and Seller Parent of its obligations hereunder have been duly and validly authorized by all necessary organizational action. This Agreement has been duly and validly executed and delivered by Seller Parent and Seller and constitutes the legal, valid and binding obligation of Seller Parent and Seller enforceable against Seller Parent and Seller in accordance with its terms, except as limited by the Enforceability Exceptions.

4.03. No Conflicts; Consents and Approvals. The execution and delivery by Seller Parent and Seller of this Agreement does not, and the performance by Seller Parent and Seller of their respective obligations under this Agreement will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the Organizational Documents of Seller Parent or Seller;

(b) subject to the receipt or making of the required filings, waivers, approvals, consents, authorizations and notices set forth on Schedule 4.03 (collectively, the "Seller Parent's and Seller's Approvals"), be in violation of or result in a breach of or default (or give rise to any right of termination, cancellation or acceleration) under (with or without the giving of notice, the lapse of time, or both) any material Contract to which Seller Parent or Seller is a party, except for any such violations or defaults (or rights of termination, cancellation or acceleration) which would not, individually or in the aggregate, result in a material adverse effect on Seller Parent's or Seller's ability to perform its obligations hereunder; or

(c) assuming all of the Seller Parent's and Seller's Approvals and other notifications provided in the ordinary course of business have been made, obtained or given (i) conflict with, violate or breach any term or provision of any Applicable Law applicable to Seller or Seller Parent, except as would not, individually or in the aggregate, result in a material adverse effect on Seller's or Seller Parent's ability to perform its obligations hereunder or (ii) require any consent or approval of any Governmental Authority, or notice to, or declaration, filing or registration with, any Governmental Authority, under any Applicable Law, other than such consents, approvals, notices, declarations, filings or registrations which, if not made or obtained, would not, individually or in the aggregate, result in a material adverse effect on Seller's or Seller Parent's ability to perform its obligations hereunder.

4.04. Legal Proceedings. As of the date hereof, there are no Actions pending or, to the Knowledge of Seller Parent, threatened in writing against Seller Parent or Seller, nor are there any outstanding Orders that affect or bind Seller Parent, Seller or any of their Properties, that would result in the issuance of an Order restraining, enjoining or otherwise prohibiting or making illegal the performance by Seller Parent or Seller of its respective obligations under this Agreement.

4.05. No Other Representations or Warranties. Except for the representations and warranties set forth in Article III and this Article IV, Seller Parent does not make any other express or implied representation or warranty. Seller does not make any express or implied representation or warranty.

4.06. Solvency. No petition or notice has been presented, no order has been made and no resolution has been passed for the bankruptcy, liquidation, winding-up or dissolution of Seller. No receiver, trustee, custodian or similar fiduciary has been appointed over the whole or any part of Seller's Assets or the income of Seller. Seller has no plan or intention of, or has received any notice that any other Person has any plan or intention of, filing, making or obtaining any such petition, notice, order or resolution or of seeking the appointment of a receiver, trustee, custodian or similar fiduciary.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller Parent as of the date of this Agreement and the Closing Date as follows:

5.01. Organization; Qualification. Buyer is an organization duly formed, validly existing and in good standing under the Applicable Laws of its jurisdiction of organization, and has all requisite organizational power and authority to conduct its business as it is now being conducted and to own, lease and operate its Properties.

5.02. Authority; Enforceability. Buyer has all requisite organizational power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by Buyer of this Agreement and the performance by Buyer of its obligations hereunder have been duly and validly authorized by all necessary organizational action. This Agreement has been duly and validly executed and delivered by Buyer and constitutes the legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms, except as limited by the Enforceability Exceptions.

5.03. No Conflicts; Consents and Approvals. The execution and delivery by Buyer of this Agreement do not, and the performance by Buyer of its obligations under this Agreement will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the Organizational Documents of Buyer;

(b) assuming all required filings, waivers, approvals, consents, authorizations and notices set forth on Schedule 5.03 (collectively, the "Buyer's Approvals") have been obtained, be in violation of or result in a breach of or default (or give rise to any right of termination, cancellation or acceleration) under (with or without the giving of notice, the lapse of time, or both) any material Contract to which Buyer is a party, except for any such violations or defaults (or rights of termination, cancellation or acceleration) which would not, individually or in the aggregate, result in a material adverse effect on Buyer's ability to perform its obligations hereunder; or

(c) assuming all of the Buyer's Approvals and other notifications provided in the ordinary course of business have been made, obtained or given (i) conflict with, violate or breach any term or provision of any Applicable Law applicable to Buyer, except as would not, individually or in the aggregate, result in a material adverse effect on Buyer's ability to perform its obligations hereunder or (ii) require any consent or approval of any Governmental Authority, or notice to, or declaration, filing or registration with, any Governmental Authority, under any Applicable Law, other than such consents, approvals, notices, declarations, filings or registrations which, if not made or obtained, would not, individually or in the aggregate, result in a material adverse effect on Buyer's ability to perform its obligations hereunder.

5.04. Legal Proceedings. As of the date hereof, there are no Actions pending or, to the knowledge of Buyer, threatened in writing against Buyer, nor are there any outstanding Orders that affect or bind Buyer or any of its Properties, that would result in the issuance of an Order restraining, enjoining or otherwise prohibiting or making illegal the performance by Buyer of its obligations under this Agreement.

5.05. Investment Representations. Buyer is an investor experienced (or owned or managed by Persons experienced) in evaluating investments and, in particular (either on its own or with advisors), power generation facilities and has the knowledge, experience and resources to enable it to evaluate and to bear the risks of the investment represented by the Shares.

5.06. Brokers. Except for the fees due Credit Suisse (Hong Kong) Limited (which are payable by Buyer)], all negotiations relating to this Agreement have been carried out by Buyer directly with Seller Parent and Seller without the intervention of any Person on behalf of Buyer in such manner as to give rise to any valid claim by any Person against Seller Parent, Seller, the Company or any Company Subsidiary for a finder's fee, brokerage commission or similar payment.

5.07. Availability of Funds. Buyer has sufficient funds available to it to pay the Total Purchase Price and the fees and expenses of Buyer related to the transactions contemplated by this Agreement and to enable Buyer to perform all of its obligations under this Agreement. Buyer knows of no circumstance or condition that could be reasonably expected to prevent the availability at the Closing of such cash. Buyer acknowledges and agrees that notwithstanding anything to the contrary contained herein, its obligation to consummate the transactions contemplated hereby is not subject to any financing contingency or condition. Buyer has neither knowledge nor reason to suspect that the monies used to fund the purchase of the Company or the transactions contemplated hereby have been or will be derived from or related to any illegal activities, including money laundering activities.

5.08. Waiver of Other Representations. **EXCEPT FOR ANY REPRESENTATIONS AND WARRANTIES SET FORTH IN ARTICLES III AND IV, THE COMPANY IS SOLD "AS IS, WHERE IS," AND THE COMPANY, SELLER PARENT AND SELLER EXPRESSLY DISCLAIM ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE LIABILITIES, OPERATIONS, TITLE, CONDITION, VALUE OR QUALITY OF THE PROPERTIES OF THE COMPANY OR ANY COMPANY SUBSIDIARY OR THE PROSPECTS (FINANCIAL AND OTHERWISE), RISKS AND OTHER INCIDENTS OF OWNERSHIP OF THE COMPANY, THE COMPANY SUBSIDIARIES, THE PROJECTS, THE PROPERTIES OF THE COMPANY OR ANY COMPANY SUBSIDIARY AND THE BUSINESS OF THE COMPANY OR ANY COMPANY SUBSIDIARY, INCLUDING, WITH RESPECT TO THE ACTUAL OR RATED GENERATING CAPABILITY OF THE PROJECTS OR THE ABILITY OF SELLER PARENT OR SELLER TO SELL FROM THE PROJECTS ELECTRIC ENERGY, CAPACITY, RENEWABLE ATTRIBUTES OR OTHER PRODUCTS RECOGNIZED BY ANY INDEPENDENT MARKET ADMINISTRATOR FROM TIME TO TIME, AND THE COMPANY AND SELLER SPECIFICALLY DISCLAIM ANY REPRESENTATIONS OR WARRANTIES OF MERCHANTABILITY, USAGE, OR SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE PROJECTS AND THE PROPERTIES OF THE COMPANY OR ANY COMPANY SUBSIDIARY, OR ANY PART THEREOF, OR AS TO THE WORKMANSHIP THEREOF, OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT, OR COMPLIANCE WITH ENVIRONMENTAL REQUIREMENTS, OR AS TO THE CONDITION OF THE PROJECTS AND THE PROPERTIES OF THE COMPANY OR ANY COMPANY SUBSIDIARY, OR ANY PART THEREOF, IN EACH CASE EXCEPT AS SET FORTH IN THIS AGREEMENT. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, THE COMPANY, SELLER PARENT AND SELLER EXPRESSLY DISCLAIM ANY REPRESENTATION OR WARRANTIES OF ANY KIND REGARDING THE SUITABILITY OF THE PROJECTS FOR OPERATION AS POWER PLANTS OR AS SITES FOR THE DEVELOPMENT OF GENERATION CAPACITY. THE REPRESENTATIONS AND WARRANTIES SET FORTH IN ARTICLES III AND IV CONSTITUTE THE SOLE AND EXCLUSIVE REPRESENTATIONS AND WARRANTIES OF SELLER PARENT IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY AND NO MATERIAL OR INFORMATION PROVIDED BY OR COMMUNICATIONS MADE BY THE COMPANY, SELLER PARENT, SELLER, ANY COMPANY SUBSIDIARY OR ANY BROKER OR INVESTMENT BANKER, INCLUDING INFORMATION IN THE DATA ROOM, AND ANY ORAL, WRITTEN OR ELECTRONIC RESPONSE TO ANY INFORMATION REQUEST PROVIDED TO SELLER PARENT OR SELLER WILL CAUSE OR CREATE ANY WARRANTY, EXPRESS OR IMPLIED. BUYER HAS CONDUCTED ITS OWN INDEPENDENT REVIEW AND ANALYSIS OF THE BUSINESS, OPERATIONS, ASSETS, LIABILITIES, RESULTS OF OPERATIONS, FINANCIAL CONDITION, TECHNOLOGY AND PROSPECTS OF THE COMPANY AND THE COMPANY SUBSIDIARIES AND ACKNOWLEDGES THAT BUYER HAS BEEN PROVIDED ACCESS TO PERSONNEL, PROPERTIES, PREMISES AND RECORDS OF THE COMPANY AND THE COMPANY SUBSIDIARIES FOR SUCH PURPOSE. IN ENTERING INTO THIS AGREEMENT, BUYER HAS RELIED UPON, AMONG OTHER THINGS, ITS DUE DILIGENCE INVESTIGATION AND ANALYSIS OF THE COMPANY, THE COMPANY SUBSIDIARIES AND EACH OF THEIR RESPECTIVE BUSINESSES.**

ARTICLE VI.
COVENANTS OF THE PARTIES

6.01. Investigation by Buyer. From and after the date hereof until the Closing Date or earlier termination of this Agreement (the "Interim Period"), Seller Parent will provide Buyer and its Representatives with reasonable access, upon reasonable prior notice and during normal business hours, to all officers and employees of the Company and the Company Subsidiaries and their respective Properties, Projects and Sites (provided, however, that Buyer shall not be entitled to collect any air, soil, surface water or ground water samples nor to perform any invasive or destructive sampling on the Sites) and the Books and Records relating to the Company and the Company Subsidiaries, but only to the extent that such access does not unreasonably interfere with the business and operations of the Company and the Company Subsidiaries; provided, however, that (a) Seller Parent shall have the right to (i) have a Representative present for any communication with employees or officers of the Company or any Company Subsidiary and (ii) impose reasonable restrictions and requirements for safety purposes and (b) Seller Parent shall not be required to provide access to any information that is (i) subject to attorney-client privilege to the extent doing so would cause such privilege to be waived, (ii) prohibited by Applicable Law or (iii) subject to contractual prohibitions against disclosure to the extent doing so would violate such prohibition (after Seller has used commercially reasonable efforts to obtain the consent of the other party to disclose such information and such consent has been denied). In addition, upon reasonable advance request from Buyer for purposes of a smooth and efficient transfer and integration of the business the Company and the Company Subsidiaries and other reasonable purposes, Seller Parent shall use its commercially reasonable efforts to arrange meetings (whether telephonic or in person) with customers and suppliers of the Company and the Company Subsidiaries, provided that (i) Buyer shall consult with the Company regarding the topics for discussion at such meetings and Seller Parent shall have the right to have Representatives present at any such meetings, (ii) Seller Parent may reasonably limit the number of individuals and the number of meetings and (iii) Buyer shall coordinate all such meetings with one or more Persons designated by the Company or Seller Parent. All such access and information obtained as a result of such access shall be subject to the terms and conditions of the Nondisclosure Agreement. Except to the extent arising from or relating to the actions of Seller Parent, Seller, the Company, the Company Subsidiaries, their Affiliates and their Representatives, Buyer agrees to indemnify and hold harmless Seller Parent, Seller, the Company, the Company Subsidiaries, their Affiliates and their Representatives for any and all Losses to the extent arising out of the access rights under this Section 6.01, including any Losses by Seller Parent, Seller, the Company, the Company Subsidiaries, their Affiliates and their Representatives for any injuries or property damage while present at the Projects.

6.02. Certain Restrictions.

(a) During the Interim Period, except as set forth in Schedule 6.02(a) or unless otherwise contemplated by this Agreement, Seller shall cause the Company and each Company Subsidiary to operate and maintain their Properties in the ordinary course consistent with past practice and the Pre-Approved Expenditures and will refrain from taking any of the following actions without Buyer's consent (which consent shall not be unreasonably withheld, delayed or conditioned):

(i) except as set forth in Section 7.13, amending its Organizational Documents or undertaking any recapitalization, reorganization, liquidation, dissolution or winding up (provided that this clause (i) shall not restrict the Company or any Company Subsidiary from dissolving or renaming any Company Subsidiary or transferring the Equity Interest of such Company Subsidiary to the Company or another Company Subsidiary in the ordinary course of business consistent with past practice);

(ii) other than as permitted by the Pre-Approved Expenditures, acquiring any Properties or disposing of any Properties of the Company or any Company Subsidiary (other than acquisitions or dispositions of spare equipment not to exceed Five Hundred Thousand U.S. Dollars ($500,000.00) in the aggregate), or incurring any Liens or permitting any Liens to be imposed on any material Property of the Company or any Company Subsidiary other than Permitted Liens and Liens to support letters of credit or Debt Obligations permitted under Section 6.02(a)(iv);

(iii) entering into any Contract that would be a Company Contract if in existence on the date hereof or amending, modifying or terminating (partially or completely) any material obligation or cost in any Company Contract; provided, however, that nothing in this clause shall inhibit the ability of the Company or any Company Subsidiary to (A) enter into any module supply agreement for any of the Near-Term Projects except for the RE Garland A LLC Project, RE Garland B LLC Project and RE Garland C Project (each as defined in Schedule 1.01(b) with a Tier 1 Supplier so long as (i) the cost of modules is less than or equal to the cost under, (ii) the terms of such module supply agreement (including module cost), taken as a whole, are not materially more adverse to the Company or Company Subsidiary than those set forth in, the module supply arrangement offered by CSI to the Company in an email from Thomas Koerner to Hendrick Lo on January 15, 2015 and (iii) the Tier 1 Supplier is not permitted to terminate such module supply agreement as a result of Buyer's acquisition of the Company or (B) enter into, amend, modify or terminate Contracts (1) as required by a Governmental Authority, (2) as may be required by Applicable Law, or (3) in the ordinary course of business as permitted by the Pre-Approved Expenditures.

(iv) except as permitted by the Pre-Approved Expenditures, incurring Debt Obligations in an aggregate principal amount exceeding the amount set forth on Schedule 1.01(g);

(v) merging or consolidating with any other Person;

(vi) other than as contemplated by this Agreement or undertaken in the ordinary course of business, canceling any debts owed to the Company or any Company Subsidiary, or waiving any claims or rights, having a value in the aggregate in excess of Five Hundred Thousand U. S. Dollars ($500,000) in the aggregate;

(vii) settling or compromising any material Tax or making any new, or changing any existing, material Tax election;

(viii) increasing the level of wages, overall compensation or other benefits of any Company Employees (except for previously communicated increases and spot bonuses that do not exceed the amount permitted by the Pre-Approved Expenditures);

(ix) establishing a 2015 Annual Incentive Plan (A) with goals that are materially easier to achieve than the goals historically established by the Company or (B) with terms and conditions that place any limitations on the Company, or that give any Company Employee a better right to payment, than the provisions that have historically been included in the Company's annual incentive plans;

(x) establishing, entering into or amending (other than amendments required by Applicable Law) any plan or contract that would be considered a Company Employee Benefit Plan that would materially increase the benefits thereunder or the costs to the Company or a Company Subsidiary;

(xi) failing to maintain insurance coverage substantially equivalent to its existing insurance coverage of its Properties as in effect on the date hereof unless such insurance coverage is not available on commercially reasonable terms;

(xii) changing in any material respect the Company or any Company Subsidiary's accounting methods or practices other than as required by GAAP;

(xiii) declaring or paying any dividends or distributions;

(xiv) making any expenditures, loans or advances that are not Pre-Approved Expenditures;

(xv) enter into any separation or similar agreement with any employee of the Company or any Company Subsidiary;

(xvi) in connection with any Debt Obligations between the Company or any Company Subsidiary, on the one hand, and Seller Parent or any other Affiliate of Seller Parent (other than the Company or any Company Subsidiary), on the other hand, charge the Company or any Company Subsidiary any interest or other expense that is not consistent with an arm's length transaction; or

(xvii) agreeing or committing in writing to do or engage in any of the foregoing.

(b) Without limiting Seller Parent's or Seller's obligations under this Agreement, including this Section 6.02, nothing contained in this Agreement shall give Buyer, directly or indirectly, the right to control or direct the Company's or any Company Subsidiary's operations prior to the Closing. Prior to the Closing and subject to Seller Parent's and Seller's obligations under this Agreement and Section 6.02, Seller shall cause the management of the Company Subsidiaries to exercise, consistent with and in accordance with the terms and conditions of this Agreement and as permitted by the Pre-Approved Expenditures, complete control and supervision over the operations of the Company and the Company Subsidiaries.

(c) During the Interim Period, Seller Parent shall provide Buyer with a weekly report with respect to the items identified on Exhibit C.

(d) During the Interim Period, without limiting the obligations of Seller Parent or Seller under this Section 6.02, Seller shall the Company and each Company Subsidiary to (i) use commercially reasonable efforts to take all actions reasonably necessary at the stage of development of each Project to further the development of such Project, (ii) use commercially reasonable efforts to maintain all existing relationships with the material agents, customers and vendors of the Company and each Company Subsidiary and any Government Approvals or interconnection or transmission rights or positions and (iii) pay all accounts payable and other obligations as they become due and payable in the ordinary course and consistent with past practice.

(e) During the Interim Period, Seller Parent shall promptly notify Buyer (in writing after Seller Parent or Seller has notice thereof), and Buyer shall promptly notify Seller Parent (in writing after Buyer has notice thereof), and keep such other Party advised, as to (i) any Action pending and known to such Party or, to its knowledge, threatened against such Party that challenges the transactions contemplated hereby, (ii) any notice or other communication from any Governmental Authority seeking information regarding the transactions contemplated by this Agreement; and (iii) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement.

6.03. Reasonable Best Efforts; Regulatory and Other Approvals. During the Interim Period:

(a) Each Party will, in order to consummate the transactions contemplated hereby, (i) take all steps necessary, and proceed diligently and in good faith and use its reasonable best efforts, as promptly as practicable to obtain the Company's Approvals, Seller Parent's and Seller's Approvals and the Buyer's Approvals, and (ii) provide such other information and communications to such Governmental Authorities or other Persons as such Governmental Authorities or other Persons may reasonably request in connection therewith.

(b) The Parties will provide prompt notification to each other when any such approval referred to in Section 6.03(a) is obtained, taken, made, given or denied, as applicable, and will advise each other of any material communications with any Governmental Authority or other Person regarding any of the transactions contemplated by this Agreement.

(c) In furtherance of the foregoing covenants:

(i) Each Party shall prepare, as soon as is practical following the execution of this Agreement, all necessary filings in connection with the transactions contemplated by this Agreement that may be required to be filed by such Party under the HSR Act, the Exon-Florio amendment to the Defense Production Act of 1950, 50 U.S.C. app. 2170 (if compelled to file), the Canadian Competition Act or any other federal, state, local or foreign Applicable Laws (the "Regulatory Filings"). Each Party shall submit such Regulatory Filings as soon as practicable, but in no event later than five (5) Business Days (subject to extension by mutual agreement) after the execution hereof. The Parties shall request expedited treatment of any such Regulatory Filing (if applicable), shall promptly furnish each other with copies of any notices, correspondence or other written communication from the relevant Governmental Authority, shall promptly make any appropriate or necessary subsequent or supplemental filings and shall cooperate in the preparation of such filings as is reasonably necessary and appropriate. Each Party shall have the right to review in advance all information related to Seller Parent, Seller, the Company, any Company Subsidiary or Buyer, as applicable, and the transactions contemplated by this Agreement with respect to any Regulatory Filings.

(ii) Each Party shall promptly respond to and comply with any additional requests for information relating to or arising in connection with any Regulatory Filing, including requests for production of documents and production of witnesses for interviews or depositions related thereto. Each Party shall cooperate in good faith with any Governmental Authority related to the foregoing and shall undertake promptly any and all commercially reasonable action required to complete lawfully the transactions contemplated by this Agreement. The Parties shall each be responsible for one-half of all filing and similar fees relating to the Regulatory Filings.

(iii) Each Party shall cooperate in good faith with all Governmental Authorities, shall not take any action that could adversely affect the approval of any Governmental Authority of any of the aforementioned Regulatory Filings, and shall undertake promptly any and all commercially reasonable action required to complete lawfully the transactions contemplated by this Agreement prior to the Termination Date.

6.04. Employees; Employee Benefits.

(a) Prior to the Closing, Seller shall cause the Company to terminate the Company Employee Benefit Plans listed on Schedule 6.04(a). Prior to the Closing Date, all spot bonuses awarded or communicated to any individual shall be paid in cash in full.

(b) From and after the Closing Date, Buyer shall or shall cause the Company to honor, pay, perform and satisfy any and all Liabilities and responsibilities to or in respect of all current and former employees, directors and consultants (including those individuals who are full-time, part-time, temporary, on vacation or on a paid or unpaid leave of absence) (or any dependent or beneficiary thereof) of the Company and any Company Subsidiary (collectively, the "Company Employees") arising under the terms of each Company Employee Benefit Plan, as in effect immediately prior to the Closing Date or subsequently amended, for as long as such Company Employee Benefit Plan is in effect, including with respect to any payments, benefits or rights arising as a result of the transactions contemplated by this Agreement (either alone or in combination with any other event). The foregoing shall not limit in any way the right of the Company to amend or terminate any Company Employee Benefit Plan at any time, subject to any limitations under such Company Employee Benefit Plan on the ability to effect an amendment or termination that adversely affects the participants thereunder.

(c) During the period commencing on the Closing Date and ending on December 31, 2015 (the "Benefits Continuation Period"), Buyer shall provide (i) each Company Employee with his or her base salary or hourly rate and annual target bonus opportunity amount (which may be payable in cash, equity or a combination thereof, as determined in the sole discretion of Buyer) that is at least equal to the amount of such compensation of such Company Employee immediately prior to the Closing Date and (ii) benefits that are not less favorable in the aggregate than the aggregate benefits provided to similarly situated employees at Buyer as of the Closing Date.

(d) From and after the Closing Date, Buyer shall cause each Company Employee's service prior to the Closing Date with the Company, any Company Subsidiary, or any predecessor thereof, to be treated as service with Buyer and its Affiliates for all purposes (including to determine eligibility to participate, level of benefits, accrual rate and vesting) under any employee benefit plans, programs or arrangements of Buyer and its Affiliates in which Company Employees may be eligible to participate from and after the Closing Date (including, without limitation, with respect to any vacation, paid time off and severance benefits), to the same extent such service was recognized by Seller Parent and/or its Affiliates for the same or similar purpose immediately prior to the Closing Date; provided, however, that such service need not be recognized to the extent that such recognition would result in any duplication of benefits or under any Employee Pension Benefit Plan that is subject to Title IV of ERISA; and provided, however, that Buyer may choose, for purposes of determining an employee's status as a full-time employee or eligibility for participation in a health plan during a stability period under Code Section 4980H, to either continue to apply Seller Parent's rules or to apply any reasonable transition method it determines. With respect to any welfare benefit plans maintained by Buyer or its Affiliates for the benefit of Company Employees (and any dependents or beneficiaries thereof) from and after the Closing Date, Buyer shall cause such plans to (i) waive any preexisting condition limitations, exclusions, actively-at-work requirements, waiting periods, evidence of insurability requirements and other similar restrictions with respect to the Company Employees (or any dependents or beneficiaries thereof) and (ii) recognize all co-payments, deductibles and other similar expenses incurred by the Company Employees (or any dependents or beneficiaries thereof) during the calendar year in which the Closing Date occurs, to the extent such expenses were recognized immediately prior to the Closing Date, subject in the case of such plan that is provided through insurance, to the consent of the applicable insurance carrier, which the Company shall use its commercially reasonable efforts to obtain.

(e) The Parties acknowledge and agree that all provisions contained in this Section 6.04 are included for the sole benefit of the Parties, and that nothing in this Agreement, whether express or implied, shall be treated as an amendment or other modification of any Company Employee Benefit Plan or other benefit plan, agreement or other arrangement, or shall create any third party beneficiary or other right (i) in any other Person, including any Company Employee or any participant in any Company Employee Benefit Plan or other benefit plan, agreement or other arrangement (or any dependent or beneficiary thereof), or (ii) to continued employment with Buyer, the Company or any of their respective Affiliates.

6.05. Supplemental Disclosure. Seller Parent shall have the right from time to time prior to the Closing Date to supplement or amend Seller Parent's Disclosure Schedule with respect to any matter hereafter arising or discovered which if existing or known at the date of this Agreement would have been required to be set forth or described in Seller Parent's Disclosure Schedule. Any such supplemental or amended disclosure shall be deemed to not have cured any such breach of representation or warranty made in this Agreement unless related to an item consented to by Buyer in accordance with Section 6.02.

6.06. No Negotiations. During the Interim Period, Seller Parent, Seller, the Company and each Company Subsidiary shall not, and shall cause their Affiliates and Representatives not to, initiate or solicit, directly or indirectly, any inquiries or the making of any proposal with respect to, engage in negotiations concerning, provide any confidential information or data to any Person with respect to, have any discussions with any Person (except with Buyer) or enter into any letter of intent or similar document or any agreement or commitment relating to, an Acquisition Proposal and shall immediately cease and cause to be terminated any existing activities, discussions or negotiations with any Persons conducted prior to the date hereof with respect to any of the foregoing. If Seller Parent, Seller, the Company or any Company Subsidiary, or its respective Representatives, as applicable, receives, prior to the Closing, any Acquisition Proposal, the Company will immediately suspend any discussions with such offeror or Person with regard to such Acquisition Proposal and notify Buyer thereof.

6.07. Further Assurances; Post-Closing Cooperation.

(a) Upon the terms and subject to the conditions of this Agreement, at any time or from time to time after the Closing, each of the Parties hereto shall execute and deliver such other documents and instruments, provide such materials and information and take such other actions as may reasonably be necessary, proper or advisable, to the extent permitted by Applicable Law, to fulfill its obligations under this Agreement.

(b) If, in order to properly prepare its Tax Returns, other documents or reports required to be filed with Governmental Authorities or its financial statements or to fulfill its obligations hereunder, it is necessary that Seller Parent or Seller be furnished with additional information, documents or records relating to the business or financial or operating condition of the Company and the Company Subsidiaries, and such information, documents or records are in the possession or control of Buyer, Buyer agrees to use its reasonable best efforts to furnish or make available such information, documents or records (or copies thereof) at Seller Parent's or Seller's request. Buyer agrees for a period of seven (7) years after the Closing Date, or such longer period as the Books and Records and other data relating to the business or financial or operating condition of the Company and the Company Subsidiaries in Buyer's possession with respect to periods prior to the Closing Date remain relevant to open Tax years, not to destroy or otherwise dispose of any such books, records and other data unless Buyer shall first offer by notice to Seller Parent and Seller to surrender such books, records and other data and Seller Parent and Seller shall not agree in writing to take possession thereof, at its cost and expense, during the ten (10) day period after such offer is made.

6.08. Release of Guaranties, etc. With respect to each guaranty, letter of credit, indemnity, performance or surety bond, agreement to provide capital or other credit support arrangement issued by or for the account of Seller Parent, Seller or any of their respective Affiliates (other than the Company or a Company Subsidiary) in relation to the Company, any Company Subsidiary or the business the Company and the Company Subsidiaries, including all such items shown on Schedule 6.08 (collectively, the "Support Obligations"), Buyer shall use reasonable best efforts to provide or obtain, prior to the Closing, substitute agreements and credit support arrangements in replacement for the Support Obligations (including posting cash collateral if necessary to obtain such replacement arrangement), and shall procure that Seller Parent, Seller and their respective Affiliates, and, where applicable, its sureties or letter of credit issuers, be fully and unconditionally released from its respective obligations under the Support Obligations, in each case in form and substance reasonably satisfactory to Seller Parent or Seller, as applicable. Seller Parent and Seller will cooperate reasonably with Buyer with respect to the foregoing.

6.09. Indemnification of Directors and Officers; Directors' and Officers' Insurance.

(a) From and after the Closing, Buyer shall indemnify and hold harmless each individual who served as a manager, director or officer of the Company or the Company Subsidiaries prior to the Closing (each an "Indemnified Director or Officer" and collectively, the "Indemnified Directors and Officers") to the fullest extent authorized or permitted by Applicable Law, as now or hereafter in effect, on the same basis as such Indemnified Directors and Officers are currently covered, including pursuant to any terms and conditions of (i) any agreement in effect as of the date of this Agreement between or among the Company or any of the Company Subsidiaries and any Indemnified Director or Officer providing for the indemnification or exculpation of, or advancement of expenses to, such Indemnified Director or Officer and set forth in Schedule 6.09 and (ii) the Company's and Company Subsidiaries' Organizational Documents as in effect as of the date of this Agreement. For six (6) years after the Closing Date, Buyer shall cause to be maintained in effect provisions of the Company's and the Company Subsidiaries' respective Organizational Documents (or in such documents of any successor to the business of the Company or the Company Subsidiaries) regarding exculpation or elimination of liability of directors, indemnification of managers, officers, directors and employees and advancement of expenses that are no less advantageous to the intended beneficiaries than the corresponding provisions in existence on the date of this Agreement.

(b) On or before the Closing Date, Seller Parent shall arrange and pay the premium for, tail or extended reporting coverage from the directors' and officers' liability insurance policy or policies and the fiduciary liability insurance policies providing the Company and each of the Company Subsidiaries, as well as each individual currently covered by the Company Subsidiaries' or Seller's directors' and officers' liability insurance coverage for events occurring at or prior to the Closing (including acts or omissions relating to the approval of this Agreement and consummation of the transactions contemplated hereby) that contains terms, conditions, payment priorities, retentions and limits of liability no less favorable in the aggregate than such existing policy, from an insurance carrier with the same or better credit rating as the Company's current insurance carrier with respect to such policies (the "D&O Tail Coverage"). The D&O Tail Coverage shall be non-cancellable and shall remain in full force and effect for a period of six (6) years after the Closing Date.

(c) The provisions of this Section 6.09 shall survive the Closing and (i) are intended to be for the benefit of, and shall be enforceable by, each Indemnified Director or Officer and his or her heirs, executors and representatives and (ii) are in addition to, and not in substitution for, any other rights to indemnification or contribution that any such Person may have by contract or otherwise. The obligations of Buyer under this Section 6.09 shall not be terminated or modified in such a manner as to adversely affect the rights of any Indemnified Director or Officer under this Section 6.09 without the consent of such affected Indemnified Director or Officer.

6.10. Confidentiality, Non-Solicitation and Non-Competition.

(a) For a period of one (1) year following the Closing Date, Seller Parent shall and shall cause each of its Affiliates not, to directly or indirectly, as an employee, agent, consultant, stockholder, director, co-partner or in any other individual or representative capacity, hire, solicit, cause, induce or encourage to leave the employment or other service of the Company or any Company Subsidiary or hire, employ or otherwise engage any such individual, any person on Schedule 6.10 (such persons, the "Key Employees"); provided that nothing contained in this Section 6.10(a) shall (i) prohibit Seller Parent from hiring any such individual in the event that such individual shall have responded to a general solicitation for employment not otherwise aimed or targeted at the employees of the Company or any Company Subsidiary or (ii) apply with respect to any such employee who ceases to be employed by the Company, any Company Subsidiary or Buyer at least one (1) year prior to any direct or indirect solicitation by Seller Parent or its Affiliates.

(b) For a period of two (2) years following the Closing Date (except with respect to any Buyer Confidential Information that constitutes a trade secret for which the obligations set forth herein shall survive for a period of five (5) years following the Closing Date), except as may be approved in writing by the Buyer, or as may be necessary for the proper discharge by Seller Parent or Seller of its duties or exercise of its rights under this Agreement, or as may be necessary to be disclosed to counsel, Taxing Authorities and accountants preparing Seller's or Seller Parent's tax reports and filings, or as may be required under Applicable Law, Seller Parent and Seller shall, and shall cause their respective Representatives to, keep all documents, materials, records and other information that it has or has obtained prior to or after the Closing regarding Buyer, or any member of the Company or any Company Subsidiary ("Buyer Confidential Information") strictly confidential and will not disclose such information without Buyer's prior written consent. "Buyer Confidential Information" shall not include information that (i) is or becomes publicly available (other than as a result of a disclosure by Seller Parent, Seller or their respective Representatives in violation of this Section 6.10), (ii) is or becomes available to it from a source that, to the Knowledge of Seller Parent, is not prohibited from disclosing such information to it by a legal, contractual or fiduciary obligation or (iii) has been independently developed by it (other than by or with respect to the Company or any of the Company Subsidiaries) or its respective Representatives without reference to confidential information.

(c) Except for minority investments in the ordinary course of business (including in connection with module sales), neither Seller Parent nor any business or entity directly or indirectly majority owned or managed by Seller Parent shall, for a period beginning on the Closing Date and ending on the date that is one (1) year after the Closing Date, without Buyer's prior written consent, directly own, invest in or control any business, whether in corporate, proprietorship or partnership form or otherwise, that is developing solar plants 5MW or greater having the same point of interconnection as any Project listed on Schedule 6.10(c). This Section 6.10(c) shall terminate and be of no further force and effect upon the merger, sale or combination of Seller with or into any other Person; provided that such merger, sale or combination is not entered into to avoid Seller Parent's obligations under this Section 6.10(c).

(d) Notwithstanding anything to the contrary, in the case of breach of the covenants in this Section 6.10, (i) the Parties acknowledge that any such breach may result in serious and irreparable injury to Buyer, and therefore each Party acknowledges and agrees that in the event of such a breach Buyer shall be entitled, in addition to any other remedy at law or in equity to which Buyer may be entitled, to equitable relief, including specific performance and an injunction to restrain such breaching party from such breach and to compel compliance with the obligations of such breaching party hereunder in protecting or enforcing Buyer's rights and remedies, without necessity of posting bond or other surety, and (ii) the claiming of damages for any losses incurred by Buyer due to actions prohibited by the aforesaid covenants under Article XI shall remain unaffected.

(e) The Parties acknowledge that the covenants set forth in this Section 6.10 are an essential element to this Agreement and that, but for these covenants, the Parties would not have entered into this Agreement. The Parties specifically acknowledge and agree that each Party has received adequate consideration in exchange for entering into these covenants, the foregoing restrictions are reasonable and necessary to protect the legitimate interest of Buyer following the Closing, including the goodwill that Buyer shall be purchasing from Seller pursuant to the transactions contemplated hereby.

(f) The Parties acknowledge that this Section 6.10 constitutes an independent covenant and shall not be affected by performance or nonperformance of any other provisions of any of the Transaction Documents or any other document contemplated thereby.

(g) It is the intention of the Parties hereto that if any of the restrictions or covenants contained in this Section 6.10 is held to cover a geographic area or to be for length of time which is not permitted by Applicable Law, or in any way construed to be too broad or to any extent invalid, such restrictions or covenants shall not be construed to be null, void and of no effect, but to the extent such restrictions or covenants would be valid or enforceable under Applicable Law, a court of competent jurisdiction shall construe and interpret or reform this Section 6.10 to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained in this Section 6.10) that would be valid and enforceable under law.

6.11. Use of Name; Name Change. Seller Parent agrees that upon the Closing, Buyer, the Company and the Company Subsidiaries shall have the sole right to the use of the names "Recurrent" and "Recurrent Energy" or similar names and any service marks, trademarks, trade names, d/b/a names, fictitious names, identifying symbols, logos, emblems, signs or insignia related thereto or containing or comprising the foregoing, including any name or mark confusingly similar thereto (collectively, the "Recurrent Energy Marks"). Except as may be necessary to be disclosed to counsel, Taxing Authorities and accountants preparing Seller Parent's or Seller's tax reports and filings, or as may be required under Applicable Law, Seller Parent shall not, and shall not permit its Affiliates to, use such name or any variation or simulation thereof or any of the Recurrent Energy Marks. In furtherance of the foregoing, within twenty (20) Business Days after the Closing Date, Seller Parent shall, and shall cause any of its Affiliates, to change its name to a name that does not include "Recurrent" or "Recurrent Energy" and to provide evidence of the effectiveness of the filing with the Secretary of State of the State of Delaware of an amendment to its certificate of formation consistent with the foregoing.

6.12. Status of Seller. Buyer acknowledges and agrees that Seller may assign its right to receive any payments under this Agreement to Seller Parent and, thereafter, Seller Parent may either sell or dissolve Seller. After such assignment, Buyer shall have no recourse against Seller for any obligations under this Agreement or in connection with the transactions contemplated hereby and Buyer shall make all assigned payments with respect to the Total Purchase Price directly to Seller Parent. Buyer shall cooperate, at no out-of-pocket cost or Liability to Buyer or its Affiliates, as and to the extent reasonably requested by Seller Parent as appropriate in connection with this Section 6.12, including with respect to (a) the audit of Seller's financial statements for the period from April 1, 2014 through Closing and (b) Seller's Tax filings for the period from April 1, 2014 through Closing.

ARTICLE VII.
CONDITIONS TO OBLIGATIONS OF BUYER

The obligations of Buyer to consummate the Closing are subject to the fulfillment, at or before the Closing, of each of the following conditions (all or any of which may be waived in whole or in part by Buyer in its sole discretion):

7.01. Representations and Warranties. The representations and warranties made by Seller Parent in Article III and Article IV which are qualified by the words “material” or “Material Adverse Effect” or similar qualification shall be true and accurate in all respects on and as of the Closing Date as though made on and as of the Closing Date, and the representations and warranties made by Seller Parent which are not so qualified shall be true and accurate in all material respects on and as of the Closing Date as though made on and as of the Closing Date, except for (i) changes permitted or contemplated hereby and (ii) representations and warranties which are made as of a specific date, which shall be true and accurate, or true and accurate in all material respects, as applicable, as of such date.

7.02. Performance. Seller Parent and Seller shall have performed and complied in all material respects with the agreements, covenants and obligations required by this Agreement to be so performed or complied with by them at or before the Closing.

7.03. Officer’s Certificates. Seller Parent shall have delivered to Buyer at the Closing a certificate of an officer of Seller Parent, dated as of the Closing Date, as to the applicable matters set forth in Sections 7.01 and 7.02.

7.04. Orders and Applicable Laws. There shall not be in effect on the Closing Date any Order or Applicable Law restraining, threatening, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement.

7.05. Approvals. The Buyer’s Approvals, the Seller Parent’s and Seller’s Approvals and the Company’s Approvals shall have been duly obtained, made or given and shall be in full force and effect in form and substance reasonably acceptable to Buyer, and all terminations or expirations of waiting periods imposed by any Governmental Authority shall have occurred.

7.06. Resignations. Seller shall have caused the resignation of all members of the Board of Directors of the Company and the Company Subsidiaries and the individuals set forth in Schedule 7.06.

7.07. FIRPTA Certificate. Seller shall have delivered to Buyer a properly executed certificate in form reasonably acceptable to Buyer for purposes of satisfying Buyer’s obligations under Treasury Regulations Section 1.1445-2(b)(2), to the effect that Seller is not a foreign person within the meaning of Section 1445(b)(2) of the Code.

7.08. General Release. Buyer shall have received a general release (the “General Release”) from Seller Parent substantially in the form attached hereto as Exhibit A.

7.09. Certificates. Seller Parent shall have furnished Buyer with, in form and substance reasonably satisfactory to Buyer, a certificate executed by an authorized officer or manager of Seller Parent or Seller, as the case may be and as applicable, certifying as of the Closing Date (a) a true and correct copy of the certificate of incorporation of Seller, as amended; (b) a certified copy of the commercial register of Seller Parent as of the Closing Date; (c) the minutes of the board of director's meeting of Seller Parent authorizing the execution of this Agreement; (d) a true and correct copy of the corporate action of Seller authorizing the execution, delivery and performance of the Agreement, and the consummation of the transactions contemplated hereby and thereby, as applicable; (e) the authority and incumbency of the Representatives of Seller executing this Agreement and the Transactions Documents, as applicable; (f) true and correct copies of each of Seller Parent, Seller, the Company and each Company Subsidiary's Organizational Documents and (g) a good standing certificate for Seller, the Company and each Company Subsidiary (to the extent applicable in the relevant jurisdiction) issued by the jurisdiction of its incorporation or formation, respectively, in each case dated no earlier than ten (10) Business Days prior to the Closing Date.

7.10. Books and Records. Buyer shall have received copies of all material Books and Records of the Company and each Company Subsidiary.

7.11. Assignment Agreement. Buyer shall have received the Assignment Agreement, duly executed by Seller.

7.12. Material Adverse Effect. No Material Adverse Effect shall have occurred.

7.13. LLC Agreement. The LLC Agreement of the Company and each Company Subsidiary shall have been amended and restated in form provided by Buyer.

ARTICLE VIII.
CONDITIONS TO OBLIGATIONS OF SELLER PARENT AND SELLER

The obligation of Seller Parent and Seller to consummate the Closing is subject to the fulfillment, at or before the Closing, of each of the following conditions (all or any of which may be waived in whole or in part by Seller Parent and Seller in their sole discretion):

8.01. Representations and Warranties. The representations and warranties made by Buyer in Article V which are qualified by the words "material" or "Material Adverse Effect" or similar qualification shall be true and accurate in all respects on and as of the Closing Date as though made on and as of the Closing Date, and the representations and warranties made by Buyer which are not so qualified shall be true and accurate in all material respects on and as of the Closing Date as though made on and as of the Closing Date, except for (i) changes permitted or contemplated hereby and (ii) representations and warranties which are made as of a specific date, which shall be true and accurate, or true and accurate in all material respects, as applicable, as of such date.

8.02. Performance. Buyer shall have performed and complied in all material respects with all agreements, covenants and obligations required by this Agreement to be so performed or complied with by it at or before the Closing.

8.03. Officer's Certificate. Buyer shall have delivered to Seller Parent at the Closing a certificate of an officer of Buyer, dated as of the Closing Date, as to the matters set forth in Sections 8.01 and 8.02.

8.04. Orders and Applicable Laws. There shall not be in effect on the Closing Date any Order or Applicable Law restraining, threatening, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement.

8.05. Approvals. The Buyer's Approvals, the Seller Parent's and Seller's Approvals and the Company's Approvals shall have been duly obtained, made or given and shall be in full force and effect in form and substance reasonable acceptable to Seller Parent, and all terminations or expirations of waiting periods imposed by any Governmental Authority shall have occurred.

8.06. Release of Guaranties, etc. Buyer shall have provided or obtained substitute agreements and credit support arrangements in replacement for the Support Obligations, and shall have procured that Seller Parent, Seller and their respective Affiliates (other than the Company and the Company Subsidiaries), and, where applicable, its sureties or letter of credit issuers, have been fully and unconditionally released from their respective obligations under the Support Obligations, in each case in form and substance reasonably satisfactory to Seller Parent or Seller, as applicable.

8.07. Certificates. Buyer shall have furnished Seller Parent with, in form and substance reasonably satisfactory to Seller Parent, a certificate executed by an authorized officer or manager of Buyer certifying as of the Closing Date (a) a true and correct copy of the certificate of incorporation of Buyer, as amended; (b) a true and correct copy of the corporate action of Buyer authorizing the execution, delivery and performance of the Agreement, and the consummation of the transactions contemplated hereby and thereby; (c) the authority and incumbency of the Representatives of Buyer executing this Agreement; (d) true and correct copies of the Buyer's Organizational Documents and (e) a good standing certificate for Buyer issued by the Secretary of State of the State of Delaware, dated no earlier than ten (10) Business Days prior to the Closing Date.

8.08. Sharp Bridge Loans. All outstanding amounts under the Sharp Bridge Loans shall have been repaid.

ARTICLE IX.
NON-RECOURSE; TRANSFER TAXES; TAX RETURNS

9.01. Non-Recourse. No Party shall have recourse whatsoever under this Agreement against any of the officers, directors, employees, counsel, accountants, financial advisors, engineers, or consultants of the other Parties (including for such purposes, such representatives of any Affiliate of a Party). Without limiting the generality of the foregoing, Buyer, on behalf of itself and its Affiliates, and Seller Parent, on behalf of itself and its Affiliates, each hereby fully and irrevocably waives any right, claim or entitlement whatsoever against such representatives relating to any and all Liabilities suffered or incurred by any of them arising from, based upon, related to, or associated with this Agreement or the transactions contemplated hereby (including any breach, termination or failure to consummate such transactions) in each case whether based on contract, tort, strict liability other laws or otherwise and whether by piercing of the corporate veil, by claim on behalf of or by a Party hereto or other Person or otherwise.

9.02. Transfer Taxes. All transfer, documentary, sales, use, stamp, registration and other such Taxes incurred in connection with this Agreement and the transactions contemplated hereby, if any, shall be shared equally by the Parties when due, and Buyer shall file all necessary Tax Returns and other documentation with respect to any such transfer, documentary, sales, use, stamp, registration and other Taxes and, if required by Applicable Law, Seller Parent will, and will cause its Affiliates to, join in the execution of any such Tax Returns and other documentation and will cooperate with Buyer to take such commercially reasonable actions as will minimize or reduce the amount of such Taxes.

9.03. Tax Matters.

(a) Seller Parent shall prepare, or cause to be prepared, at the expense of Seller Parent, and shall timely file, or cause to be timely filed, all Tax Returns for the Company and the Company Subsidiaries for any Tax period ending on or prior to the Closing Date that are required to be filed after the Closing Date ("Pre-Closing Tax Returns"). Such Pre-Closing Tax Returns shall be prepared in a manner consistent with past practices, and subject to the right of indemnification pursuant to this Agreement, Buyer shall timely pay all Taxes reflected on such Pre-Closing Tax Returns. Seller Parent shall deliver or cause to be delivered to Buyer copies of each such Pre-Closing Tax Returns at least fifteen (15) days prior to the due date for filing such Pre-Closing Tax Returns, and Seller Parent shall consider in good faith any revisions to such Pre-Closing Tax Returns as are reasonably requested by Buyer. Except with respect to Pre-Closing Tax Returns prepared by Seller Parent pursuant to this Section 9.03, Buyer shall prepare and file, or cause to be prepared and filed, at Buyer's expense, all other Tax Returns for the Company and Company Subsidiaries required to be filed after the Closing Date.

(b) For purposes of this Agreement, the portion of the Tax liability of the Company or a Company Subsidiary for a Straddle Period that is attributable to the portion of the Straddle Period that ends on the Closing Date shall be calculated as though the taxable year of the Company (or Company Subsidiary, as the case may be) terminated as of the close of business on the Closing Date (with exemptions, allowances, or deductions that are calculated on an annual basis, including depreciation and amortization deductions, being allocated between the two short periods in proportion to the number of days in each such short period); provided, however, that in the case of ad valorem Taxes, real property Taxes, and personal property Taxes, and similar obligations, the amount of Taxes attributable to the portion of the Straddle Period that ends on the Closing Date shall be equal to the amount of Tax for the Straddle Period (other than to the extent a Tax is increased as a result of the transactions contemplated by this Agreement) multiplied by a fraction, the numerator of which shall be the number of days from the beginning of the Straddle Period through the Closing Date and the denominator of which shall be the number of days in the Straddle Period.

(c) To the extent that the Tax Returns prepared by Buyer could form the basis for an indemnity claim against Seller Parent or Seller pursuant to this Agreement, such Tax Returns shall be prepared in a manner consistent with past practices (except to the extent that Buyer determines that such Tax Returns cannot be so prepared and filed without being subject to penalties). Buyer shall deliver or cause to be delivered to Seller Parent copies of such Tax Returns at least fifteen (15) days prior to the due date for filing such Tax Returns, and Buyer shall consider in good faith any revisions to such Tax Returns as are reasonably requested by Seller Parent. Buyer shall not, and shall not cause or permit the Company or the Company Subsidiaries to, amend any previously filed Tax Return of the Company or the Company Subsidiaries, or make or change any Tax election with respect to the Company or the Company Subsidiaries, with respect to a Tax period (or portion thereof) that ends on or prior to the Closing Date, without the prior written consent of Seller Parent, which shall not be unreasonably withheld, conditioned or delayed.

(d) Within thirty (30) days after the determination of the Total Purchase Price pursuant to Section 2.03, Buyer shall prepare and deliver to Seller a draft of a statement setting forth a proposed allocation (the "Purchase Price Allocation") of the Total Purchase Price (as well as liabilities assumed or deemed assumed for U.S. federal income tax purposes, to the extent relevant) in a manner consistent with Section 1060 of the Code, together with reasonable supporting information and calculations. Seller shall inform Buyer in writing within forty-five (45) days of the receipt of such draft of any objection by the Seller to the Purchase Price Allocation. To the extent that any such objection is received, Buyer and Seller shall attempt in good faith to resolve any dispute within thirty (30) days the following the receipt of such objection but shall have no obligation to resolve any disagreement. In the event that the Buyer and the Seller agree on the Purchase Price Allocation, the Purchase Price Allocation shall be binding on Buyer and Seller, who shall file all Tax Returns in a manner consistent with the Purchase Price Allocation. If Buyer and Seller are unable to agree on the Purchase Price Allocation,, then such disagreement shall be immediately submitted to the Neutral Accounting Arbitrator, which shall be instructed to resolve such disagreement within thirty (30) days after such disagreement is submitted to it for resolution and shall notify Buyer and Seller in writing of its resolution. The Neutral Accounting Arbitrator's resolution of the disagreement shall be final and binding on Buyer and Seller. Buyer and Seller shall file all Tax Returns in a manner consistent with the final Purchase Price Allocation and neither Buyer nor Seller shall take any position (whether in Tax proceedings, on Tax Returns, or otherwise) that is inconsistent with such Purchase Price Allocation except as may be adjusted by subsequent agreement following an audit by a Tax Authority or by court decision.

(e) Any Tax refunds that are received by Buyer or the Company and any Company Subsidiary, and any amounts credited against Tax to which Buyer or the Company and any Company Subsidiary become entitled, that relate to Tax periods or portions thereof of the Company or any Company Subsidiary ending on or before the Closing Date shall be for the account of Seller Parent and Buyer shall pay over to Seller Parent any such refund or the amount of any such credits (net of any Taxes of Buyer, the Company or any Company Subsidiary attributable to such refund or credit) within fifteen (15) days after receipt or entitlement thereto; provided, however, Buyer shall not be required to pay over to Seller Parent any such refund or the amount of any such credit up to the amount of any Tax asset (excluding any deferred Tax asset established to reflect timing differences between book and Tax income) set forth on the face of the Balance Sheet (rather than in any notes thereto).

(f) Each Party shall cooperate, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns of the Company or any Company Subsidiary relating to any Tax period beginning on or before the Closing Date, and any refund claim, audit, investigation, or other proceeding with respect to Taxes for any such Tax period; provided that any refund actually received with respect to any Tax period prior to Closing Date shall be held in escrow by Buyer and promptly refunded to Seller Parent upon receipt. Such cooperation shall include the retention and (upon the other Party's request) the provision of relevant records and making employees available on a mutually convenient basis to provide additional information, explanation and testimony of any material provided hereunder.

(g) Buyer shall not, and shall cause the Company and the Company Subsidiaries not to, on the Closing Date but after the Closing, take any action outside the ordinary course of business that would increase Tax liability of Seller or Seller Parent, including making tax elections, liquidating or making any distributions from the Company or any Company Subsidiary.

(h) Buyer shall be entitled to deduct and withhold from any amount otherwise payable pursuant to this Agreement such amounts as Buyer is required to deduct and withhold under any provision of applicable Law related to foreign Taxes. Any such withheld foreign taxes shall be treated for all purposes of this Agreement as having been paid to the Person in respect of whom such deduction and withholding was made. Buyer and Seller do not anticipate any withholding required by applicable Law at Closing. If Buyer believes that withholding is required, Buyer will provide timely notice to Seller regarding same and Buyer and Seller will work together in good faith to determine the minimum necessary withholding amount under applicable Law and cause such amount to be timely and properly remitted to the applicable Taxing Authority.

ARTICLE X.
TERMINATION

10.01. Termination. This Agreement may be terminated, and the transactions contemplated by this Agreement may be abandoned, at any time by notice from any Party to the other Parties (except that no notice need be given if termination is pursuant to Section 10.01(a)):

(a) by mutual written consent of the Parties;

(b) by any Party:

(i) if the Closing has not occurred on or before March 31, 2015 (the "Termination Date") and the failure to consummate is not caused by a breach of this Agreement by the terminating Party; or

(ii) if any court of competent jurisdiction or other Governmental Authority shall have issued a final Order or taken any other final action restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement and such Order or other action is or shall have become final and non-appealable; provided, however, that the Party seeking to terminate this Agreement pursuant to this Section 10.01(b)(ii) shall have used its reasonable best efforts to prevent the entry of and to remove such Order or final action;

(c) by Buyer, subject to Section 6.05, if there has been a material breach by Seller Parent or Seller of any representation, warranty, covenant or agreement contained in this Agreement which (x) would result in a failure of a condition set forth in Section 7.01 or 7.02 and (y) cannot be cured prior to the Termination Date; and

(d) by Seller Parent or Seller if (i) Buyer has breached its obligation to pay the Total Purchase Price pursuant to Section 2.01, or (ii) there has been a material breach by Buyer of any other representation, warranty, covenant or agreement contained in this Agreement which (x) would result in a failure of a condition set forth in Section 8.01 or 8.02 and (y) cannot be cured prior to the Termination Date.

10.02. Effect of Termination. If this Agreement is validly terminated pursuant to Section 10.01, this Agreement will forthwith become null and void, and there will be no Liability on the part of any Party (or any of their respective Representatives or Affiliates) in respect of this Agreement, except as provided in this Section 10.02, and except that the provisions with respect to expenses in Section 12.02 and confidentiality in Sections 6.01 and 12.03 will continue to apply following any termination; provided, however, that nothing in this Section 10.02 shall release any Party from Liability for any willful and material breach of this Agreement by such Party prior to the termination of this Agreement.

ARTICLE XI. INDEMNIFICATION

11.01. Survival.

(a) Except in the case of fraud (but excluding negligent misrepresentation), intentional misrepresentation, willful misconduct (with respect to any covenant or agreement), Section 3.12 (but only to the extent related to ERISA or a Tax Liability) or in the case of the Fundamental Representations, in which case a claim may be made at any time prior to the expiration of the applicable statute of limitations (including any extensions thereto to the extent that such statute of limitations may be tolled), the representations and warranties of the Parties contained in or made pursuant to this Agreement shall survive until the fifteen (15) month anniversary following the Closing Date (such survival period, the "Representations Survival Period"). For the avoidance of doubt, the Parties hereby agree and acknowledge that the Representations Survival Period is a contractual statute of limitations and any claim brought by any Party pursuant to this Article XI must be brought or filed prior to the expiration of the Representations Survival Period.

(b) Except for fraud (but excluding negligent misrepresentation), intentional misrepresentation, or willful misconduct (with respect to any covenant or agreement), this Article XI shall survive the Closing and shall remain in effect (i) with respect to Sections 11.02(a)(i) and 11.02(b)(i), so long as the relevant representations and warranties survive, and (ii) with respect to Sections 11.02(a)(ii) and 11.02(b)(ii), to the extent those sections relate to the covenants requiring performance (A) prior to the Closing, such covenants and agreements shall survive until the eighteen (18) month anniversary following the Closing Date or (B) after the Closing, such covenants and agreements shall survive until fully performed.

(c) Notice of any assertion by any Indemnified Party that the Indemnifying Party is liable to it pursuant to Section 11.02 must be given to the Indemnifying Party on or prior to the time of expiration of the relevant representation, warranty or covenant as set forth in this Section 11.01 or such claim will be forever barred.

11.02. Indemnification.

(a) Subject to the limitations set forth in this Article XI, subsequent to the Closing Date, Seller Parent shall indemnify and hold harmless Buyer, any Affiliate of Buyer, the Company and Company Subsidiary, or their respective current or future officers, directors and employees, successors and permitted assigns against any Losses that any of the foregoing suffers by reason of, relating to or arising out of:

(i) any breach of the representations and warranties of Seller Parent set forth in Article III or Article IV or any certificate delivered hereunder;

(ii) any breach by Seller Parent or Seller of any of the covenants or agreements of Seller or Seller Parent set forth in this Agreement or any certificate delivered hereunder;

(iii) any and all Transaction Expenses, including any such Transaction Expenses not paid at Closing pursuant to Section 2.03;

(iv) any Liability for Taxes imposed on or relating to the Company or any Company Subsidiary with respect to any Tax period ending on or prior to the Closing Date, or with respect to the portion of any Straddle Period that ends on the Closing Date, except to the extent that such Taxes are included in the Specified Liabilities; or

(v) any Liability for Taxes of Seller Parent or Seller imposed on Buyer as a successor or transferee or under Treasury Regulation Section 1.1502-6

(b) Subject to the limitations set forth in this Article XI, subsequent to the Closing Date, Buyer shall indemnify and hold harmless Seller Parent, any Affiliate of Seller Parent or their respective current or future officers, directors and employees, successors and permitted assigns against any Loss that any of the foregoing suffers as a result of:

(i) any breach of the representations and warranties of Buyer set forth in Article V; or

(ii) any breach by Buyer of any of the covenants or agreements of Buyer set forth in this Agreement.

11.03. Third Party Claims. The obligations and liabilities of an Indemnifying Party with respect to Losses resulting from the assertion of liability by third parties (each, a "Third Party Claim") shall be subject to the following terms and conditions:

(a) The Indemnified Parties shall promptly give written notice to the Indemnifying Parties of any Third Party Claim that might give rise to any Loss by the Indemnified Parties, stating the nature and basis of such Third Party Claim, and the amount thereof to the extent known; provided, however, that no delay on the part of the Indemnified Party in so notifying the Indemnifying Party shall affect the Indemnified Party's right to indemnification hereunder, except and only to the extent that the Indemnifying Party is actually and materially prejudiced by such failure. Such notice shall be accompanied by copies of all relevant documentation with respect to such Third Party Claim, including any summons, complaint or other pleading which may have been served, any written demand or any other document or instrument.

(b) From and after receipt of notice of a Third Party Claim pursuant to Section 11.03(a), the Indemnifying Parties shall have the right, upon notice to the Indemnified Parties, to assume and conduct, at their own expense, the defense against the Third Party Claim in their own names or in the names of the Indemnified Parties. If the Indemnifying Party assumes the defense of any Third Party Claim, the Indemnifying Party shall (i) select counsel reasonably acceptable to the Indemnified Party, (ii) take all steps necessary in the defense or settlement thereof and (iii) keep the Indemnified Party apprised of all significant developments with respect thereto; provided, however, that the Indemnifying Party shall not enter into any settlement, compromise or consent to judgment with respect to any Third Party Claim without the prior consent of the Indemnified Parties, such consent not to be unreasonably withheld, conditioned or delayed; provided, however, that the Indemnifying Party shall be entitled to settle, compromise or consent to a judgment without the consent of the Indemnified Party with respect to a Third Party Claim if such judgment will not have a material adverse impact on the business of the applicable Person going forward. The Indemnified Parties shall have the right to employ separate counsel in any such Third Party Claim and/or to participate in the defense thereof, but the fees and expenses of such counsel shall not be included as part of any Loss incurred by the Indemnified Party and shall not be payable by the Indemnifying Parties. The Indemnified Party shall provide all information and assistance that is reasonably available and necessary for the defense of the Third Party Claim as the Indemnifying Party may reasonably request and shall cooperate with the Indemnifying Party in such defense. Seller Parent shall be entitled to exercise any rights of Seller with respect to Third Party Claims under this Section 11.03.

(c) If the Indemnifying Party does not assume the defense of a Third Party Claim within ten (10) Business Days after receiving notice thereof, (i) the Indemnified Party may defend against such Third Party Claim in such manner as it may deem reasonably appropriate; provided, that the Indemnified Party shall not consent to a settlement, compromise or consent to judgment with respect to any Third Party Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed, and (ii) the Indemnifying Party shall provide to the Indemnified Party all information and assistance that is reasonably available and necessary for the defense of the Third Party Claim as the Indemnified Party may reasonably request and shall reasonably cooperate with the Indemnified Party in such defense.

11.04. Limitations on Indemnification.

(a) Except for fraud (but excluding negligent misrepresentation), intentional misrepresentation, willful misconduct (with respect to any covenant or agreement) and the Fundamental Representations, as to any claim for indemnification pursuant to Sections 11.02(a)(i), or 11.02(b)(i), the Indemnified Party shall not be entitled to indemnification (i) with respect to any Loss of less than Fifteen Thousand U.S. Dollars ($15,000) (a "De Minimis Loss") or (ii) any Losses until all Losses (including any De Minimis Loss) exceed, in the aggregate, an amount equal to one percent (1%) of the Total Purchase Price actually paid to it or paid by it, as the case may be, pursuant to Article II (the "Indemnity Threshold"), in which case such Indemnified Party shall be entitled to indemnification for all such Losses (including any De Minimis Loss), but only to the extent such Losses (including any De Minimis Loss) exceed the Indemnity Threshold; provided, however, that any materiality or Material Adverse Effect qualifier will not be taken into account in determining the magnitude of the damages occasioned by the breach of any representation or warranty for purposes of calculating the Indemnity Threshold (once a breach of any representation or warranty has occurred after giving effect to the applicable materiality or Material Adverse Effect qualifiers).

(b) Except for fraud (but excluding negligent misrepresentation), intentional misrepresentation or willful misconduct (with respect to any covenant or agreement) or if such liability arises under Sections 11.02(a)(iii), 11.02(a)(iv) or 11.02(a)(v), Seller's maximum aggregate liability for an indemnification of Losses pursuant to Section 11.02(a) shall not exceed twelve and one-half percent (12.5%) of the Total Purchase Price (the "Cap"), and the liability of Seller Parent shall not exceed the Total Purchase Price if such liability arises from breach of any of the Fundamental Representations, if such liability arises under Section 11.02(a)(ii), or if such liability arises under Sections 11.02(a)(iv) or 11.02(a)(v). Except for fraud, intentional misrepresentation (but excluding negligent misrepresentation) or willful misconduct (with respect to any covenant or agreement), Buyer's maximum aggregate liability for an indemnification of Losses pursuant to Section 11.02(b) shall not exceed twelve and one-half percent (12.5%) of the Total Purchase Price (the "Cap"), and the liability of Buyer shall not exceed the Total Purchase Price if such liability arises from breach of any of the Fundamental Representations, or if such liability arises under Section 11.02(b)(ii).

(c) The Parties, on behalf of each of their respective Indemnified Parties, waives any right to recover incidental, indirect, special, exemplary, punitive or consequential damages, unless such incidental, indirect, special, exemplary, punitive or consequential damages are awarded to a Person in an indemnifiable Third Party Claim.

(d) Each Person entitled to indemnification hereunder or otherwise to reimbursement for Losses in connection with the transactions contemplated in this Agreement shall use commercially reasonable efforts to mitigate all Losses.

(e) Any indemnifiable claim with respect to any breach or nonperformance by a Party of a representation, warranty, covenant or agreement shall be net of any insurance proceeds or third party recoveries actually received the Indemnified Party (net of any costs of collection, deductible, retroactive premium adjustment, reasonably foreseeable premium increases, reimbursement obligation or other cost directly related to the insurance claim in respect of Losses). Except as may be permitted by any insurance policy, if the Indemnifying Party makes any payments on any claim pursuant to Section 11.02, the Indemnifying Party shall be subrogated, to the extent of such payment, to all rights and remedies of the Indemnified Party to any insurance benefits or other claims of the Indemnified Party with respect to such claim.

(f) Notwithstanding anything to the contrary contained in this Article XI, there shall be no recovery for any Loss or alleged Loss by Buyer under this Article XI, and the Loss shall not be included in meeting the stated thresholds hereunder, to the extent such item has been included in the calculation of the Closing Date Net Asset Adjustment as determined pursuant to Section 2.04 hereof.

11.05. No Contribution. No Indemnifying Party or its employees or agents shall have any right of contribution, right of indemnity or other right or remedy against Company or any Company Subsidiary in connection with any indemnification obligation or any other liability to which she, he or it may become subject under or in connection with this Agreement.

11.06. Remedies Exclusive. Except for fraud (but excluding negligent misrepresentation), intentional misrepresentation or willful misconduct (with respect to any covenant or agreement), the indemnification rights of the Parties under this Article XI are the exclusive remedies after the Closing available to the Parties with respect to any claims or disputes arising between the Parties with respect to the transactions contemplated by this Agreement or the business of the Company and the Company Subsidiaries or the Properties; provided, however, that nothing contained herein shall affect the rights of the Parties under Section 12.13.

11.07. Treatment of Payment. The Parties shall treat all payments made by Seller or Seller Parent, as applicable, to or for the benefit of Buyer and all payments by Buyer to or for the benefit of Seller of Seller Parent, as applicable, under Article XI, and under any other indemnity provision of this Agreement, as adjustments to the Total Purchase Price.

11.08. Set-Off. In addition to all other remedies provided herein, each Party shall have the sole and absolute right to set off any Losses that are or may be owed by such party to the other Party's Indemnified Party under this Article XI against any Liability owed by such party or its Affiliates to the other Party or its Affiliates; provided, however, that if any such amount set off pursuant hereto is subsequently mutually agreed by the Parties or determined by a court of competent jurisdiction on a final and non-appealable basis to be owed to a Party, the applicable Party shall pay such amount to the applicable Party within ten (10) Business Days after such agreement or determination.

ARTICLE XII.
MISCELLANEOUS

12.01. Entire Agreement. This Agreement supersedes all prior discussions and agreements among the Parties with respect to the subject matter hereof, excluding the Nondisclosure Agreement, and contains the sole and entire agreement among the Parties hereto with respect to the subject matter hereof.

12.02. Expenses. Except as otherwise provided in this Agreement, whether or not the transactions contemplated by this Agreement are consummated, each Party will pay its own costs and expenses incurred in connection with the negotiation, execution and consummation of the transaction contemplated by this Agreement.

12.03. Confidentiality. Unless and until the Closing occurs, Buyer will abide by the provisions of the Nondisclosure Agreement. If the Closing occurs, from and after the Closing Date, Seller Parent and Seller will hold, and will use its reasonable efforts to cause its Affiliates and Representatives to hold, in strict confidence from any other Person all information and documents relating to the Projects, the Company and the Company Subsidiaries, provided that nothing in this sentence shall limit the disclosure by any Party of any information (a) to the extent required by Applicable Law or judicial process (provided that if permitted by Applicable Law, each Party agrees to give the other Party prior notice of such disclosure in sufficient time to permit such other Party to obtain a protective order should they so determine), (b) in connection with any litigation to which any Party is a party (provided that such Party has taken all reasonable actions to limit the scope and degree of disclosure in any such litigation), (c) in an Action brought by a Party in pursuit of its rights or in the exercise of its remedies under this Agreement, (d) to the extent that such documents or information can be shown to have come within the public domain through no action or omission of the disclosing Party or its Affiliates, and (e) to its Affiliates for one of the reasons permitted under clause (a), (b) or (c) (in which case such Affiliates shall be bound by the foregoing obligations, but the Party disclosing such information or documentation to such Affiliates shall be liable for any breach by its Affiliates of the foregoing obligations). In the event this Agreement is terminated under Section 10.01, upon the request of a Party, the other Party will, and will cause its Affiliates and their respective Representatives to, promptly (and in no event later than five (5) Business Days after such request) redeliver or destroy, or cause to be redelivered or destroyed, all copies of confidential documents and information furnished by such other Party in connection with this Agreement and destroy or cause to be destroyed all notes, memoranda, summaries, analyses, compilations and other writings related to or based on such information or documents prepared by the Party furnished with such documents and information or its Representatives. In case of a conflict between the Nondisclosure Agreement and this Section 12.03 with respect to Buyer's use of Seller Parent's or Seller's information or documents prior to the Closing, the Nondisclosure Agreement shall govern. Effective as of the Closing, all of the restrictions and obligations of Buyer in the Nondisclosure Agreement shall automatically terminate in their entirety (including, for the avoidance of doubt, any such provisions that purport to survive termination of the Nondisclosure Agreement).

12.04. Announcements. No press or other public announcement, or public statement or comment in response to any inquiry, relating to the transactions contemplated by this Agreement or the terms hereof shall be issued or made by any Party without the approval of the other Party; provided that a press release or other public announcement, regulatory filing, statement or comment made without such approval shall not be in violation of this Section 12.04 if it is made in order for the disclosing Party or any of its Affiliates to comply with Applicable Laws or stock exchange rules and in the reasonable judgment of the Party making such release or announcement, based upon advice of counsel, prior review and joint approval, despite reasonable efforts to obtain the same, would prevent dissemination of such release or announcement in a sufficiently timely fashion to comply with such Applicable Laws or rules; and provided further that in all instances prompt notice from one Party to the other shall be given with respect to any such release, announcement, statement or comment. Each Party shall inform its Affiliates that may be involved in the transactions contemplated by this Agreement of the requirements set forth in this Section 12.04 and shall make reasonable efforts to obtain compliance with the provisions of this Section 12.04 from such Affiliates.

12.05. No Waiver. No failure on the part of any Party to exercise and no delay in exercising, and no course of dealing with respect to, any right, remedy, power or privilege under this Agreement shall operate as a waiver of such right, remedy, power or privilege, nor shall any single or partial exercise of any right, remedy, power or privilege under this Agreement preclude any other or further exercise of any such right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges provided in this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Applicable Law.

12.06. Amendments. Any provision of this Agreement may be amended, modified, supplemented or waived only by an instrument in writing duly executed by each Party. Any such amendment, modification, supplement or waiver shall be for such period and subject to such conditions as shall be specified in the instrument effecting the same and shall be binding upon the Parties, and any such waiver shall be effective only in the specific instance and for the purposes for which given.

12.07. Addresses for Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by facsimile (providing confirmation of transmission), on the next Business Day if sent by prepaid overnight carrier (providing proof of delivery), on the fifth (5th) Business Day following the date of mailing if delivered by registered or certified mail (postage prepaid, return receipt requested) or on the date delivered if sent by email (providing confirmation of receipt) to the Parties at the following addresses, facsimile numbers or email addresses (or at such other addresses, facsimile numbers or email addresses as shall be specified by the Parties by like notice):

If to Seller or Seller Parent:

Sharp Corporation
282-1, Hajikami, Katsuragi
Nara, 639-2198, Japan
Attn: Shinichiro Yahiro
Facsimile No.: 81-(0)745-63-3192
Email: yahiro.shinichiroh@sharp.co.jp

with a copy to (which shall not constitute notice):

Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, California 94105
Attn: John Cook
Facsimile No.: (415) 773-5759
Email: jcook@orrick.com

If to Buyer or CSI:

c/o Canadian Solar (USA) Inc.
2420 Camino Ramon , Suite 125
San Ramon, CA 94583
Attn: Allen Wang, Director, Legal Affairs
Facsimile No.: (925) 866-2704
Email: Allen.Wang@canadiansolar.com

with a copy to (which shall not constitute notice):

Jeffery R. Atkin
Foley & Lardner LLP
555 South Flower Street, Suite 3500
Los Angeles, CA 90071
Facsimile No.: (213) 486-0065
Email:jatkin@foley.com; and

Jason W. Allen
Foley & Lardner LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202
Facsimile No.: (414) 297-4900
Email:jallen@foley.com

12.08. Captions. The captions and section headings appearing in this Agreement are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

12.09. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction, and in lieu of such prohibited or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such prohibited or unenforceable provision as may be possible.

12.10. Assignment. The obligations of each Party under this Agreement and the other Transaction Documents are not assignable without the prior written consent of the other Party, which such Party may withhold in its discretion; provided, however, that Buyer and its permitted assigns may at any time after Closing: (a) assign, in whole or in part, its rights and obligations under this Agreement to one or more of its Affiliates; and (b) assign its rights under this Agreement for collateral security purposes to any Person providing financing to Buyer or its permitted assigns or any of its or their Affiliates (including the Company or any Company Subsidiary); provided further that such assignment shall not relieve Buyer of its Liabilities hereunder.

12.11. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the Parties may execute this Agreement by signing any such counterpart.

12.12. Disclosure. Seller Parent may, at its option, include in Seller Parent's Disclosure Schedule any items that are not material in order to avoid any misunderstanding, and any such inclusion, or any references to dollar amounts, shall not be deemed to be an acknowledgment or representation that such items are material, to establish any standard of materiality or to define further the meaning of such terms for purposes of this Agreement. Each Disclosure Schedule shall be arranged, for purposes of convenience only, as separately titled Schedules corresponding to the certain sections of this Agreement. Information disclosed in any Schedule shall constitute a disclosure for purposes of all other Schedules of the same Disclosure Schedule notwithstanding the lack of specific cross-reference thereto, but only to the extent the applicability of such disclosure to such other Schedule is reasonably apparent on its face. In no event shall the inclusion of any matter in a Disclosure Schedule be deemed or interpreted to broaden the representations, warranties, covenants or agreements contained in this Agreement of the Party to which such Disclosure Schedule relates. The mere inclusion of an item in a Disclosure Schedule shall not be deemed an admission by the Party to which such Disclosure Schedule relates that such item represents a material exception or fact, event, or circumstance or that such item would be reasonably likely to result in a Material Adverse Effect. The information contained in each Disclosure Schedule is disclosed solely for the purposes of this Agreement, and no information contained therein shall be deemed to be an admission by any Party hereto to any third party of any matter whatsoever, including of any violation of law or breach of any agreement.

12.13. Specific Performance. The Parties agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, money damages may not be a sufficient remedy and that the Parties shall be entitled to specific performance of the terms of this Agreement and immediate injunctive relief, without the necessity of proving the inadequacy of money damages as a remedy, in addition to any other remedy at law or in equity.

12.14. Governing Applicable Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN THAT STATE.

12.15. Arbitration. In the event of a dispute, controversy, or claim ("Dispute") under or in any manner related to or arising out of this Agreement, the Parties agree to negotiate in good faith to attempt to resolve the matter through informal negotiation between their respective senior management. If the Parties are unable to informally resolve the Dispute within thirty (45) days after one party notifies the other disputing party(ies) of the Dispute, such Dispute shall be referred to and finally resolved by binding arbitration under the Rules of Arbitration of the International Chamber of Commerce (the "ICC Arbitration Rules") in force at the time of the Dispute. The arbitral tribunal shall consist of a sole arbitrator appointed in accordance with the ICC Arbitration Rules, the language for the arbitration shall be English, and the arbitration will take place in New York, New York, United States of America. The Parties agree that the sole arbitrator shall have the power to award any remedies available under applicable law. The decision of the arbitrator shall be in writing. The arbitrator shall apply the substantive law of the State of New York without giving effect to any principles of conflict of laws under the laws of the State of New York. Any monetary award by the arbitrator shall be in United States Dollars only. All awards of the arbitration are binding, final, non-appealable, and conclusive. Judgment upon any award rendered by the arbitral tribunal may be entered and enforced in any court having jurisdiction. Any Party may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any equitable, interim, or provisional relief necessary to protect the rights or property of that party or to preserve the subject matter of the Dispute, pending the arbitrator's issuance of an award. A request by a party to a court for such injunctive relief shall not be deemed a waiver or violation of the obligation to arbitrate. No Party nor the arbitrator may disclose the existence, content, or results of any arbitration under this Section 12.15 without the prior written consent of all of the disputing parties or unless required to do so by Law or order of a court..

12.16. Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HEREBY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY LEGAL ACTION TO ENFORCE OR INTERPRET THE PROVISIONS OF THIS AGREEMENT OR THAT OTHERWISE RELATES TO THIS AGREEMENT.

12.17. Certain Waivers. It is acknowledged by each of the Parties hereto that Seller, Seller Parent and the Company have retained Orrick, Herrington & Sutcliffe LLP ("Orrick") to act as their counsel in connection with the transactions contemplated by this Agreement. The Parties acknowledge and agree that Orrick shall be permitted, without need for any additional conflict waiver or other consent from Buyer or the Company, to represent Seller Parent and/or Seller in any post-Closing matter solely to the extent related to the transactions contemplated by this Agreement and will not seek to disqualify Orrick. The Parties further acknowledge and agree that in connection with (a) any actual or potential dispute following the Closing between Buyer or its related Indemnified Party, on the one hand, and Seller Parent or its related Indemnifying Party or representative of Seller Parent or such related Indemnifying Party, on the other hand, or (b) any other actual or potential dispute to which buyer or its related Indemnified Party is a party and in which Seller Parent or its related Indemnifying Party or representative of Seller Parent or such related Indemnifying Party is in any way involved, in each case solely to the extent related to the transactions contemplated hereby, Seller Parent or its related Indemnifying Party and the representative of Seller Parent or such related Indemnifying Party shall have the sole right to invoke or waive or cause Buyer to invoke or waive any (i) attorney-client privilege or (ii) rights and obligations of confidentiality, in each case, attaching to any pre-Closing communications between the Company and its attorneys, including Orrick, solely to the extent related to the transactions contemplated hereby, notwithstanding the transfer of any record of such communications to Buyer or related Indemnified Party.

12.18. Delivery by Facsimile or PDF. This Agreement, the other Transaction Documents and any amendments hereto or, to the extent signed and delivered by means of a facsimile machine or electronic transmission in portable document format (pdf), shall be treated in all manner and respects as an original Contract and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of any Party, each other Party shall re-execute original forms thereof and deliver them to the other Party. No Party shall raise the use of a facsimile machine or electronic transmission in pdf to deliver a signature or the fact that any signature was transmitted or communicated through such means as a defense to the formation of a Contract and each Party forever waives any such defense.

12.19. Obligations of CSI . CSI agrees to be liable for the performance by Buyer of all of Buyer's payment obligations under Sections 2.03 and Section 2.04(e) (the "Obligations"). The foregoing obligation of CSI under this Section 12.19 is absolute and unconditional. If Buyer fails to pay or perform the Obligations, CSI will, promptly on written demand thereof by Seller or Seller Parent, as applicable, pay or perform same. CSI hereby waives any and all rights and remedies that it may have as a guarantor or surety or to otherwise seek to take defenses outside of this Agreement (that are not otherwise available to Buyer) that may limit or delay Seller's or Seller Parent's recovery hereunder. CSI represents and warrants to Seller, as of the date hereof and as of the Closing Date, as follows: (a) CSI is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (b) this Agreement has been duly executed by CSI; (c) this Agreement constitutes (assuming the due execution and delivery by each other party hereto) a valid and legally binding obligation of CSI, enforceable against CSI in accordance with its terms, except as limited by the Enforceability Exceptions; and (d) this Agreement does not conflict with, violate or breach, or require any consent or notice under, any Applicable Law or Contract applicable to CSI or require any consent or approval of any Governmental Authority, except as would not have a material adverse effect on CSI's ability to perform its obligations hereunder.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each Party as of the date first above written.

Sharp US Holding Inc.

By: /s/ Shinichiro Yahiro
Name: Shinichiro Yahiro
Title: President

Sharp Corporation

By: /s/ Tetsuo Onishi
Name: Tetsuo Onishi
Title: Representative Director, Executive Vice President

Canadian Solar Energy Acquisition Co.

By: /s/ Michael G. Potter
Name: Michael G. Potter
Title: Director

Canadian Solar Inc., solely for purposes of Section 12.19

By: /s/ Shawn Qu
Name: Shawn Qu
Title: CEO, Chairman, President

GENERAL RELEASE

This General Release (this "Release"), dated as of [ ], 2015, is made by Sharp Corporation, a Japanese corporation ("Sharp"), and Sharp US Holding Inc., a Delaware corporation ("SUH", and together with Sharp, each a "Releasing Party" and collectively the "Releasing Parties"), in favor of Recurrent Energy, LLC (the "Company"). Capitalized terms used but not defined herein shall have the meaning given to such terms in the Purchase Agreement (as defined below).

Recitals

WHEREAS Sharp is the sole stockholder of SUH, which, in turn, is the sole member of the Company.

WHEREAS, on February 3, 2015, Releasing Parties entered into that certain Purchase and Sale Agreement (the "Purchase Agreement") with Canadian Solar Energy Acquisition Co., a Delaware corporation ("Buyer") and, solely for purposes of Section 12.19 and the other provisions of Article XII related thereto, Canadian Solar Inc., a Canadian corporation, pursuant to which SUH agreed to sell, and Buyer agreed to purchase, 100% of the issued and outstanding limited liability company interests in the Company.

WHEREAS, pursuant to Section 7.09 of the Purchase Agreement, Releasing Parties desire to release the Company from all known and unknown claims, as more particularly described below.

WHEREAS, the parties hereto are desirous in entering into this Release.

Agreement

NOW, THEREFORE, in reliance on the foregoing facts, and in consideration of the mutual release set forth herein, the parties hereto hereby agree as follows:

1. Release.

(a) The Releasing Parties on behalf of Releasing Parties and their Affiliates hereby fully, irrevocably, and unconditionally releases, acquits, satisfies and forever discharges the Company and each Company Subsidiary as well as the Company's and each Company Subsidiary's employees, personal representatives, administrators, executors, successors, heirs and assigns (collectively, the "Released Parties"), from and against any and all claims, demands, accounts, rights, sums of money, charges, contracts, agreements, promises, covenants, causes of action, including, but not limited to, negligence and all other tort actions, suits, controversies, judgments, damages, debts, obligations, equities, statutory claims or liabilities, trespasses, losses, expenses and liabilities, of whatever kind or nature whether in law or in equity, including, without limitation, all matters related to the Company's and each Company Subsidiary's obligations under any Contract of any nature and kind whatsoever between any Releasing Party and the Company and each Company Subsidiary, as applicable (collectively, the "Claims") that a Releasing Party may have against the Released Parties prior to the date hereof and each Releasing Party agrees that it will forever waive any right to make any claim or seek any recourse against the Released Parties related thereto.

(b) The parties understand the facts in respect of which the release set forth in this Release may hereinafter turn out to be other than or different from the facts now known or believed by each party to be true; and each party hereby accepts and assumes the risk of the facts turning out to be different and agrees that this instrument shall be and remain in all respects effective and not subject to termination or rescission by virtue of any such differences in facts.

(c) This is a full and final release, applying to all known or unknown, foreseen or unforeseen, anticipated or unanticipated, suspected or unsuspected, asserted or unasserted, liquidated or unliquidated, existing or contingent, direct or derivative Claims that existed, may have existed or may hereafter arise in any manner or degree from facts and circumstances whether known, or in addition to or different from those now believed to be true, occurring prior to the date of this Release. Each Releasing Party understands that it may have Claims which have not been manifested or presently known or have not been identified as of the date of this Release, but such Releasing Party nevertheless intends to and does deliberately release all of its possible future Claims that occurred through the date of this Release.

(d) The release set forth in Section 1(a) above expressly covers all claims or possible claims by any Releasing Party, whether the same are known, unknown, or hereafter discovered or ascertained but which exist as of the date hereof.

(e) Each Releasing Party agrees that it will forever refrain and forebear from instituting, commencing, or prosecuting any litigation, action or other proceeding of any kind whatsoever, by way of action, claim, defense, set-off, cross-complaint, counterclaim or third party action, against the Released Parties based on, or arising out of or in connection with any Claim.

(f) Releasing Parties hereby waive, to the fullest extent permitted by Applicable Law, the benefits of Applicable Law that may limit the scope of the covenants and releases granted herein.

(g) The parties hereto agree that the release set forth in this Release is the result of a compromise and shall at no time or for any purpose be considered an admission of the truth of any allegations, claims or contentions of any party against any other party hereto. Any agreements, undertakings or exchanges provided herewith are solely for the purposes of settlement and compromise.

(h) Each Releasing Party acknowledges that the terms hereof are contractual and not a mere recital. Each Releasing Party further acknowledges that it (i) has not been influenced in any manner in making this Release by any representations or statements made by or on behalf of the Released Parties, (ii) has received the advice of counsel in connection with the effect of the execution and delivery of this Release, (iii) has carefully read and fully understand the contents of this Release, and (iv) has duly executed this Release freely and voluntarily, intending and agreeing to be fully bound by the terms hereof.

(i) Each Releasing Party represents and warrants with respect to the Claims released hereby that neither such Releasing Party nor its Affiliates has in any manner assigned, pledged or otherwise voluntarily or involuntarily disposed of or transferred to any party an interest in any Claims released hereby, and that each Claim of such Releasing Party or its Affiliates against the Released Parties is fully and finally discharged, settled and satisfied. Each Releasing Party further represents and warrants with respect to the Claims released hereby that neither such Releasing Party nor its Affiliates has filed any complaint or claim against the Released Parties with any Governmental Authority.

2. Attorneys' Fees. Should suit be commenced concerning any provisions of this Release and relative to the subject manner hereof, the prevailing party in such litigation shall be entitled to receive, in addition to any other sums, its costs and reasonable attorneys' fees as determined by a court of competent jurisdiction.

3. Choice of Law. This Release, and any instrument or agreement required hereunder (to the extent not otherwise expressly provided for therein), shall be governed by, and construed under, the laws of the State of New York, without reference to conflicts of laws rules.

4. Confidentiality of Agreement. The parties hereto agree to keep this Release and the contents thereof confidential and not to disclose it or its terms to any person, except as required by Law, by court order or by written consent of the non-disclosing party.

5. Entire Agreement; Amendments. This Release constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, of the parties hereto with respect to the subject matter hereof. No oral representations or modifications concerning this instrument nor any course of dealing between or among any persons having any interest in this Release shall be of any force or effect unless contained in a subsequent written modification signed by the party hereto to be charged. This Release may be amended, modified or waived only by a written instrument executed by the parties hereto.

6. Severability. Releasing Parties agree that any provision of this Release that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. Releasing Parties further agree that this Release shall be construed as a whole according to its fair meaning.

7. Counterparts. This Release may be executed in one or more counterparts, each of which shall constitute an original but all of which, taken together, shall constitute but one agreement. Facsimile or PDF signatures shall be deemed original.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this General Release has been duly executed as of the date first written above.

Sharp Corporation,
a Japanese corporation

By: ________________________

Name: ________________________

Title: ________________________

Sharp US Holding Inc.,
a Delaware corporation

By: ________________________

Name: ________________________

Title: ________________________

Accepted and Agreed To:

Recurrent Energy, LLC,
a Delaware limited liability company

By: ________________________

Name: ________________________

Title: ________________________

[SIGNATURE PAGE GENERAL RELEASE (RECURRENT ENERGY, LLC)]

ASSIGNMENT AND ACCEPTANCE AGREEMENT

This Assignment and Assumption Agreement (this "Assignment Agreement"), dated as [ ], 2015, is made by and between Sharp US Holding Inc., a Delaware corporation (the "Assignor"), and Canadian Solar Energy Acquisition Co., a Delaware corporation (the "Assignee"). Capitalized terms used but not defined herein shall have the meaning given to such terms in the Purchase Agreement (as defined below).

RECITALS

A. The Assignor owns 100% of the Company Interests in Recurrent Energy, LLC, a Delaware limited liability company (the "Company").

B. Sharp Corporation, a Japanese corporation, the Assignor, the Assignee, and solely for purposes of Section 12.19 and the other provisions of Article XII related thereto, Canadian Solar Inc., a Canadian corporation, have entered into a Purchase and Sale Agreement, dated as of February 3, 2015 (as may be amended from time to time, the "Purchase Agreement"), pursuant to which the Assignor agreed to sell, and the Assignee agreed to buy, all of the Assignor's right, title and interest in and to the Company Interests free and clear of all Liens, other than Permitted Encumbrances. The Company Interests constitute all of the right, title and interest of the Assignor as a member of the Company.

D. Subject to the terms and the conditions of the Purchase Agreement, the Assignor wishes to assign to the Assignee, and the Assignee wishes to accept from the Assignor, all of the Assignor's right, title and interest in and to the Company Interests free and clear of all Liens, other than Permitted Encumbrances.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

1. Assignment and Assumption. The Assignor hereby transfers, assigns, conveys and delivers to the Assignee all of the Assignor's right, title and interest in and to the Company Interests, free and clear of all Liens, other than Permitted Encumbrances, subject to and in accordance with the terms and conditions of the Purchase Agreement. The Assignee hereby accepts all of the Assignor's right, title and interest in and to the Company Interests free and clear of all Liens, other than Permitted Encumbrances. The Assignee expressly agrees that, notwithstanding this Assignment, RE Rosamond One LLC, RE Rosamond Two LLC, RE Columbia LLC, RE Columbia Two LLC, RE Columbia 3 LLC, RE Rio Grande LLC, RE Great Lakes LLC, and RE Barren Ridge 1 LLC (collectively "Project Companies") shall continue to perform all of their obligations under that certain Environmental Settlement Agreement, dated as of December 16, 2011, by and among Project Companies, RE Tehachapi Solar LLC, RE Tehachapi Solar 2 LLC, and Kern County Citizens for Responsible Solar, as modified by that certain Letter, dated as of January 27, 2014, by Project Companies and acknowledged and agreed by IBEW, Local 428, Kern County Citizens for Responsible Solar, California Union for Reliable Energy, Wesley Simpson, Don Shultz, and Ron Derbyshire.

2. Counterparts. This Assignment Agreement may be executed in one or more counterparts, each of which shall constitute an original but all of which, taken together, shall constitute but one agreement. Facsimile or PDF signatures shall be deemed original.

3. Governing Law. This Assignment Agreement, and any instrument or agreement required hereunder (to the extent not otherwise expressly provided for therein), shall be governed by, and construed under, the laws of the State of New York, without reference to conflicts of laws rules.

4. Further Assurances. Each of the parties hereto covenants and agrees, at its own expense, to execute and deliver such further documents and to perform such other acts as may be reasonably necessary or proper and usual to effect this Assignment Agreement.

5. Amendments. No provision of this Assignment Agreement may be amended, modified or waived except by written agreement duly executed by each of the parties.

6. Headings. The section headings used in this Assignment Agreement are for convenience of reference only and shall not be used or construed to define, interpret, expand or limit any provision hereof.

7. Successors and Assigns. This Assignment Agreement shall be binding upon and shall inure to the benefit of the parties and their respective personal representatives, heirs, successors and assigns.

8. No Conflict. This Assignment Agreement is being delivered pursuant to the Purchase Agreement and will be construed consistently with the Purchase Agreement. This Assignment Agreement is not intended to, and does not, in any manner enhance, diminish or otherwise modify the rights and obligations of the parties under the Purchase Agreement. To the extent that any provision of this Assignment Agreement conflicts or is inconsistent with the terms of the Purchase Agreement, the terms of the Purchase Agreement will govern.

[*Signature page follows.*]

IN WITNESS WHEREOF, the parties have executed this Assignment Agreement as of the date first above written.

ASSIGNOR:

Sharp US Holding Inc.,
a Delaware corporation

By: ____
Name:
Title:

ASSIGNEE:

Canadian Solar Energy Acquisition Co.,
a Delaware corporation

By: ____
Name:
Title:

[Signature Page to Assignment and Assumption Agreement (Recurrent Energy, LLC)]

INTERIM PERIOD WEEKLY REPORT

1. Weekly cash flow update with respect to the Company and the Company Subsidiaries.

2. A summary of Project changes as result of any Capital Committee or risk review meetings of the Company that have occurred.

SELLER PARENT'S DISCLOSURE SCHEDULE

EXHIBIT 8.1

LIST OF MAJOR SUBSIDIARIES

(As of March 31, 2015)

Name of Major Subsidiaries	Place of Incorporation	Ownership Interest
CSI Solartronics (Changshu) Co., Ltd.	People's Republic of China	100%
CSI Solar Technologies Inc.	People's Republic of China	100%
CSI Solar Manufacture Inc.	People's Republic of China	100%
Canadian Solar Manufacturing (Luoyang) Inc., formerly known as CSI Central Solar Power Co., Ltd.	People's Republic of China	100%
Canadian Solar Manufacturing (Changshu) Inc., formerly known as Changshu CSI Advanced Solar Inc.	People's Republic of China	100%
CSI Cells Co., Ltd.	People's Republic of China	100%
Canadian Solar (USA) Inc.	United States of America	100%
CSI Project Consulting GmbH	Germany	70%
Canadian Solar Japan K.K.	Japan	90.67%
Canadian Solar Solutions Inc.	Canada	100%
CSI Solar Power (China) Inc.	People's Republic of China	100%
Canadian Solar EMEA GmbH	Germany	100%
Canadian Solar (Australia) Pty, Ltd.	Australia	100%
Canadian Solar International Ltd.	Hong Kong	100%
Canadian Solar O&M (Ontario) Inc.	Canada	100%
Suzhou Sanysolar Materials Technology Co. Ltd.	People's Republic of China	80%
Canadian Solar South East Asia Pte., Ltd.	Singapore	100%
Canadian Solar Manufacturing (Suzhou) Inc.	People's Republic of China	61%
Canadian Solar South Africa Pty., Ltd.	South Africa	100%
Canadian Solar Brasil Servicos De Consultoria EM Energia Solar Ltda.	Brazil	100%
Canadian Solar Middle East Ltd.	United Arab Emirates	100%
Canadian Solartronics (Suzhou) Co., Ltd.	People's Republic of China	100%
Canadian Solar (Thailand) Ltd.	Thailand	100%
Canadian Solar Construction (USA) LLC	United States of America	100%
CSI-GCL (Yancheng) Solar Manufacturing Co., Ltd.	People's Republic of China	80%
Changshu Tegu New Materials Technology Co., Ltd.	People's Republic of China	75%
Changshu Tlink Co., Ltd.	People's Republic of China	100%
Canadian Solar Trading (Changshu) Inc.	People's Republic of China	100%
Recurrent Energy, LLC	United States of America	100%
Pt Canadian Solar Indonesia	Indonesia	67%

EXHIBIT 12.1

Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Shawn (Xiaohua) Qu, certify that:

1. I have reviewed this annual report on Form 20-F of Canadian Solar Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 23, 2015

By: /s/ Shawn (Xiaohua) Qu
Name: Shawn (Xiaohua) Qu
Title: Chief Executive Officer

EXHIBIT 12.2

Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael G. Potter, certify that:

1. I have reviewed this annual report on Form 20-F of Canadian Solar Inc. (the “Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 23, 2015

By: /s/ Michael G. Potter
Name: Michael G. Potter
Title: Chief Financial Officer

EXHIBIT 13.1

Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Canadian Solar Inc. (the "Company") on Form 20-F for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shawn (Xiaohua) Qu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 23, 2015

By: /s/ Shawn (Xiaohua) Qu
Name: Shawn (Xiaohua) Qu
Title: Chief Executive Officer

EXHIBIT 13.2

Certification by the Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Canadian Solar Inc. (the "Company") on Form 20-F for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael G. Potter, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 23, 2015

By: /s/ Michael G. Potter
Name: Michael G. Potter
Title: Chief Financial Officer

EXHIBIT 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-147042, 333-178187 and 333-201766 on Form S-8 and Registration Statement No. 333-189895 on Form F-3 of our reports dated April 23, 2015, relating to the financial statements and financial statement schedule of Canadian Solar Inc. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 20-F of the Company for the year ended December 31, 2014.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China
April 23, 2015