

SUNPOWER CORP  
 Form 424B5  
 February 05, 2007  
Table of Contents

**CALCULATION OF REGISTRATION FEE**

<b>Title of each class of securities to be registered</b>	<b>Amount to be registered/Proposed maximum offering price per unit/Proposed maximum aggregate offering price</b>	<b>Amount of registration fee</b>
Senior Convertible Debentures due 2027	\$200,000,000	\$21,400(1)
Class A Common Stock, par value \$0.001 per share	(2)	(2)

- (1) This filing fee of \$21,400 is calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended (the Securities Act ) and relates to the registration statement on Form S-3 (File No. 333-140272) filed by SunPower Corporation. Includes \$15,997 previously paid on January 29, 2007.
- (2) There are also registered an indeterminate number of shares of class A common stock into which the debentures may be converted. Pursuant to Rule 457(i), no separate registration fee is payable where securities and securities into which conversion is offered are registered at the same time and no additional consideration is payable upon conversion.

---

**Table of Contents**

**Filed Pursuant to Rule 424(b)(5)  
File No. 333-140272**

PROSPECTUS SUPPLEMENT

(To Prospectus dated January 29, 2007)

**\$175,000,000**

**1.25% Senior Convertible Debentures due 2027**

---

This is an offering by SunPower Corporation of \$175,000,000 aggregate principal amount of its 1.25% Senior Convertible Debentures due 2027.

The debentures will be convertible, at your option, into cash and, if applicable, shares of our class A common stock initially at a conversion rate of 17.6211 shares per \$1,000 principal amount of debentures (equivalent to an initial conversion price of \$56.75 per share), subject to adjustment as described in this prospectus supplement, at any time on or prior to the close of business on the business day immediately preceding the maturity date only under the following circumstances:

prior to February 15, 2025, on any date during any fiscal quarter beginning after March 31, 2007 (and only during such fiscal quarter) if the closing sale price of our class A common stock was more than 125% of the then current conversion price for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of the previous fiscal quarter;

at any time on or after February 15, 2025;

with respect to any debentures called for redemption, until the close of business on the business day prior to the redemption date;

during a specified period if we distribute to all holders of our class A common stock rights or warrants entitling them to purchase, for a period of 45 calendar days or less, shares of our class A common stock at a price less than the average closing sale price for the ten trading days preceding the declaration date for such distribution;

during a specified period if we distribute to all holders of our class A common stock, cash or other assets, debt securities or rights to purchase our securities, which distribution has a per share value exceeding 10% of the closing sale price of our class A common stock on the trading day preceding the declaration date for such distribution;

during a specified period if a fundamental change occurs; or

during the five consecutive business-day period following any five consecutive trading-day period in which the trading price for the debentures for each day during such five trading-day period was less than 98% of the closing sale price of our class A common stock period multiplied by the then current conversion rate.

Upon conversion, we will deliver cash and shares of our class A common stock, if any, based on a daily conversion value (as described herein), calculated on a proportionate basis for each day of the 20 trading day conversion period. See Description of the Debentures Conversion Rights Conversion Procedures Settlement Upon Conversion. In the event of certain types of fundamental changes, we will increase the conversion rate by a number of additional shares as described herein.

## Edgar Filing: SUNPOWER CORP - Form 424B5

The debentures will bear interest at a rate of 1.25% per year, payable on February 15 and August 15 of each year, commencing August 15, 2007. The debentures will mature on February 15, 2027.

We may redeem some or all of the debentures on or after February 15, 2012, for cash at a redemption equal to 100% of the principal amount, plus accrued and unpaid interest, of debentures redeemed.

You may require us to repurchase all or a portion of your debentures on February 15, 2012, February 15, 2017 and February 15, 2022 at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest. In addition, you may require us to repurchase all or a portion of your debentures upon a fundamental change at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest.

The debentures will be our senior unsecured obligations. As of September 30, 2006, on a pro forma basis giving effect to our acquisition of PowerLight Corporation described herein, we and our subsidiaries had approximately \$7.1 million of senior indebtedness outstanding, all of which was secured indebtedness, and approximately \$228.8 million of other liabilities outstanding.

Concurrently with this offering of debentures, we are offering, by means of a separate prospectus supplement, up to 2,947,132 shares of our class A common stock, all of which are being borrowed by an affiliate of Lehman Brothers Inc., one of the underwriters in this offering. We will not receive any proceeds from that offering of common stock, but we will receive a nominal lending fee from that affiliate. See [Description of Share Lending Agreement](#) and [Underwriting](#).

Our class A common stock is listed on The Nasdaq Global Market under the symbol SPWR. The last reported sale price of our class A common stock on February 1, 2007 was \$44.51 per share.

We do not intend to apply for listing of the debentures on any securities exchange or for inclusion of the debentures in any automated quotation system.

***Investing in the debentures involves risks. See [Risk Factors](#) beginning on page S-14 of this prospectus supplement and on page 4 of the accompanying prospectus.***

	<b>Per Debenture</b>	<b>Total</b>
Price to the public (1)	100%	\$ 175,000,000
Underwriting discounts and commission	2.5%	\$ 4,375,000
Proceeds to SunPower (before expenses)	97.5%	\$ 170,625,000

(1) Plus accrued interest, if any, from February 7, 2007.

We have granted the underwriters a 30-day option to purchase up to an additional \$25,000,000 aggregate principal amount of debentures on the same terms and conditions set forth above if the underwriters sell more than \$175,000,000 aggregate principal amount of debentures.

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

Lehman Brothers, on behalf of the underwriters, expects to deliver the debentures on or about February 7, 2007.

---

**LEHMAN BROTHERS**

**CREDIT SUISSE**

---

**DEUTSCHE BANK SECURITIES**

**COWEN AND COMPANY**

**FIRST ALBANY CAPITAL**

**THINKEQUITY PARTNERS LLC**

February 2, 2007

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<b>Prospectus Supplement</b>	
<u>About this Prospectus Supplement</u>	S-i
<u>Cautionary Note Regarding Forward Looking Statements</u>	S-ii
<u>Prospectus Supplement Summary</u>	S-1
<u>Risk Factors</u>	S-14
<u>Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends</u>	S-22
<u>Capitalization</u>	S-23
<u>Use of Proceeds</u>	S-25
<u>Price Range of Our Class A Common Stock and Dividend Policy</u>	S-25
<u>Description of the Debentures</u>	S-26
<u>Description of Class A Common Stock</u>	S-48
<u>Description of Share Lending Agreement</u>	S-52
<u>Material United States Federal Income Tax Considerations</u>	S-54
<u>Underwriting</u>	S-60
<u>Legal Matters</u>	S-64
<u>Experts</u>	S-64
<u>Where You Can Find More Information</u>	S-64
<u>Unaudited Pro Forma Condensed Combined Financial Information</u>	P-1
<b>Prospectus</b>	
<u>About This Prospectus</u>	<b>Page</b> 1
<u>Summary</u>	1
<u>Risk Factors</u>	4
<u>Cautionary Note Regarding Forward-looking Statements</u>	38
<u>Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends</u>	40
<u>Use of Proceeds</u>	41
<u>Description of Class A Common Stock</u>	42
<u>Description of Preferred Stock</u>	46
<u>Description of Debt Securities</u>	46
<u>Description of Warrants</u>	56
<u>Plan of Distribution</u>	58
<u>Experts</u>	60
<u>Legal Matters</u>	60
<u>Where You Can Find More Information</u>	61

**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and risks related to an investment in the debentures. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering, and a discussion of risks our business faces. If the description of this offering of debentures varies between this prospectus supplement and the accompanying prospectus, you should rely only on the information contained or incorporated by reference in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus prepared by or on behalf of us. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of the respective dates of those documents in which the information is contained. Our business, financial condition, results of operations and prospects may have changed since any of those respective dates. You should read this entire prospectus supplement, as well as the accompanying prospectus and the documents incorporated by reference that are described under Where You Can Find More Information in this prospectus supplement and the accompanying prospectus before making your investment decision. Unless otherwise indicated herein, the information in this prospectus supplement assumes no exercise of the underwriters' option to purchase additional debentures described herein.



**Table of Contents**

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the documents incorporated by reference herein may contain forward-looking statements that involve risks and uncertainties. You can identify such forward-looking statements by the use of terms such as expect, believe, may, could, estimate, intend, similar words or phrases. All such statements, other than statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21B of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about our competitive strengths, our strategy, our preliminary, unaudited financial results for the three months and year-ended December 31, 2006, our pro forma financial results giving effect to one or more of the transactions described herein and the accounting treatment of our concurrent offering of class A common stock.

**Table of Contents**

**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. This summary does not contain all of the information that you should consider before deciding whether to invest in the debentures. You should read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully, including the Risk Factors sections beginning on page S-14 of this prospectus supplement, and page 4 of the accompanying prospectus, as well as our the consolidated financial statements and the related notes incorporated by reference.*

*Unless otherwise specified or unless the context requires otherwise, all references in this prospectus supplement to SunPower, we, us, our or similar references mean SunPower Corporation and its subsidiaries. On January 10, 2007, we completed our previously announced merger, or the Merger, with PowerLight Corporation, described below. Unless otherwise specified or the context otherwise requires, all references in this prospectus supplement to PowerLight mean PowerLight Corporation prior to January 10, 2007 and PowerLight Corporation, an indirect wholly-owned subsidiary of SunPower, on or after January 10, 2007.*

**Our Company**

We design, develop, manufacture, market and sell solar electric power products, systems and services. Our products are based on our proprietary processes and technologies. We have spent more than 15 years developing high performance solar cells, which are semiconductor devices that directly convert sunlight into electricity. We believe our solar cells have the highest conversion efficiency, a measurement of the amount of sunlight converted by the solar cell into electricity, available for the mass market. We also believe our solar cells provide the following benefits compared with conventional solar cells:

superior performance, including the ability to generate up to 50% more power per unit area;

superior aesthetics, with our uniformly black surface design which eliminates highly visible reflective grid lines and metal interconnect ribbons; and

efficient use of silicon, a key raw material used in the manufacture of solar cells.

We offer solar power products, including solar cells, solar panels and inverters, which convert sunlight to electricity compatible with the utility network. Our solar sales efforts have been focused on residential and commercial applications where the high performance and superior aesthetics of our solar power products provide compelling customer benefits. We also sell products for multi-megawatt solar power plant applications that mount our products on moving structures that track the sun. We sell our products in many countries, principally in regions where government incentives have accelerated solar power adoption.

We produce our solar cells at our manufacturing facility in the Philippines. We currently operate four solar cell manufacturing lines in the Philippines, with a total rated manufacturing capacity of approximately 108 megawatts per year. We have recently started construction on a second solar cell manufacturing facility in the Philippines, which is designed to house up to ten additional manufacturing lines. We expect three manufacturing lines in the new facility to be operational by the end of 2007, which would give us an aggregate rated manufacturing capacity of approximately 207 megawatts per year. Currently, most of our solar panels are assembled for us by a third-party subcontractor in China. We supplement this capacity with in-house production at our automated panel assembly factory located in the Philippines. We expect to produce up to 30 megawatts of solar panels per year from our first manufacturing line. The panel assembly factory has sufficient space to expand capacity to 90 megawatts per year. Our systems in North America also include branded inverters manufactured for us by multiple suppliers.

## **Table of Contents**

On January 10, 2007 we completed the Merger with PowerLight, a leading global provider of large-scale solar power systems. PowerLight designs, manufactures, markets and sells solar electric power system technology that integrates solar cells and solar panels manufactured by us and other suppliers to convert sunlight to electricity compatible with the utility network. PowerLight also provides solar power systems to end customers on a turn-key, whole-solution basis by developing, engineering, procuring permits and equipment for, managing construction of, offering access to financing for, and providing monitoring, operations and maintenance services for large-scale roof-mounted and ground-mounted solar power applications. PowerLight's customers include industrial, commercial and public sector entities, investors, value-added resellers, utilities and production home builders. PowerLight's solar power systems generate electricity over a system design life typically exceeding 25 years. PowerLight's solar power systems are principally designed to be used in large-scale applications exceeding 300 kilowatts, including the development of solar production home communities. PowerLight has completed or is in the process of completing over 300 projects worldwide, rated in aggregate at over 100 megawatts peak capacity. In the United States, PowerLight typically sells solar power systems rated up to one megawatt of capacity to provide a supplemental, distributed source of electricity for a customer's facility. In Europe and South Korea, PowerLight's products and systems are often purchased by third party investors as central station solar power plants, typically rated from one to 20 megawatts, which generate electricity for sale under tariff to regional and public utilities.

### ***Market Opportunity***

The electric power industry is one of the world's largest industrial segments, with annual revenue of approximately \$1.06 trillion in 2004, according to Datamonitor. Global electricity demand has grown consistently at a rate of 1% to 4% annually for the past decade, according to the Energy Information Administration of the United States Department of Energy. Worldwide demand for electricity is expected to increase from 14.3 trillion kilowatt hours in 2002 to 26.0 trillion kilowatt hours by 2025, according to the United States Department of Energy's International Energy Outlook. Investments in generation, transmission and distribution to meet growth in electricity demand, excluding investments in fuel supply, are expected to be roughly \$10 trillion by 2030, according to the International Energy Agency. However, fossil fuel supply constraints, infrastructure limitations, the desire for energy security and environmental concerns pose a challenge to meeting this growing worldwide electricity demand. The use of renewable resources, which include solar, biomass, geothermal, hydroelectric and wind power generation, has grown significantly in response to the challenges associated with growing global electricity production. As opposed to fossil fuels which draw on finite resources that may eventually become too expensive to retrieve, renewable resources are generally unlimited in availability.

Solar power technology has been used to generate electricity in space program applications for several decades and in commercial applications over the last 30 years. Increasingly, government incentive programs are accelerating the adoption of solar power. Since 1985, the market for solar power, as defined by worldwide shipments of solar power systems, has grown at a compound annual growth rate of over 20%, according to Navigant, a consulting firm. The global solar power market, as defined by solar power system installations, had an estimated \$10 billion in revenue in 2005 and is expected to grow to \$19 billion by 2010, according to SolarBuzz, a research and consulting firm.

### ***Our Strengths***

We believe we are a leader in producing high performance solar cells and large-scale solar power systems. We believe our competitive advantages include:

*Superior Conversion Efficiency.* We believe our solar cells have the highest conversion efficiency available for the mass market. Our proprietary all back contact design results in conversion efficiencies

## **Table of Contents**

up to 50% higher per unit area than conventional solar cells. This superior conversion efficiency results in decreased per watt panel packaging and installation costs and provides greater power generation on a given rooftop space.

*Efficient Silicon Utilization.* We believe our superior conversion efficiency in the cells we manufacture allows us to use less silicon to generate the same amount of electricity as conventional solar cells of the same size. Based on third-party data, the solar industry's average rate of polysilicon usage is estimated to range from 10.5 to 11.5 grams of polysilicon per watt. Our rate of consumption, as calculated by us, is under eight grams of polysilicon per watt. This provides our solar cells with more efficient utilization of polysilicon, as defined by grams of polysilicon per watt, compared to conventional solar cells. Efficient utilization of silicon is important because silicon wafers represent the most significant cost component in the production of solar cells.

*Technological Leadership in Solar Power Systems.* Since inception, PowerLight has been at the forefront of product innovation for the large-scale grid-connected solar market. Through PowerLight, we have over 70 U.S. and international patents or pending patent applications covering solar power systems and technologies. As an example, we believe PowerLight's innovative PowerTracker® system offers lower operating costs and increased reliability for customers compared to dual axis tracking systems and can be scaled from small to large multi-megawatt installations. Furthermore, PowerLight's PowerTilt product continues its leadership position in roof-mounted systems by enhancing sunlight capture and improving solar module energy output.

*Manufacturing Advantages.* We manufacture our solar cells and some modules at our facilities in the Philippines, a low-cost production region. In addition, we believe our background and expertise in the semiconductor industry enables us to improve our manufacturing yields, cost, quality and product ramp predictability.

*Superior Aesthetics.* Because all electrical contacts are located on the back, our solar cells have a uniformly black appearance that allows our solar panels to blend into customers' rooftops. We believe our solution appeals to residential customers seeking more aesthetically appealing solutions. PowerLight's new PowerLight SunTile® product for the residential market is an architecturally integrated, aesthetically pleasing roofing shingle with a patented design.

*Brand Awareness.* We believe SunPower is increasingly recognized as a technology leader within the solar industry and with end-users, and that our customers associate our brand with a combination of product benefits, including high efficiency, superior product appearance and superior system performance. In addition, we believe PowerLight has a strong brand name, with over 300 projects completed or in the process of being completed within the large-scale grid-connected solar market.

*Strong Management Team.* Our management team has a diverse set of industry skills and global operating experience, including backgrounds spanning the solar, electric utility, semiconductor and optical media industries, as well as expertise running high-volume, low-cost manufacturing operations and complex organizations and managing rapid growth. Our executive officers have an average of over 20 years of experience in the solar or high technology industries.

Our ability to maintain our competitive advantages is dependent on several factors, including the availability of polysilicon and other key components from third-party suppliers, our ability to effectively integrate PowerLight into our operations, uninterrupted operations at our Philippines facilities, our ability to expand our customer base, our ability to grow our manufacturing capacity in line with increasing demand, our ability to compete, the market for solar power and our ability to retain key personnel and other factors set forth in "Risk Factors" in this prospectus supplement and the accompanying prospectus.

---

## **Table of Contents**

### ***Our Strategy***

Our principal objective is to be the leader in high performance solar power products. We plan to achieve this objective by pursuing the following strategies:

*Maintain our Technology Advantage and Reduce Manufacturing Costs.* We believe that our all back contact solar cell technology, as well as PowerLight's PowerGuard, PowerTilt, PowerTracker® and SunTile® products, currently provide us with a competitive advantage. We intend to invest in research and development to improve solar cell efficiency and lower manufacturing costs. We intend to continue investing in research and development to reduce wafer thickness, improve throughput, processing yield and quality and introduce new products that enhance the efficiency and cost-effectiveness of solar power for end customers.

*Continue Expanding Manufacturing Capacity.* We produce our solar cells at our manufacturing facility in the Philippines. We currently operate four solar cell manufacturing lines in the Philippines, with a total rated manufacturing capacity of approximately 108 megawatts per year. We have recently started construction on a second solar cell manufacturing facility in the Philippines, which is designed to house up to ten additional manufacturing lines. We expect three manufacturing lines in the new facility to be operational by the end of 2007, which would give us an aggregate rated manufacturing capacity of approximately 207 megawatts per year. Currently, most of our solar panels are assembled for us by a third-party subcontractor in China. We supplement this capacity with in-house production at our automated panel assembly factory located in the Philippines. We expect to produce up to 30 megawatts of solar panels per year from our first manufacturing line. The panel assembly factory has sufficient space to expand capacity to 90 megawatts per year.

*Reduce the System Cost of Solar Power.* Most of our customers operate in markets that depend on a variety of government incentives to reduce the cost of solar power systems to end customers. Over the long term, we believe that our high efficiency solar cell technology and advanced manufacturing systems will allow us to reduce solar power system cost to reduce or eliminate the need for these market incentives. We believe our acquisition of PowerLight will enable us to achieve additional efficiencies, particularly in the areas of module production, installation and system integration, which in turn would further reduce the cost of solar energy to end customers.

*Focus on Large-Scale, International Solar Power System Projects.* With the completion of the Merger, we added significant customers in the United States, Germany, Spain, Portugal and South Korea. We are currently focused on expanding the presence and market share of PowerLight's business in international markets where there exist strong government incentive programs for solar power. We expect initially to focus these efforts on large-scale projects, such as Bavaria Solarpark 1 in Germany and the Serpa Solar Power Plant in Portugal, where we believe our depth of expertise and products and technologies differentiate us from our competitors. In addition, we recently began development of our first two projects in South Korea, which we believe will represent that country's largest solar power systems upon deployment.

*Expand Market Presence.* We currently operate in residential and commercial markets where our products provide significant end-customer benefits. We believe we can further expand our market presence within the residential and small commercial markets, which in the aggregate account for approximately 50% of the total United States on-grid solar power market. We plan to expand our network of dealers and installers through value-added programs and to drive new product development. One example of these efforts is PowerLight's SunTile® product, a solar power roofing tile that we believe offers improved aesthetics for residential customers. We recently announced that the SunTile® solar electric system will be incorporated into one of the United States' largest solar-powered residential neighborhoods. In the future, we may also expand our PowerLight business to serve the retrofit portion of this market in ways that minimize transaction costs and leverage our core competencies.

---

**Table of Contents**

*Pursue Targeted Strategic Opportunities.* We intend to make selected investments, enter into joint ventures and pursue acquisitions to broaden our supply-chain opportunities, increase the efficiency of the downstream channel and reduce the cost of products delivered to end customers.

**Recent Developments**

***Acquisition of PowerLight.*** On January 10, 2007, we completed the previously announced Merger. Upon the completion of the Merger, all of the outstanding shares of PowerLight, and a portion of each vested option to purchase shares of PowerLight, were cancelled, and all of the outstanding options to purchase shares of PowerLight (other than the portion of each vested option that was cancelled) were assumed by us in exchange for aggregate consideration of (i) approximately \$120.7 million in cash plus (ii) a total of 5,708,723 shares of class A common stock, inclusive of (a) 1,601,839 shares of class A common stock which may be issued upon the exercise of assumed vested and unvested PowerLight stock options and (b) 1,675,881 shares of class A common stock issued to certain employees of the PowerLight business in connection with the Merger, which shares are subject to certain transfer restrictions and a repurchase option of the Company, both of which lapse over a two-year period under the terms of equity restriction agreements with employees of the PowerLight business.

Of the cash and shares issued in the Merger, approximately \$19.7 million in cash and 840,000 shares, with a total aggregate value of \$29.0 million, are currently being held in escrow as security for the indemnification obligations of certain former PowerLight shareholders. We are also obligated to issue an additional 200,841 shares of restricted class A common stock to certain employees of the PowerLight business, which shares will be subject to certain transfer restrictions that lapse over four years.

***Financial Results for the Three Months and Year Ended December 31, 2006.*** On January 25, 2007, we announced our fourth quarter and year-end 2006 results. Revenue for the fourth quarter ended December 31, 2006 was \$74.5 million, up 14% from the prior quarter's revenue of \$65.3 million and up 154% from fourth quarter 2005 revenue of \$29.3 million. Net income for the quarter was \$11.3 million, or \$0.15 diluted earnings per share, compared to last quarter's net income of \$9.6 million, or \$0.13 diluted earnings per share, and the fourth quarter 2005 net loss of \$0.6 million. Our annual revenue for 2006 was \$236.5 million, an increase of over 200% from our 2005 annual revenue of \$78.7 million. Net income for 2006 was \$26.5 million, compared to a 2005 net loss of \$15.8 million.

All financial data for the three months ended December 31, 2006 and the year ended December 31, 2006 set forth above are preliminary and unaudited and subject to revision based upon our review and an audit by our independent registered public accounting firm of our financial condition and results of operations for the fiscal year ended December 31, 2006.

**Description of Concurrent Offering**

Concurrently with this offering of debentures, we are offering 2,947,132 shares of our class A common stock by means of a separate prospectus supplement. The class A common stock offering is contingent on the completion of this offering. We expect that delivery of our class A common stock will be made concurrently with the closing of this offering. The shares of class A common stock to be sold in that offering will be lent by us to an affiliate of Lehman Brothers Inc. pursuant to a share lending agreement among us, Lehman Brothers Inc. and such affiliate. Under that agreement, the affiliate of Lehman Brothers Inc. has agreed to use such offered shares to facilitate the establishment of hedge positions by investors in the debentures offered hereby, and will be entitled to sell such shares pursuant to our registration statement. This affiliate of Lehman Brothers Inc. will receive all of the proceeds from the common stock offering and we will not receive any of those proceeds, but we will receive a nominal lending fee from that affiliate. See Description of Share Lending

## **Table of Contents**

Agreement. Because the shares lent pursuant to that agreement must be returned to us prior to February 15, 2027, we believe that under U.S. GAAP the borrowed shares will not be considered outstanding for the purpose of computing and reporting our earnings per share.

### **Our Relationship with Cypress Semiconductor Corporation**

As of January 23, 2007, Cypress owned all 52,033,287 shares of our outstanding class B common stock, which, after giving effect to the issuance of 4,106,884 shares of class A common stock at the closing of the Merger, represented approximately 70.5% of the total outstanding shares of our common stock, or approximately 64.5% of such shares on a fully diluted basis after taking into account outstanding options, and 95.0% of the total voting power of our outstanding capital stock. Our class B common stock has eight votes per share while our class A common stock has one vote per share. After giving effect to this offering and our concurrent offering of shares of class A common stock, Cypress will continue to hold a majority of the total number of shares and voting power of our outstanding capital stock. Cypress may convert its shares of class B common stock into shares of class A common stock on a one-for-one basis at any time. Cypress is not obligated to distribute to its stockholders or otherwise dispose of the shares of our class B common stock that it beneficially owns, although it might elect to do so in the future. Cypress announced on October 6, 2006 and reiterated on October 19, 2006 that it was exploring ways in which to allow its stockholders to fully realize the value of its investment in SunPower. Cypress has made public statements since October 19, 2006 that were consistent with these announcements. Cypress has agreed not to sell or distribute any of its shares of our common stock without the prior consent of Lehman Brothers Inc. and Credit Suisse Securities (USA) LLC until 60 days after the date of this prospectus supplement.

Cypress delivers high-performance, mixed-signal, programmable solutions that provide customers with rapid time-to-market and exceptional system value. Cypress offerings include the PSoC Programmable System-on-Chip, USB controllers, general-purpose programmable clocks and memories. Cypress also offers wired and wireless connectivity solutions ranging from its WirelessUSB radio system-on-chip, to West Bridge and EZ-USB FX2LP controllers that enhance connectivity and performance in multimedia handsets. Cypress serves numerous markets including consumer, computation, data communications, automotive, industrial and solar power. Cypress trades on the NYSE under the ticker symbol **CY**.

### **Corporate Information**

Our headquarters are located at 3939 North First Street, San Jose, California 95134, and our telephone number is (408) 240-5500. Our website is [www.sunpowercorp.com](http://www.sunpowercorp.com). The information on our website is expressly not incorporated by reference into, and does not constitute a part of, this prospectus supplement. SunPower and PowerLight are our registered trademarks and the SunPower and PowerLight logos are our trademarks. This prospectus supplement also includes trade names, trademarks and service marks of other companies and organizations.

**Table of Contents**

**The Offering**

*The following summary contains basic information about the debentures and is not intended to be complete. It does not contain all of the information that may be important to you. For a more complete understanding of all of the terms and provisions of the debentures, please refer to the section of this prospectus supplement entitled *Description of the Debentures*.*

<b>Issuer</b>	SunPower Corporation.
<b>Securities Offered</b>	\$175.0 million aggregate principal amount of 1.25% Senior Convertible Debentures due 2027, which we refer to as the debentures. We have also granted the underwriters a 30-day option to purchase up to an additional \$25.0 million aggregate principal amount of debentures.
<b>Offering Price</b>	Each debenture will be issued at a price of 100% of its principal amount plus accrued interest, if any, from February 7, 2007.
<b>Maturity</b>	February 15, 2027, unless earlier converted, redeemed or repurchased.
<b>Interest Rate</b>	1.25% per year. Interest will be payable in cash on February 15 and August 15 of each year, beginning August 15, 2007.
<b>Ranking</b>	<p>The debentures will be our senior unsecured obligations and will rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The debentures will be effectively subordinated to our secured indebtedness to the extent of the value of the related collateral and structurally subordinated to indebtedness and other liabilities of our subsidiaries.</p> <p>As of September 30, 2006, on a pro forma basis giving effect to the Merger, we and our subsidiaries had approximately \$7.1 million of senior indebtedness outstanding, all of which was secured indebtedness, and approximately \$228.8 million of other liabilities outstanding.</p>
<b>Conversion Rights</b>	<p>You may convert your debentures into cash and, if applicable, shares of our class A common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date only under the following circumstances:</p> <p>prior to February 15, 2025, on any date during any fiscal quarter beginning after March 31, 2007 (and only during such fiscal quarter) if the closing sale price of our class A common stock was more than 125% of the then current conversion price for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of the previous fiscal quarter;</p> <p>at any time on or after February 15, 2025;</p>



**Table of Contents**

with respect to any debentures called for redemption, until the close of business on the business day prior to the redemption date;

during a specified period if we distribute to all or substantially all holders of our class A common stock, rights or warrants entitling them to purchase, for a period of 45 calendar days or less, shares of our class A common stock at a price less than the average closing sale price for the ten trading days preceding the declaration date for such distribution;

during a specified period if we distribute to all or substantially all holders of our class A common stock, cash or other assets, debt securities or rights to purchase our securities, which distribution has a per share value exceeding 10% of the closing sale price of our class A common stock on the trading day preceding the declaration date for such distribution;

during a specified period if a fundamental change occurs; or

during the five consecutive business-day period following any five consecutive trading-day period in which the trading price for the debentures for each day during such five trading-day period was less than 98% of the closing sale price of our class A common stock period multiplied by the then current conversion rate.

The debentures will be convertible into cash and, if applicable, shares of our class A common stock at an initial conversion rate of 17.6211 shares of common stock per \$1,000 principal amount of the debentures (equivalent to an initial conversion price of approximately \$56.75 per share). The conversion rate, and thus the conversion price, may be adjusted under certain circumstances as described under [Description of the Debentures Conversion Rights Conversion Rate Adjustments](#).

Upon conversion, we will satisfy our conversion obligation with respect to the principal amount of the debentures to be converted in cash, with any remaining amount to be satisfied in shares of our class A common stock, based on a daily conversion value (as described herein), calculated as described under [Description of the Debentures Conversion Rights Settlement Upon Conversion](#).

Upon any conversion, subject to certain exceptions, you will not receive any cash payment representing accrued and unpaid interest on the debentures being converted. See [Description of the Debentures Conversion Rights](#).

**Adjustment to Conversion Rate upon a Non-Stock Change of Control**

Prior to February 15, 2012, if and only to the extent holders elect to convert the debentures in connection with a fundamental change described under the first, fourth or sixth clause of the definition of that term in [Description of the Debentures Repurchase at Option of](#)

**Table of Contents**

the Holder Fundamental Change Put pursuant to which 10% or more of the consideration for our class A common stock (other than cash payments for fractional shares and cash payments made in respect of dissenters appraisal rights) consists of cash or securities (or other property) that are not common equity interests or depository receipts traded or scheduled to be traded immediately following such transaction on a U.S. national securities exchange, which we refer to as a non-stock change of control, we will increase the conversion rate by a number of additional shares. The number of additional shares will be determined by reference to the table in Description of the Debentures Conversion Rights Adjustment to Conversion Rate Upon a Non-Stock Change of Control, based on the effective date and the price paid per share of our class A common stock in such non-stock change of control.

If holders of our class A common stock receive only cash in the type of transaction described above, the price paid per share will be the cash amount paid per share. Otherwise, the price paid per share will be the average of the last reported sale price of our class A common stock on the five trading days prior to, but not including, the effective date of such non-stock change of control.

**Optional Redemption by SunPower**

At any time on or after February 15, 2012, we may redeem all or a part of the debentures for cash at a redemption price equal to 100% of the principal amount of the debentures being redeemed, plus accrued and unpaid interest to, but not including, the redemption date.

**Optional Repurchase Right of Holders**

You may require us to repurchase all or a portion of your debentures on February 15, 2012, February 15, 2017 and February 15, 2022 at a cash repurchase price equal to 100% of the principal amount of the debentures, plus accrued and unpaid interest to, but not including, the repurchase date.

**Fundamental Change Repurchase Right of Holders**

If we undergo a fundamental change (as defined in this prospectus supplement) prior to maturity, you will have the right, at your option, to require us to repurchase for cash some or all of your debentures at a repurchase price equal to 100% of the principal amount of the debentures being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date. See Description of the Debentures Repurchase at Option of the Holder Fundamental Change Put.

**Events of Default**

If an event of default on the debentures occurs, the principal amount of the debentures, plus accrued and unpaid interest, may be declared immediately due and payable, subject to certain conditions set forth in the indenture. These amounts automatically become due and payable in the case of certain types of bankruptcy or insolvency events of default involving SunPower or certain of its subsidiaries.

**Table of Contents**

<b>Absence of a Public Market for the Debentures</b>	The debentures will be a new issue of securities. We cannot assure you that any active or liquid market will develop for the debentures.
<b>Trading</b>	We do not intend to apply for listing of the debentures on any securities exchange or for inclusion of the debentures on any automated quotation system.
<b>Nasdaq Symbol for Our Class A Common Stock</b>	Our common stock is listed on The Nasdaq Global Market under the symbol SPWR.
<b>Use of Proceeds</b>	We intend to use the net proceeds of this offering for general corporate purposes, including working capital and capital expenditures.
<b>Concurrent Transaction</b>	Concurrently with this offering of debentures, we are offering 2,947,132 shares of our class A common stock by means of a separate prospectus supplement. We expect that delivery of our class A common stock will be made concurrently with the closing of this offering. The shares of class A common stock to be sold in that offering will be lent by us to an affiliate of Lehman Brothers Inc. pursuant to a share lending agreement among us, Lehman Brothers Inc. and such affiliate. Under that agreement, the affiliate of Lehman Brothers Inc. has agreed to use such offered shares to facilitate the establishment of hedge positions by investors in the debentures offered hereby, and will be entitled to sell such shares pursuant to our registration statement. This affiliate of Lehman Brothers Inc. will receive all of the proceeds from the common stock offering, and we will not receive any of those proceeds from that offering, but we will receive a nominal lending fee from that affiliate. See Description of Share Lending Agreement. Because the shares lent pursuant to that agreement must be returned to us prior to February 15, 2027, we believe that under U.S. GAAP, the borrowed shares will not be considered outstanding for the purpose of computing and reporting our earnings per share.
<b>U. S. Federal Income Tax Considerations</b>	Holder are urged consult their own tax advisors. See Material United States Federal Income Tax Considerations.

**Table of Contents****Summary Historical Consolidated Financial Data**

SunPower has derived the following summary historical consolidated financial data from its audited consolidated financial statements for the year ended December 31, 2003, the period from January 1, 2004 to November 8, 2004, the period from November 9, 2004 to December 31, 2004, for the year ended December 31, 2005 and from its unaudited condensed consolidated financial statements as of September 30, 2006 and for each of the nine-month periods ended September 30, 2005 and September 30, 2006. For the period from November 9, 2004 through December 31, 2004, SunPower was a wholly owned subsidiary of Cypress. The financial data in this prospectus supplement refer to the Predecessor Company for periods prior to the time we were a wholly-owned subsidiary of Cypress, and refer to the Successor Company for all periods subsequent to such time. A black line has been drawn between these periods in the financial data herein to distinguish between these two periods. The following information is only a summary and should be read in conjunction with SunPower's consolidated financial statements, the accompanying notes and management's discussion and analysis of financial condition and results of operations incorporated herein by reference. SunPower's fiscal year consists of 52 or 53 weeks ending the Sunday closest to December 31, with quarters of 13 or 14 weeks ending the Sunday closest to March 31, June 30, September 30 and December 31 of each year. For presentation purposes only, the financial data herein refer to the calendar year end and month end of each respective period. Figures in the table below are in thousands, except share and per share data.

	Predecessor Company			Successor Company		
	Year Ended Dec. 31, 2003	Jan. 1 through Nov. 8, 2004	Nov. 9 through Dec. 31, 2004	Year Ended Dec. 31, 2005	Nine Months Ended Sept. 30, 2005                      2006	
<b>Consolidated Statements of Operations Data:</b>						
Revenue	\$ 5,005	\$ 6,830	\$ 4,055	\$ 78,736	\$ 49,395	\$ 162,001
Costs and expenses:						
Cost of revenue	4,987	9,498	6,079	74,353	49,631	129,678
Research and development	9,816	12,118	1,417	6,488	4,508	7,120
Sales, general and administrative	3,238	4,713	1,111	10,880	6,880	15,572
Total costs and expenses	18,041	26,329	8,607	91,721	61,019	152,370
Operating (loss)/income	(13,036)	(19,499)	(4,552)	(12,985)	(11,624)	9,631
Interest income (expense)	(1,509)	(3,759)	(1,072)	(3,185)	(3,381)	5,843
Other income (expense), net		(44)	15	377	(198)	1,008
Income (loss) before income tax provision	(14,545)	(23,202)	(5,609)	(15,793)	(15,203)	16,482
Income tax provision				50		1,275
Net income (loss)	\$ (14,545)	\$ (23,202)	\$ (5,609)	\$ (15,843)	\$ (15,203)	\$ 15,207
Net income (loss) per share(1):						
Basic	\$ (3.50)	\$ (5.51)	\$ (2,804.50)	\$ (0.68)	\$ (0.93)	\$ 0.24
Diluted	\$ (3.50)	\$ (5.51)	\$ (2,804.50)	\$ (0.68)	\$ (0.93)	\$ 0.22
Weighted-average shares(1):						
Basic	4,156	4,230	2	23,306	16,267	64,704
Diluted	4,156	4,230	2	23,306	16,267	70,080

- (1) For all periods where SunPower reported a net loss, the basic and diluted net loss per share computation excludes potential shares of common stock issuable upon conversion of convertible preferred stock and the exercise of options or warrants to purchase common stock as their effect would be antidilutive. See

**Table of Contents**

note 1 to SunPower's audited consolidated financial statements for the year ended December 31, 2003, the period from January 1, 2004 to November 8, 2004, the period from November 9, 2004 to December 31, 2004 and for the year ended December 31, 2005, and SunPower's unaudited condensed consolidated financial statements for the nine months ended September 30, 2005 and 2006 for a detailed explanation of the determination of the shares used in computing basic and diluted net loss per share. For the period from November 9, 2004 through December 31, 2004, SunPower was a wholly owned subsidiary of Cypress. As a result, the weighted average shares and the net loss per share for this period are not comparable to other periods.

	As of Dec. 31,		As of
	2004	2005	Sept. 30,
	(in thousands)		
<b>Consolidated Balance Sheet Data:</b>			
Cash, cash equivalents and short term investments	\$ 3,776	\$ 143,592	\$ 273,632
Working capital (deficiency)	(54,314)	155,243	311,491
Total assets	89,646	317,754	564,370
Deferred tax liabilities		336	1,140
Notes payable to Cypress, net of current portion	21,673		
Customer advances, net of current portion		28,438	28,854
Convertible preferred stock	8,552		
Total stockholders' equity (deficit)	(10,664)	258,650	476,627

**Table of Contents****Summary Unaudited Pro Forma Condensed Combined Financial Information**

SunPower completed the Merger on January 10, 2007. The following summary unaudited pro forma condensed combined financial information for the year ended December 31, 2005 and for the nine months ended September 30, 2006 give effect to the Merger as if it had occurred on January 1, 2005, the beginning of SunPower's fiscal year ended December 31, 2005. The summary unaudited pro forma condensed combined financial information as of September 30, 2006 gives effect to the Merger as if it had occurred on September 30, 2006. The summary unaudited pro forma condensed combined financial information is presented for illustrative purposes only.

The pro forma adjustments are based on the estimates and assumptions which are preliminary and have been made solely for purposes of developing such pro forma information. They do not include liabilities that may result from integration activities which are not presently estimable. The preliminary allocation of the purchase price used in the summary unaudited pro forma condensed combined financial information is based on preliminary estimates and currently available information. These assumptions and estimates will be revised as additional information becomes available upon the finalization of the valuation of PowerLight's assets and liabilities. The final determination of the allocation of the purchase price will be based on the actual intangible assets, net tangible assets and in-process research and development of PowerLight existing as of the date of the Merger. Management is in the process of making these assessments, and estimates of these costs are not currently known. However, liabilities ultimately may be recorded for severance costs, costs of vacating some facilities or other costs associated with exiting activities of PowerLight that would affect the pro forma financial statements. In addition, the summary pro forma condensed combined financial information does not include any potential operating efficiencies or cost savings from expected synergies of combining the companies. The summary unaudited pro forma condensed combined financial information does not necessarily provide an indication of the results that would have been achieved had the Merger been consummated as of the dates indicated or that may be achieved in the future. The pro forma adjustments are described in the notes to the unaudited pro forma condensed combined financial statements found elsewhere in this prospectus supplement.

The summary unaudited pro forma condensed combined financial information (i) has been derived from and should be read in conjunction with the unaudited pro forma condensed combined financial statements and the accompanying notes included elsewhere in this prospectus supplement, and (ii) should be read in conjunction with the consolidated financial statements of each of SunPower and PowerLight and the other information incorporated by reference in this prospectus supplement.

	Nine Months Ended Sept. 30, 2006	Year Ended Dec. 31, 2005
	(In thousands, except per share data)	
<b>Unaudited Pro Forma Condensed Combined Statement of Operations:</b>		
Revenue	\$ 278,092	\$ 184,192
Gross margin	33,664	(10,065)
Operating loss	(32,348)	(80,716)
Net loss	(35,617)	(83,616)
Net loss per share:		
Basic and diluted	\$ (0.53)	\$ (3.18)
Weighted average shares:		
Basic and diluted	67,665	26,267

	As of Sept. 30, 2006
<b>Unaudited Pro Forma Condensed Combined Balance Sheet:</b>	
Cash, cash equivalents and short term investments	\$ 173,550
Working capital	201,205
Total assets	840,597
Long-term liabilities	69,451
Total stockholders' equity	604,726

---

**Table of Contents**

**RISK FACTORS**

*Investing in the debentures involves risks. In addition, as a result of the conditional conversion feature of the debentures, a holder will also be exposed to the risks of owning SunPower's class A common stock, and the value of debentures may fluctuate with the value of our class A common stock. You should carefully consider the risks described below relating to an investment in debentures and our class A common stock, as well as the risks relating to SunPower's business described under Risk Factors in the accompanying prospectus, and the other information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus before making an investment decision. The risks and uncertainties described below, in the accompanying prospectus and in our other filings with the SEC incorporated by reference herein are not the only ones facing SunPower. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also adversely affect us. If any of the following risks occur, our business, financial condition or results of operations could be materially harmed. In such case, the value of the debentures could decline and you may lose all or part of your investment.*

**Risks Relating to the Debentures and the Class A Common Stock**

*The debentures will be effectively subordinated to any existing and future secured indebtedness and structurally subordinated to existing and future liabilities and other indebtedness of our subsidiaries.*

The debentures will be our general, unsecured obligations and will rank equally in right of payment with all of our existing and future unsubordinated, unsecured indebtedness. As a result, the debentures are effectively subordinated to existing and future secured indebtedness we may have to the extent of the value of the assets securing such indebtedness and structurally subordinated to any existing and future liabilities and other indebtedness of our subsidiaries. These liabilities may include indebtedness, trade payables, guarantees, lease obligations and letter of credit obligations. The debentures do not restrict us or our subsidiaries from incurring indebtedness, including senior secured indebtedness in the future, nor do they limit the amount of indebtedness we can issue that is equal in right of payment.

*The terms of the debentures will not contain restrictive covenants and will provide only limited protection in the event of a change of control.*

The indenture under which the debentures will be issued will not contain restrictive covenants that would protect you from several kinds of transactions that may adversely affect you. In particular, the indenture will not contain covenants that will limit our ability to pay dividends or make distributions on or redeem our capital stock or limit our ability to incur additional indebtedness and, therefore, may not protect you in the event of a highly leveraged transaction or other similar transaction. The requirement that we offer to repurchase the debentures upon a change of control is limited to the transactions specified in the definition of a fundamental change under Description of the Debentures Repurchase at the Option of the Holder Fundamental Change Put. Similarly, the circumstances under which we are required to adjust the conversion rate upon the occurrence of a non-stock change of control are limited to circumstances where a debenture is converted in connection with such a transaction as set forth under Description of the Debentures Conversion Rights Adjustment to Conversion Rate Upon a Non-Stock Change of Control.

Accordingly, subject to restrictions contained in our other debt agreements, we could enter into certain transactions, such as acquisitions, refinancings or recapitalizations, that could affect our capital structure and the value of the debentures and our class A common stock but would not constitute a fundamental change under the debentures.

*We may be unable to repurchase the debentures for cash when required by the holders, including following a fundamental change.*

Holders of the debentures have the right to require us to repurchase the debentures on specified dates or upon the occurrence of a fundamental change prior to maturity as described under Description of the

## **Table of Contents**

**Debentures Repurchase at the Option of the Holder Optional Put and Fundamental Change Put.** Any of our future debt agreements may contain a similar provision. We may not have sufficient funds to make the required repurchase in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, our ability to repurchase the debentures in cash may be limited by law or the terms of other agreements relating to our debt outstanding at the time, including our three-year \$25.0 million revolving credit facility and PowerLight's \$10.0 million revolving credit facility, referred to as our credit facilities, which will limit our ability to purchase the debentures for cash in certain circumstances. If we fail to repurchase the debentures in cash as required by the indenture governing the debentures, it would constitute an event of default under the indenture, which, in turn, would constitute an event of default under our revolving credit facilities.

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

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

***Provisions of the debentures could discourage an acquisition of us by a third party.***

Certain provisions of the debentures could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the debentures will have the right, at their option, to require us to repurchase, at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest on the debentures, all of their debentures or any portion of the principal amount of such debentures in integral multiples of \$1,000. We may also be required to issue additional shares of our class A common stock upon conversion of the debentures in the event of certain fundamental changes.

***The adjustment to the conversion rate upon the occurrence of certain types of fundamental changes may not adequately compensate you for the lost option time value of your debentures as a result of such fundamental change.***

If certain types of fundamental changes occur on or prior to February 15, 2012, we may adjust the conversion rate of the debentures to increase the number of shares issuable upon conversion. The number of additional shares to be added to the conversion rate will be determined based on the date on which the fundamental change becomes effective and the price paid per share of our class A common stock in the fundamental change as described under **Description of the Debentures Conversion Rights Adjustment to Conversion Price Upon Certain Fundamental Changes.** Although this adjustment is designed to compensate you for the lost option value of your debentures as a result of certain types of fundamental changes, the adjustment is only an approximation of such lost value based upon assumptions made on the date of this prospectus supplement and may not adequately compensate you for such loss. In addition, if the price paid per share of our class A common stock in the fundamental change is less than \$44.51 or more than \$135.00 (subject to adjustment), or if such transaction occurs on or after February 15, 2012, there will be no such adjustment. Moreover, in no event will the total number of shares issuable upon conversion as a result of this adjustment exceed 22.4668 per \$1,000 principal amount of the debentures, subject to adjustment in the same manner as the conversion rate set forth under **Description of the Debentures Conversion Rights Conversion Rate Adjustments.**

## **Table of Contents**

*There is currently no public market for the debentures, and an active trading market may not develop for the debentures. The failure of a market to develop for the debentures could adversely affect the liquidity and value of your debentures.*

The debentures are a new issue of securities, and there is no existing market for the debentures. We do not intend to apply for listing of the debentures on any securities exchange or for quotation of the debentures on any automated dealer quotation system. Although we have been advised by the underwriters that the underwriters intend to make a market in the debentures, none of the underwriters is obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market, if any, for the debentures.

A market may not develop for the debentures, and there can be no assurance as to the liquidity of any market that may develop for the debentures. If an active, liquid market does not develop for the debentures, the market price and liquidity of the debentures may be adversely affected. If any of the debentures are traded after their initial issuance, they may trade at a discount from their initial offering price.

The liquidity of the trading market, if any, and future trading prices of the debentures will depend on many factors, including, among other things, the market price of our class A common stock, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the debentures will be subject to disruptions which may have a negative effect on the holders of the debentures, regardless of our operating results, financial performance or prospects.

*Our debt agreements contain covenant restrictions that may limit our ability to operate our business.*

The agreements governing our credit facilities contain, and any of our other future debt agreements may contain, covenant restrictions that limit our ability to operate our business, including restrictions on our ability to:

incur additional debt or issue guarantees;

create liens;

make certain investments;

enter into transactions with our affiliates;

sell certain assets;

redeem capital stock or make other restricted payments;

declare or pay dividends or make other distributions to stockholders; and

merge or consolidate with any person.

In addition, our credit facilities contain additional affirmative and negative covenants that are more restrictive than those contained in the indenture governing the debentures. Our ability to comply with these covenants is dependent on our future performance, which will be subject to many factors, some of which are beyond our control, including prevailing economic conditions.

## Edgar Filing: SUNPOWER CORP - Form 424B5

As a result of these covenants, our ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be significantly restricted, and we may be prevented from engaging in transactions that might otherwise be beneficial to us. In addition, our failure to comply with these covenants could result in a default under the debentures and our other debt, which could permit the holders to accelerate such debt. If any of our debt is accelerated, we may not have sufficient funds available to repay such debt.

S-16

---

**Table of Contents**

***The effect of the issuance of our shares of class A common stock pursuant to the share lending agreement, including sales of our class A common stock in short sale transactions by purchasers of the debentures, may lower the market price of our class A common stock.***

Concurrently with this offering of debentures, we are offering 2,947,132 shares of our class A common stock, all of which are being borrowed by an affiliate of Lehman Brothers Inc., under a share lending agreement we have entered into with such affiliate and Lehman Brothers Inc. We will not receive any proceeds from that offering of class A common stock, but we will receive a nominal lending fee from that affiliate.

Such loaned shares must be returned to us by February 15, 2027, or earlier in certain circumstances. See Description of Share Lending Agreement. Such affiliate of Lehman Brothers Inc. has agreed to use such sales to facilitate the establishment by the debenture investors of hedged positions in the offering of our debentures. The market price of our class A common stock could be negatively affected by these or other short sales of our class A common stock by the purchasers of the debentures to hedge investments in the debentures. In addition, the effect of the increase in the number of outstanding shares of our class A common stock issued pursuant to the share lending agreement could have a negative effect on the market price of our class A common stock.

***Upon conversion of the debentures, we will pay cash in lieu of issuing shares of our class A common stock with respect to an amount up to the principal amount of debentures converted and shares of our class A common stock with respect to the conversion value in excess thereof. Therefore, holders of the debentures may receive no shares of our class A common stock or fewer shares than the number into which their debentures are convertible.***

Upon conversion of the debentures, we will pay cash in lieu of issuing shares of our common stock with respect to an amount up to the principal amount of debentures converted and shares of our class A common stock with respect to the conversion value in excess thereof, based on a daily conversion value (as defined herein) calculated based on a proportionate basis for each day of the 20 trading day conversion period. See Description of the Debentures Conversion Rights Conversion Procedures Settlement Upon Conversion. Accordingly, upon conversion of debentures, holders may not receive any shares of our class A common stock. In addition, because of the 20 trading day calculation period, in certain cases, settlement will be delayed until at least the 26th trading day following the related conversion date. See Description of Debentures Conversion Rights Conversion Procedures Settlement Upon Conversion. Moreover, upon conversion of the debentures, you may receive fewer proceeds than expected because the price of our class A common stock may decrease (or not appreciate as much as you may expect) between the conversion date and the day the settlement amount of your debentures is determined. Further, our liquidity may be reduced upon conversion of the debentures. In addition, in the event of our bankruptcy, insolvency or certain similar proceedings during the conversion period (as defined under Description of the Debentures Conversion Rights Conversion Procedures Settlement Upon Conversion ), there is a risk that a bankruptcy court may decide a holder's claim to receive such cash and/or shares could be subordinated to the claims of our creditors as a result of such holder's claim being treated as an equity claim in bankruptcy.

***The conditional conversion feature of the debentures could result in your receiving less than the value of the class A common stock into which a debenture is convertible.***

The debentures are convertible into cash and, if applicable, shares of our class A common stock only if specified conditions are met. If these conditions are not met, you will not be able to convert your debentures, and you may not be able to receive the value of the class A common stock into which the debentures would otherwise be convertible.

***The conversion rate of the debentures may not be adjusted for all dilutive events that may adversely affect the trading price of the debentures or the class A common stock issuable upon conversion of the debentures.***

The conversion rate of the debentures is subject to adjustment upon certain events, including the issuance of stock dividends on our class A common stock, the issuance of rights or warrants, subdivisions, combinations,

## **Table of Contents**

distributions of capital stock, indebtedness or assets, cash dividends and issuer tender or exchange offers as described under Description of the Debentures Conversion Rights Conversion Rate Adjustments. The conversion rate will not be adjusted for certain other events, including, for example, in issuance of stock for cash that may adversely affect the trading price of the debentures or the class A common stock issuable upon conversion of the debentures.

***If you hold debentures, you will not be entitled to any rights with respect to our class A common stock, but you will be subject to all changes made with respect to our class A common stock.***

If you hold debentures, you will not be entitled to any rights with respect to our class A common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our class A common stock), but you will be subject to all changes affecting our class A common stock. You will have rights with respect to our class A common stock only if you convert your debentures, which you are permitted to do only in limited circumstances described herein. For example, in the event that an amendment is proposed to our articles of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of our class A common stock to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or rights of our class A common stock.

***Conversion of the debentures will dilute the ownership interest of existing stockholders, including holders who had previously converted their debentures.***

To the extent we issue class A common stock upon conversion of the debentures, the conversion of some or all of the debentures will dilute the ownership interests of existing stockholders, including holders who had previously converted their debentures. Any sales in the public market of the class A common stock issuable upon such conversion could adversely affect prevailing market prices of our class A common stock. In addition, the existence of the debentures may encourage short selling by market participants because the conversion of the debentures could depress the price of our class A common stock.

***The debentures may not be rated or may receive a lower rating than anticipated.***

We do not intend to seek a rating on the debentures. However, if one or more rating agencies rates the debentures and assigns the debentures a rating lower than the rating expected by investors, or reduces its rating in the future, the market price of the debentures and our class A common stock could be reduced.

***The price of our class A common stock, and therefore of the debentures may fluctuate significantly, and a liquid trading market for our class A common stock may not be sustained.***

Our class A common stock has a limited trading history in the public markets. The trading price of our class A common stock could be subject to wide fluctuations due to the factors discussed in this risk factors section and in the risk factors incorporated by reference. In addition, the stock market in general, and The Nasdaq Global Market and the securities of technology companies in particular, have experienced extreme price and volume fluctuations. These trading prices and valuations, including our own market valuation and those of companies in our industry generally, may not be sustainable. These broad market and industry factors may decrease the market price of our class A common stock, regardless of our actual operating performance. Moreover, because the debentures are convertible into our class A common stock, volatility or depressed prices of our class A common stock could have a similar effect on the trading price of the debentures. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

---

**Table of Contents**

***Substantial future sales or other dispositions of our class A common stock or other securities could cause our stock price to fall.***

Sales of our class A common stock in the public market or sales of any of our other securities, or the perception that such sales could occur, could cause the market price of our class A common stock to decline. As of January 23, 2007, SunPower had 21,797,457 shares of class A common stock outstanding, and Cypress owned the 52,033,287 outstanding shares of SunPower's class B common stock, representing approximately 70.5% of the total outstanding shares of SunPower's common stock. Cypress may convert these shares into class A common stock at any time. Cypress has no contractual obligation to retain its shares of class A common stock, except that Cypress has agreed not to sell or distribute any of its shares of our common stock without the consent of Lehman Brothers Inc. and Credit Suisse Securities (USA) LLC until 60 days after the date of this prospectus supplement. Subject to applicable United States federal and state securities laws, Cypress may sell or distribute to its stockholders any or all of the shares of our common stock that it owns, which may or may not include the sale of a controlling interest in us. Cypress announced on October 6, 2006 and reiterated on October 19, 2006 that it was exploring ways in which to allow its stockholders to fully realize the value of its investment in SunPower. Cypress has made public statements since October 19, 2006 that were consistent with these announcements.

We filed a registration statement on Form S-8 under the Securities Act covering 6,332,549 shares of SunPower class A common stock issuable under outstanding options under SunPower's 1988 Incentive Stock Plan, under SunPower's 1996 Stock Plan and under non-plan options granted to employees and consultants and 356,839 shares reserved for future issuance as of September 30, 2006 under SunPower's 2005 Stock Incentive Plan. We have also registered for resale up to 4,106,884 shares of class A common stock for resale by holders of former PowerLight shares. These shares are available for sale in the open market, although sales of shares held by PowerLight shareholders who are now affiliates of SunPower will be subject to sales restrictions under the Securities Act. In addition, we recently filed a registration statement on Form S-8 under the Securities Act covering 1,602,027 shares of class A common stock issuable pursuant to options, some of which are subject to vesting, assumed pursuant to the Merger.

If Cypress elects to convert its shares of class B common stock into shares of class A common stock, an additional 52,033,287 shares of class A common stock will be available for sale, subject to customary sales restrictions. In addition, except for a limited time in connection with the Merger, Cypress has the right to cause us to register the sale of its shares of class A common stock under the Securities Act. Registration of these shares under the Securities Act would result in these shares, other than shares purchased by our affiliates, becoming freely tradable without restriction under the Securities Act.

If Cypress distributes to its stockholders shares of class A common stock that it owns, substantially all of these shares would be eligible for immediate resale in the public market. We are unable to predict whether significant amounts of class A common stock would be sold in the open market in anticipation of, or after, any such distribution. We also are unable to predict whether a sufficient number of buyers for shares of our class A common stock would be in the market at that time.

***If securities or industry analysts do not publish research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.***

The trading market for our class A common stock is influenced by the research and reports that industry or securities analysts publish about us, our business or our market. We have only been a public company since our initial public offering in November 2005, and accordingly our stock is covered by fewer securities analysts than that of more mature public companies. If one or more of the analysts who cover us change their recommendation regarding our stock adversely, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

## **Table of Contents**

*The difference in the voting rights of our class A and our class B common stock may reduce the value and liquidity of our class A common stock.*

The rights of class A and class B common stock are substantially similar, except with respect to voting, conversion and other protective provisions. The class B common stock is entitled to eight votes per share and the

class A common stock is entitled to one vote per share. The difference in the voting rights of our class A and class B common stock both before and after any distribution of our class B common stock by Cypress to its stockholders could reduce the value of the class A common stock to the extent that any investor or potential future purchaser of our common stock ascribes value to the right of class B common stock to eight votes per share. The existence of two classes of common stock could result in less liquidity for either class of common stock than if there were only one class of our common stock.

*Delaware law and our corporate charter and bylaws contain anti-takeover provisions that could delay or discourage takeover attempts that stockholders may consider favorable.*

Provisions in our restated certificate of incorporation may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

the right of the board of directors to elect a director to fill a vacancy created by the expansion of the board of directors;

the prohibition of cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;

the requirement for advance notice for nominations for election to the board of directors or for proposing matters that can be acted upon at a stockholders meeting;

the ability of the board of directors to issue, without stockholder approval, up to 10,042,490 shares of preferred stock with terms set by the board of directors, which rights could be senior to those of common stock; and

in the event that Cypress, its successors in interest and its subsidiaries no longer collectively own shares of our common stock equal to at least 40% of the shares of all classes of our common stock then outstanding and Cypress is no longer consolidating us for accounting purposes:

our board of directors will be divided into three classes of directors, with the classes to be as nearly equal in number as possible;

no action can be taken by stockholders except at an annual or special meeting of the stockholders called in accordance with our bylaws, and stockholders may not act by written consent;

stockholders may not call special meetings of the stockholders; and

our board of directors will be able to alter our bylaws without obtaining stockholder approval.

Until such time as Cypress, its successor in interest and its subsidiaries collectively own less than 40% of the shares of all classes of our common stock then outstanding and Cypress is no longer consolidating us for accounting purposes, the affirmative vote of at least 75% of the

## Edgar Filing: SUNPOWER CORP - Form 424B5

then-authorized number of members of our board of directors will be required to: (1) adopt, amend or repeal our bylaws or certificate of incorporation; (2) appoint or remove our chief executive officer; (3) designate, appoint or allow for the nomination or recommendation for election by our stockholders of an individual to our board of directors; (4) change the size of our board of directors to be other than five members; (5) form a committee of our board of directors or establish or change a charter, committee responsibilities or committee membership of any committee of our board of directors; (6) adopt any stockholder rights plan, poison pill or other similar arrangement; or (7) approve any transactions that would involve a merger, consolidation, restructuring, sale of substantially all of our assets or any of our subsidiaries or otherwise result in any person or entity obtaining control of us or any of our subsidiaries. Cypress may at any time in its sole discretion waive this requirement to obtain such a supermajority vote of our board of directors.

S-20

## **Table of Contents**

In addition, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, or the DGCL. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us. These provisions in our restated certificate of incorporation, bylaws and under Delaware law could discourage potential takeover attempts and could reduce the price that investors might be willing to pay for shares of our common stock in the future and result in the market price being lower than they would without these provisions.

### ***Our management has broad discretion over the use of proceeds from this offering.***

Our management has significant flexibility in applying the proceeds that we receive from this offering. Because the proceeds are not required to be allocated to any specific investment or transaction, you cannot determine the value or propriety of our management's application of the proceeds on our behalf. In addition, the proceeds of this offering may not generate a favorable return for us.

### ***As a result of this offering, we will have a significant amount of debt. Our substantial indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the debentures and our other debt.***

As a result of this offering, we will have a significant amount of debt and substantial debt service requirements. As of September 30, 2006, as adjusted for the completion of the Merger, this offering and the application of the net proceeds therefrom, we would have had approximately \$182.2 million of outstanding debt for borrowed money, or \$207.2 million if the underwriters' option to purchase additional debentures is exercised in full.

This level of debt could have significant consequences on our future operations, including:

making it more difficult for us to meet our payment and other obligations under the debentures and our other outstanding debt;

resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable;

reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;

subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our amended senior credit facility;

limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and

placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the debentures and our other debt.

Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing or any amended credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under the debentures and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the debentures, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our

payment obligations under the debentures and our other debt.

S-21

**Table of Contents**

**RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS  
TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

Our ratio of earnings to fixed charges for the years ended December 31, 2001, 2002 and 2003, for the period from January 1, 2004 to November 8, 2004, for the period from November 9, 2004 to December 31, 2004, for the year ended December 31, 2005 and for the nine months ended September 30, 2006 is set forth below. We were not required to pay, nor did we pay, dividends on any preferred stock outstanding during any of these periods. As a result, our ratio of earnings to combined fixed charges and preferred stock dividends did not differ from the ratio below during any of these periods.

	Predecessor Company			Jan. 1 through Nov. 8, 2004(1)	Successor Company		
	Years Ended Dec. 31,				Nov. 9 through Dec. 31, 2004(1)	Year Ended Dec. 31, 2005(1)	Nine Months Ended Sept. 30, 2006(1)
	2001(1)	2002(1)	2003(1)				
Ratio of Earnings to Fixed Charges(2)	(3)	(3)	(3)	(3)	(3)	(3)	11.7x

- (1) SunPower's fiscal year consists of 52 or 53 weeks ending on the Sunday closest to December 31, with quarters of 13 or 14 weeks ending the Sunday closest to March 31, June 30, September 30 and December 31 of each year. For presentation purposes only, the ratio of earnings to fixed charges refers to the month end and calendar year end of each respective period.
- (2) For purposes of calculating the ratio of earnings to fixed charges, fixed charges are calculated by adding (a) interest on all indebtedness and amortization of debt discount and expense, (b) interest capitalized and (c) an estimate of the interest within rental expense. Earnings are calculated by adding (a) pretax income from continuing operations, (b) fixed charges and (c) amortization of capitalized interest.
- (3) Earnings were inadequate to cover fixed charges by \$2.9 million, \$3.5 million, \$14.5 million, \$23.3 million, \$5.6 million and \$15.8 million for the years ended December 31, 2001, 2002 and 2003, for the period from January 1, 2004 to November 8, 2004, for the period from November 9, 2004 to December 31, 2004 and for the year ended December 31, 2005, respectively.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of September 30, 2006:

on an actual basis;

on a pro forma basis to reflect the completion of the Merger; and

on a pro forma as adjusted basis to reflect (i) the completion of the Merger, (ii) the sale of the debentures offered hereby and the application of the proceeds therefrom (assuming the underwriters' option to purchase additional debentures is not exercised); and (iii) the completion of our concurrent offering of shares of class A common stock and our receipt of the nominal lending fees therefrom.

You should read this table in conjunction with the following, which are incorporated by reference into this prospectus supplement:

the historical financial statements of SunPower as of and for the three and nine months ended September 30, 2006 included in SunPower's quarterly report on Form 10-Q for the quarter ended October 1, 2006;

the historical financial statements of SunPower as of and for the years ended December 31, 2005, 2004 and 2003 included in SunPower's annual report on Form 10-K for the year ended December 31, 2005; and

the historical financial statements of PowerLight as of and for the nine months ended September 30, 2006, and for the years ended December 31, 2005, 2004 and 2003, which have been filed as an exhibit to SunPower's current report on Form 8-K/A, dated January 25, 2007.

	<b>Sept. 30, 2006</b>		
	<b>Actual</b>	<b>Pro Forma (Unaudited)</b>	<b>Pro Forma as Adjusted</b>
	<b>(Dollars in thousands, except per share data)</b>		
Cash and cash equivalents	\$ 253,735	\$ 153,653	\$ 323,743
Debt:			
Obligations under capital leases		109	109
Notes payable		7,095	7,095
1.25% senior convertible debentures due 2027 offered hereby			175,000
Total debt		7,204	182,204
Class A common stock, \$0.001 par value per share; 217,500,000 shares authorized, 17,173,166 shares issued and outstanding, actual; 21,280,050 shares issued and outstanding, pro forma; and 24,227,182 shares issued and outstanding, pro forma as adjusted	17	21	24
Class B common stock, \$0.001 par value per share; 157,500,000 shares authorized, 52,033,287 shares issued and outstanding, actual, pro forma and pro forma as adjusted	52	52	52
Additional paid-in capital	520,359	652,902	652,902

Edgar Filing: SUNPOWER CORP - Form 424B5

Accumulated other comprehensive loss	(474)	(474)	(474)
Accumulated deficit	(43,327)	(47,774)	(47,774)
Total stockholders' equity	476,627	604,727	604,730
Total capitalization	\$ 476,627	\$ 611,932	\$ 786,934

The number of shares of class A and class B common stock on a pro forma as adjusted basis shown as issued and outstanding in the table above is based on the number of shares of our class A and class B common stock outstanding as of September 30, 2006, giving effect to the adjustments described above, but excluding:

5,481,017 shares of class A common stock issuable upon the exercise of options outstanding as of September 30, 2006, at a weighted average exercise price of \$3.73 per share;

**Table of Contents**

288,801 shares of class A common stock reserved for future issuance as of September 30, 2006 under our 2005 Stock Incentive Plan;

1,601,839 shares of class A common stock issued upon the exercise of vested and unvested PowerLight stock options; and

200,471 shares of class A common stock that we have reserved for issuance as restricted stock to employees of the PowerLight business pursuant to the merger agreement.

Our 1996 Stock Plan and 1988 Incentive Stock Plan were terminated on November 22, 2005. No shares of our class A common stock remain available for issuance under either of these plans other than for satisfying exercises of stock options granted under these plans prior to their termination.

In September 2005, we adopted our 2005 Stock Unit Plan in which all of our employees, except for our executive officers and directors, are eligible to participate, although we currently intend to limit participation to our non-U.S. employees who are not senior managers. Under the 2005 Stock Unit Plan, our board of directors awards participants the right to receive cash payments in an amount equal to the appreciation in the price of our class A common stock between the award date and the date the employee redeems the award. The right to redeem or award typically vests in the same manner as options vest under this plan. In July 2006, the Board of Directors amended the terms of the plan to increase the maximum number of stock units that may be subject to stock unit awards granted under the plan from 100,000 to 300,000 stock units. As of September 30, 2006, we had granted approximately 116,000 units to 1,150 employees in the Philippines at an average unit price of \$24.18. During the three and nine months ended September 30, 2006, we recognized \$45,000 and \$0.3 million of compensation expense associated with these group plans.

**Table of Contents****USE OF PROCEEDS**

The net proceeds from the sale of the debentures will be approximately \$170.1 million, after deducting the underwriters' discount and estimated offering expenses. If the underwriters exercise their option to purchase additional debentures in full, the net proceeds will be approximately \$194.5 million.

We intend to use the net proceeds for general corporate purposes, including working capital and capital expenditures. Specifically, all or a portion of the proceeds may be used for the expansion of our solar cell and panel manufacturing facilities, and we may use approximately \$10.0 million in proceeds to purchase our Philippines manufacturing facility as we have the option to do under our lease agreement with Cypress. We may also use a portion of the proceeds for prepayments to vendors of polysilicon, ingots and wafers.

In addition, we may use all or a portion of any proceeds for the acquisition of, or investment in, complementary businesses, technologies or other assets, and to invest in joint ventures. We may undertake such transactions in furtherance of our strategy to broaden our supply-chain opportunities, increase the efficiency of the downstream channel and reduce the cost of our products delivered to end customers.

**PRICE RANGE OF OUR CLASS A COMMON STOCK AND DIVIDEND POLICY**

Our class A common stock commenced trading on The Nasdaq Global Market under the symbol **SPWR** on November 17, 2005. Set forth below, for the periods indicated, are the high and low sale prices per share of class A common stock as reported by The Nasdaq Global Market.

	<b>High</b>	<b>Low</b>
<b>2005</b>		
Fourth Quarter (beginning on November 17, 2005)	\$ 34.72	\$ 24.42
<b>2006</b>		
First Quarter	\$ 44.07	\$ 30.13
Second Quarter	42.00	25.00
Third Quarter	33.50	24.03
Fourth Quarter	40.00	26.46
<b>2007</b>		
First Quarter (through February 1, 2007)	\$ 45.94	\$ 35.40

On February 1, 2007, the last reported sale price of our class A common stock on The Nasdaq Global Market was \$44.51 per share.

We have never declared or paid any cash dividends on our class A common stock, and we do not currently intend to pay any cash dividends on our class A common stock in the foreseeable future. We intend to retain future earnings, if any, to finance the operation and expansion of our business.

---

**Table of Contents**

**DESCRIPTION OF THE DEBENTURES**

The debentures will be issued under an indenture dated as of February 7, 2007, between SunPower Corporation, as issuer, and Wells Fargo Bank, National Association, as trustee, as supplemented by a supplemental indenture to be dated as of February 7, 2007, which together we refer to as the indenture.

The following description is only a summary of the material provisions of the debentures and the indenture. We urge you to read the indenture in its entirety because it, and not this description, defines your rights as a holder of the debentures. You may request copies of the indenture as set forth under the caption **Where You Can Find More Information**.

When we refer to SunPower, we, our or us in this section, we refer only to SunPower Corporation and not its subsidiaries. When we refer to Parent in this section, we refer to Cypress Semiconductor Corporation.

**Brief Description of the Debentures**

The debentures will:

initially be issued in aggregate principal amount of \$175.0 million (\$200.0 million aggregate principal amount if the underwriters exercise their option to purchase additional debentures in full);

bear interest at a rate of 1.25% per year, payable semi-annually in arrears, on February 15 and August 15 of each year, commencing on August 15, 2007;

be general unsecured obligations, ranking equally with all of our other unsecured senior indebtedness and senior in right of payment to any subordinated indebtedness;

be convertible by you at any time on or prior to the business day preceding the maturity date, only upon satisfaction of one of the conditions for conversion, as described under **Conversion Rights**, into cash and, if applicable, shares of our class A common stock initially based on a conversion rate of 17.6211 shares of our class A common stock per \$1,000 principal amount of debentures, which represents an initial conversion price of approximately \$56.75 per share. In the event of certain types of fundamental changes, we will increase the conversion rate for a limited period of time;

be subject to redemption for cash by us at any time on or after February 15, 2012, in whole or in part, at a redemption price equal to 100% of the principal amount of the debentures being redeemed, plus accrued and unpaid interest to, but not including, the redemption date;

be subject to repurchase by us, at your option, on February 15, 2012, February 15, 2017 and February 15, 2022, at a cash repurchase price equal to 100% of the principal amount of the debentures, plus accrued and unpaid interest to, but not including, the repurchase date, as set forth under **Repurchase at the Option of the Holder - Optional Put**;

be subject to repurchase by us at your option, if a fundamental change occurs, at a cash repurchase price equal to 100% of the principal amount of the debentures, plus accrued and unpaid interest to, but not including, the repurchase date, as set forth under **Repurchase at the Option of the Holder - Fundamental Change Put**; and  
mature on February 15, 2027, unless earlier converted, redeemed by us at our option or repurchased by us at your option.

Neither we nor any of our subsidiaries will be subject to any financial covenants under the indenture. In addition, neither we nor any of our subsidiaries will be restricted under the indenture from paying dividends, incurring debt or issuing or repurchasing our securities. You are not

Edgar Filing: SUNPOWER CORP - Form 424B5

afforded protection under the indenture in the event of a highly leveraged transaction or a change in control of us, except to the extent described below under Conversion Rights and Repurchase at Option of the Holder Fundamental Change Put.

S-26

## **Table of Contents**

No sinking fund is provided for the debentures and the debentures will not be subject to defeasance.

The debentures initially will be issued in book-entry form only in denominations of \$1,000 principal amount and whole multiples thereof. Beneficial interests in the debentures will be shown on, and transfers of beneficial interests in the debentures will be effected only through, records maintained by The Depository Trust Company, or DTC, or its nominee, and any such interests may not be exchanged for certificated debentures except in limited circumstances. For information regarding conversion, registration of transfer and exchange of global debentures held in DTC, see Form, Denomination and Registration Global Debentures Book-Entry Form.

If certificated debentures are issued, you may present them for conversion, registration of transfer and exchange, without service charge, at our office or agency in Minnesota, which will initially be the office or agency for service of process of the trustee in Minnesota. The trustee may be served with process at its agency for service of process in New York City.

## **Additional Debentures**

We may, without the consent of the holders of the debentures, increase the principal amount of the debentures by issuing additional debentures in the future on the same terms and conditions, except for any differences in the issue price and interest accrued prior to the issue date of the additional debentures; provided that such differences do not cause the additional debentures to constitute a different class of securities than the debentures for U.S. federal income tax purposes; and provided further, that the additional debentures have the same CUSIP number as the debentures offered hereby. The debentures offered by this prospectus supplement and the accompanying prospectus and any additional debentures would rank equally and ratably and would be treated as a single class for all purposes under the indenture. No additional debentures may be issued if any event of default has occurred and is continuing.

## **Payment at Maturity**

On the maturity date, each holder will be entitled to receive on such date \$1,000 in cash for each \$1,000 in principal amount of debentures, together with accrued and unpaid interest to, but not including, the maturity date. With respect to global debentures, principal and interest will be paid to DTC in immediately available funds. With respect to any certificated debentures, principal and interest will be payable at our office or agency in Minnesota, which initially will be the office or agency for service of process of the trustee.

## **Interest**

The debentures will bear interest at a rate of 1.25% per year. Interest will accrue from February 7, 2007, or from the most recent date to which interest has been paid or duly provided for. We will pay interest semi-annually, in arrears on February 15 and August 15 of each year, commencing on August 15, 2007, to holders of record at 5:00 p.m., New York City time, on the preceding February 1 and August 1, respectively. However, there are two exceptions to the preceding sentence:

we will not pay accrued interest on any debentures when they are converted, except as described under Conversion Rights; and

we will pay accrued interest to a person other than the holder of record on the record date on the maturity date. On such date, we will pay accrued and unpaid interest only to the person to whom we pay the principal amount.

We will pay interest on:

global debentures to DTC in immediately available funds;

any certificated debentures having a principal amount of less than \$2,000,000, by check mailed to the holders of those debentures; provided, however, at maturity, interest will be payable as described under Payment at Maturity; and



---

## **Table of Contents**

any certificated debentures having a principal amount of \$2,000,000 or more, by wire transfer in immediately available funds at the election of the holders of these debentures duly delivered to the trustee at least five business days prior to the relevant interest payment date or by check if no such election is made; provided, however, at maturity, interest will be payable as described under **Payment at Maturity**.

Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. If a payment date is not a business day, payment will be made on the next succeeding business day, and no additional interest will accrue thereon.

To the extent lawful, payments of principal or interest on the debentures that are not made when due will accrue interest at the annual rate of 1% above the then applicable interest rate from the required payment date.

## **Conversion Rights**

Holders may convert their debentures prior to the close of business on the business day preceding the maturity date based on an initial conversion rate of 17.6211 shares of class A common stock per \$1,000 principal amount of debentures (equivalent to an initial conversion price of approximately \$56.75 per share), only if the conditions for conversion described below are satisfied. The conversion rate will be subject to adjustment as described below. As described under **Conversion Procedures Settlement Upon Conversion**, upon conversion, we will satisfy our conversion obligation with respect to the principal amount of the debentures to be converted in cash, with any remaining amount to be satisfied in shares of our class A common stock. Unless we have previously redeemed or purchased the debentures, you will have the right to convert any portion of the principal amount of any debentures that is an integral multiple of \$1,000 at any time on or prior to the close of business on the business day immediately preceding the maturity date only under the following circumstances:

- (1) prior to February 15, 2025, on any date during any fiscal quarter beginning after March 31, 2007 (and only during such fiscal quarter) if the closing sale price of our class A common stock was more than 125% of the then current conversion price for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of the previous fiscal quarter;
- (2) at any time on or after February 15, 2025;
- (3) with respect to any debentures called for redemption, until the close of business on the business day prior to the redemption date;
- (4) during a specified period if we distribute to all or substantially all holders of our class A common stock rights or warrants entitling them to purchase, for a period of 45 calendar days or less, shares of our class A common stock at a price less than the average closing sale price for the ten trading days preceding the declaration date for such distribution, as described below in more detail under **Conversion Upon Specified Corporate Transactions** ;
- (5) during a specified period if we distribute to all or substantially all holders of our class A common stock, cash or other assets, debt securities or rights to purchase our securities, which distribution has a per share value exceeding 10% of the closing sale price of our class A common stock on the trading day preceding the declaration date for such distribution, as described below in more detail under **Conversion Upon Specified Corporate Transactions** ;
- (6) during a specified period if a fundamental change occurs, as described in more detail below under **Conversion Upon a Fundamental Change** ; or
- (7) during the five consecutive business-day period following any five consecutive trading-day period in which the average trading price for the debentures was less than 98% of the average of the closing sale price of our class A common stock during such five trading-day period multiplied by the then current conversion rate, as described in more detail below under **Conversion Upon Satisfaction of Trading Price Condition**; we refer to this condition as the **trading price condition**.



---

**Table of Contents**

In the case of clauses (4) and (5) immediately above, we will notify you and the trustee in writing at least 20 calendar days prior to the ex-dividend date for such distribution; once we have given such notice, you may surrender your debentures for conversion at any time until the earlier of 5:00 p.m., New York City time, on the business day preceding the earlier to occur of the ex-dividend date and any announcement by us that such distribution will not take place; in the case of a distribution identified in clauses (4) and (5) immediately above, you may not convert your debentures if you will otherwise participate in the distribution without conversion as a result of holding the debentures. The ex-dividend date is the first date upon which a sale of the class A common stock does not transfer the rights to receive the relevant distribution to the buyer of such class A common stock.

The closing sale price of any share of our class A common stock on any trading date means the closing sale price of such security (or if no closing sale price is reported, the average of the closing bid and closing ask prices or, if more than one in either case, the average of the average closing bid and the average closing ask prices) on such date as reported in composite transactions for the principal U.S. securities exchange (or if not so listed, on the principal regional securities exchange) on which our class A common stock is traded or, if our class A common stock is not listed on a U.S. national or regional securities exchange, as reported by Pink Sheets LLC. In the absence of such a quotation, the closing sale price will be determined by a nationally recognized securities dealer retained by us for that purpose. The closing sale price will be determined without reference to extended or after hours trading. The conversion price on any day will equal \$1,000 divided by the conversion rate in effect on that day.

Except as provided in the next paragraph, upon conversion, you will not receive any separate cash payment of accrued and unpaid interest on the debentures being converted. Accrued and unpaid interest and accrued tax original issue discount, if any, to the conversion date will be deemed to be paid in full with the shares of our class A common stock issued or cash paid upon conversion rather than cancelled, extinguished or forfeited.

If you convert after the record date for an interest payment but prior to the corresponding interest payment date, you will receive on the corresponding interest payment date the interest accrued and unpaid on your debentures, notwithstanding your conversion of those debentures prior to the interest payment date, assuming you were the holder of record on the corresponding record date. However, except as provided in the next sentence, at the time you surrender your debentures for conversion, you must pay us an amount equal to the interest that has accrued and will be paid on the debentures being converted on the corresponding interest payment date. You are not required to make such payment:

if you convert your debentures in connection with a redemption and we have specified a redemption date that is after a record date and on or prior to the corresponding interest payment date;

if you convert your debentures in connection with a fundamental change and we have specified a fundamental change repurchase date that is after a record date and on or prior to the corresponding interest payment date; or

to the extent of any overdue interest, if overdue interest exists at the time of conversion with respect to your debentures. Except as described under Conversion Rate Adjustments, we will not make any payment or other adjustment for dividends on any class A common stock issuable upon conversion of the debentures.

***Conversion Upon Specified Corporate Transactions***

You will have the right to convert your debentures if we:

distribute to all holders of our class A common stock rights or warrants (other than pursuant to a rights plan) entitling them to purchase, for a period of 45 calendar days or less, shares of our class A common stock at a price less than the average closing sale price for the ten trading days preceding the declaration date for such distribution; or

---

**Table of Contents**

distribute to all holders of our class A common stock, cash or other assets, debt securities or rights to purchase our securities (other than pursuant to a rights plan), which distribution has a per share value exceeding 10% of the closing sale price of our class A common stock on the trading day preceding the declaration date for such distribution.

We will notify you and the trustee in writing at least 20 calendar days prior to the ex-dividend date for such distribution. Once we have given such notice, you may surrender your debentures for conversion at any time until the earlier of 5:00 p.m., New York City time, on the business day preceding the earlier to occur of the ex-dividend date and any announcement by us that such distribution will not take place. You may not convert any of your debentures based on this conversion contingency if you will otherwise participate in the distribution without conversion as a result of holding the debentures.

You will also have the right to convert your debentures if we are a party to a consolidation, merger, binding share exchange or sale or conveyance of all or substantially all of our property and assets that does not constitute a fundamental change, in each case pursuant to which our class A common stock would be converted into cash, securities and/or other property, other than in a transaction covered by the exceptions in clause 4(a) or in clause 4(b) of the definition of fundamental change. In such event, you will have the right to convert your debentures at any time beginning 15 calendar days prior to the date announced by us as the anticipated effective date of the transaction and until and including the date which is 15 calendar days after the date that is the actual effective date of such transaction. If you do not convert your debentures during this period, you will generally be entitled to receive, upon subsequent conversion, if any, the kind and amount of cash, securities and other property that you would have received if you had converted your debentures and had been a class A common stock holder immediately prior to the transaction.

***Conversion Upon a Fundamental Change***

If a fundamental change (as defined under *Repurchase at Option of the Holder Fundamental Change Put*) occurs, you will have the right to convert your debentures at any time beginning on the business day following the effective date of the fundamental change until 5:00 p.m., New York City time, on the business day preceding the repurchase date relating to such fundamental change. We will notify you and the trustee in writing of the anticipated effective date of any fundamental change at least 10 calendar days prior to such date, to the extent we have the knowledge to do so. If you convert your debentures in connection with a fundamental change, you will receive:

- (1) cash equal to the lesser of (i) the principal amount of the debentures converted and (ii) the conversion value (as defined below) and
- (2) if the conversion value exceeds the principal amount of the debentures converted, an amount of cash, securities and other assets or property equal to such excess based on the consideration that you would have received if you had held a number of shares of our class A common stock based on the conversion rate immediately prior to the fundamental change, with the conversion value based on the consideration received in such fundamental change, if applicable; and

under certain circumstances, consideration with respect to additional shares of class A common stock, which will be in an amount determined as set forth under *Adjustment in Conversion Rate Upon a Non-Stock Change of Control* and which will be payable following certain types of fundamental change.

Conversion value means the sum of the daily conversion value (as defined under *Conversion Procedures Settlement Upon Conversion*) for twenty consecutive trading days during the conversion period (as defined under *Conversion Procedures Settlement Upon Conversion*).

***Conversion Upon Satisfaction of Trading Price Condition***

You may surrender your debentures for conversion prior to maturity during the five business-day period following any five consecutive trading-day period in which the trading price per \$1,000 principal amount of

## **Table of Contents**

debentures, as determined following a request by a holder of debentures in accordance with the procedures described below, for each trading day of such five trading-day period was less than 98% of the product of the closing sale price of our class A common stock for each day during such five-day trading period and the then current conversion rate.

The trading price of the debentures on any date of determination means the average of the secondary market bid quotations per \$1,000 principal amount of debentures obtained by the trustee for \$2,000,000 principal amount of the debentures at approximately 3:30 p.m., New York City time, on such determination date from two independent nationally recognized securities dealers we select, which may include one or more of the initial purchasers, provided that if at least two such bids cannot reasonably be obtained by the trustee, but one such bid can reasonably be obtained by the trustee, this one bid will be used. If the trustee cannot reasonably obtain at least one bid for \$2,000,000 principal amount of the debentures from a nationally recognized securities dealer, then, for purposes of the trading price condition only, the trading price of the debentures will be deemed to be less than 98% of the applicable conversion rate of the debentures multiplied by the closing sale price of our class A common stock on such determination date.

The trustee will determine the trading price of the debentures upon our request. We will have no obligation to make that request unless a holder of debentures requests that we do so. If a holder provides such request, we will instruct the trustee to determine the trading price of the debentures for each trading day until the minimum trading price threshold is exceeded.

### ***Conversion Procedures***

#### ***Procedures to be Followed by a Holder***

If you hold a beneficial interest in a global debenture, to convert you must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program and, if required, pay funds equal to interest payable on the next interest payment date to which you are not entitled and, if required, pay all taxes or duties, if any.

If you hold a certificated debenture, to convert you must:

complete and manually sign the conversion notice on the back of the debentures or a facsimile of the conversion notice;

deliver the completed conversion notice and the debentures to be converted to the conversion agent;

if required, furnish appropriate endorsements and transfer documents;

if required, pay funds equal to interest payable on the next interest payment date to which you are not entitled; and

if required, pay all transfer or similar taxes, if any.

The conversion date will be the date on which you have satisfied all of the foregoing requirements. The debentures will be deemed to have been converted immediately prior to 5:00 p.m., New York City time, on the conversion date. Once delivered, a conversion notice shall be irrevocable.

You will not be required to pay any taxes or duties relating to the issuance or delivery of our class A common stock if you exercise your conversion rights, but you will be required to pay any tax or duty that may be payable relating to any transfer involved in the issuance or delivery of the class A common stock in a name other than the name in which the debentures were registered. Certificates representing class A common stock will be issued and delivered only after all applicable taxes and duties, if any, payable by you have been paid in full.

## Table of Contents

### *Settlement Upon Conversion*

Upon conversion, we will deliver to holders in respect of each \$1,000 principal amount of debentures being converted a conversion settlement amount equal to the sum of the daily settlement amounts (as defined below) for each of the twenty trading days during the conversion period.

The conversion period means the 20 consecutive trading day period:

if we have called the debentures delivered for conversion for redemption, beginning on the 23<sup>rd</sup> scheduled trading day immediately preceding the redemption date;

with respect to conversion notices received during the period beginning 25 trading days preceding the maturity date and ending one trading day preceding the maturity date, beginning on the 23<sup>rd</sup> scheduled trading day immediately preceding the maturity date;

with respect to conversions in connection with a fundamental change, beginning on the 23<sup>rd</sup> scheduled trading day immediately preceding the repurchase date relating to such fundamental change; and

in all other cases, beginning on the third trading day following our receipt of your conversion notice.

The daily settlement amount, for each \$1,000 principal amount of debentures, for each of the twenty trading days during the conversion period, shall consist of:

cash equal to the lesser of \$50 and the daily conversion value; and

to the extent the daily conversion value exceed \$50, a number of shares of our class A common stock equal to, (1) the difference between the daily conversion value and \$50, divided by (2) the closing sale price of our class A common stock for such day.

The daily conversion value for any trading day equals 1/20th of:

the conversion rate in effect on that day, multiplied by

the closing sale price of our class A common stock (or the consideration into which our class A common stock has been converted in connection with certain corporate transactions) on that day.

Trading day means a day during which (1) trading in our class A common stock generally occurs, (2) there is no market disruption event and (3) a closing sale price for our class A common stock is provided on the principal U.S. national or regional securities exchange on which our class A common stock is then listed or, if our class A common stock is not listed on a U.S. national or regional securities exchange, on the principal other market on which our class A common stock is then traded.

Market disruption event means the occurrence or existence during the one-half hour period ending on the scheduled close of trading on any trading day for our class A common stock of any material suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by The Nasdaq Global Market or otherwise) in our class A common stock or in any options, contracts or futures contracts relating to our class A common stock.

Settlement in cash and/or shares of our class A common stock will occur on the third trading day following the final trading day of the conversion period (as defined above).

## Edgar Filing: SUNPOWER CORP - Form 424B5

We will not issue fractional shares of our class A common stock upon conversion of the debentures. Instead, we will pay cash in lieu of fractional shares based on the closing sale price of our class A common stock on the final trading day of the conversion period.

S-32

**Table of Contents**

***Conversion Rate Adjustments***

We will adjust the conversion rate for certain events, including:

- (1) issuances of our class A common stock as a dividend or distribution on our class A common stock;
- (2) certain subdivisions, combinations or reclassifications of our class A common stock;
- (3) issuances to all or substantially all holders of our class A common stock of certain rights or warrants to purchase, for a period of up to 45 days, our class A common stock at less than the then-current market price of our class A common stock, provided that the conversion rate will be readjusted to the extent that any of the rights or warrants are not exercised prior to their expiration;
- (4) distributions to all or substantially all holders of our class A common stock, shares of our capital stock (other than our class A common stock), evidences of our indebtedness or assets, including securities, but excluding:

the rights and warrants referred to in clause (3) above;

any dividends and distributions in connection with a reclassification, change, consolidation, merger, combination, sale or conveyance resulting in a change in the conversion consideration pursuant to the sixth succeeding paragraph below;

any dividends or distributions paid exclusively in cash; or

any dividends or distributions referred to in the clause (1) above;

- (5) dividends or other distributions consisting exclusively of cash to all or substantially all holders of our class A common stock (other than dividends or distributions made in connection with our liquidation, dissolution or winding-up or upon a merger or consolidation), in which event the conversion rate will be adjusted by multiplying:

the conversion rate by a fraction,

the numerator of which will be the current market price of our class A common stock and the denominator of which will be the current market price of our class A common stock minus the amount per share of such dividend or distribution; and

- (6) purchases of our class A common stock pursuant to a tender offer or exchange offer made by us or any of our subsidiaries to the extent that the cash and value of any other consideration included in the payment per share of class A common stock exceeds the closing sale price per share of our class A common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer.

For purposes of clause (3) and (5) above, current market price means the average closing sale price of our class A common stock for the 10 consecutive trading days immediately prior to the ex-dividend date for the distribution requiring such computation.

## Edgar Filing: SUNPOWER CORP - Form 424B5

To the extent that any future rights plan adopted by us is in effect upon conversion of the debentures into class A common stock only or a combination of cash and class A common stock, you will receive, in addition to the class A common stock, the rights under the applicable rights agreement unless the rights have separated from our class A common stock at the time of conversion of the debentures, in which case, the conversion rate will be adjusted as if we distributed to all holders of our class A common stock shares of our capital stock, evidences of indebtedness or assets as described above in clause (4), subject to readjustment in the event of the expiration, termination or redemption of such rights.

We will not make any adjustment if holders of debentures may participate in the transaction without conversion or in certain other cases. In cases where the fair market value of assets, debt securities or certain

S-33

**Table of Contents**

rights, warrants or options to purchase our securities, applicable to one share of class A common stock, distributed to stockholders:

equals or exceeds the average closing price of the class A common stock over the ten consecutive trading day period ending on the record date for such distribution, or

such average closing price exceeds the fair market value of such assets, debt securities or rights, warrants or options so distributed by less than \$1.00,

rather than being entitled to an adjustment in the conversion price, the holder of a debenture will be entitled to receive upon conversion, in addition to the shares of class A common stock, the kind and amount of assets, debt securities or rights, warrants or options comprising the distribution that such holder would have received if such holder had converted such debentures immediately prior to the record date for determining the stockholders entitled to receive the distribution.

Except as stated above, we will not adjust the conversion rate for the issuance of our class A common stock or any securities convertible into or exchangeable for our class A common stock or carrying the right to purchase any of the foregoing.

In the event that we distribute shares of capital stock of a subsidiary of ours pursuant to clause (4) above, the conversion rate will be adjusted, if at all, based on the market value of the subsidiary stock so distributed relative to the market value of our class A common stock, in each case over a measurement period following the distribution.

If we:

reclassify or change our class A common stock (other than changes resulting from a subdivision or combination), or

consolidate or merge with or into any person or sell, lease, transfer, convey or otherwise dispose of all or substantially all of our assets and those of our subsidiaries taken as a whole to another person,

and the holders of our class A common stock receive stock, other securities or other property or assets (including cash or any combination thereof) with respect to or in exchange for their class A common stock, each outstanding debentures will, without the consent of any holders of the debentures and upon satisfaction of a conversion condition, become convertible only into the consideration the holders of the debentures would have received if they had converted their debentures solely into our class A common stock based on the applicable conversion rate immediately prior to such reclassification, change, consolidation, merger, sale, lease, transfer, conveyance or other disposition (assuming such holder of class A common stock received proportionately the same consideration received by all class A common stock holders in the aggregate), except that the provisions above under Settlement Upon Conversion shall continue to apply following any such transaction, with the daily conversion values based on the consideration received in such transaction. In the event holders of our class A common stock have the opportunity to elect the form of consideration to be received in such transaction, then from and after the effective date of such transaction, the debentures shall be convertible into the consideration that a majority of the holders of our class A common stock who made such an election received in such transaction. We may not become a party to any such transaction unless its terms are consistent with the foregoing.

If a taxable distribution to holders of our class A common stock or other transaction occurs that results in any adjustment of the conversion rate (including an adjustment at our option), you may, in certain circumstances, be deemed to have received a distribution subject to U.S. income tax as a dividend. In certain other circumstances, the absence of an adjustment may result in a taxable dividend to the holders of our class A common stock. See Material United States Federal Income Tax Considerations.

We may from time to time, to the extent permitted by law, in our sole discretion, increase the conversion rate of the debentures by any amount for any period of at least 20 business days. In that case, we will give at least

---

**Table of Contents**

15 days prior notice of such increase to you and the trustee. We, in our sole discretion, may make such increases in the conversion rate, in addition to those set forth above, as our board of directors deems advisable to avoid or diminish any income tax to holders of our class A common stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

We will not be required to make an adjustment in the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustment that is less than 1% of the conversion rate, take such carried-forward adjustments into account in any subsequent adjustment, and make such carried forward adjustments, regardless of whether the aggregate adjustment is less than 1%, (a) annually on the anniversary of the first date of issue of the debentures and otherwise (b) (1) five business days prior to the maturity of the debentures (whether at stated maturity or otherwise) or (2) prior to the redemption date or repurchase date, unless such adjustment has already been made.

If we adjust the conversion rate pursuant to the above provisions, we will issue a press release through Business Wire containing the relevant information and make this information available on our website or through another public medium as we may use at that time. Unless and until the trustee shall receive written notice setting forth an adjustment of the conversion rate, the trustee may assume without inquiry that the conversion rate has not been adjusted and that the last conversion rate of which it has knowledge remains in effect.

***Adjustment to Conversion Rate Upon a Non-Stock Change of Control***

Prior to February 15, 2012, if and only to the extent you elect to convert your debentures in connection with a fundamental change described under clause (1), clause (4) or clause (6) under the definition of a fundamental change described below under Repurchase at Option of the Holder Fundamental Change Put pursuant to which 10% or more of the consideration for our class A common stock (other than cash payments for fractional shares and cash payments made in respect of dissenters appraisal rights) in such fundamental change transaction consists of cash or securities (or other property) that are not shares of common stock, depository receipts or other certificates representing common equity interests or depository receipts traded or scheduled to be traded immediately following such transaction on a U.S. national securities exchange, which we refer to as a non-stock change of control, we will increase the conversion rate as described below. The number of additional shares by which the conversion rate is increased (the additional shares) will be determined by reference to the table below, based on the date on which the non-stock change of control becomes effective (the effective date) and the price (the stock price) paid per share for our class A common stock in such non-stock change of control. If holders of our class A common stock receive only cash in such transaction, the stock price will be the cash amount paid per share. Otherwise, the stock price will be the average of the last reported sale prices of our class A common stock on the five trading days prior to but not including the effective date of such non-stock change of control. We will notify you of the anticipated effective date of any fundamental change resulting in an adjustment as soon as practicable and if possible at least 20 calendar days prior to such date.

A conversion of the debentures by a holder will be deemed for these purposes to be in connection with a non-stock change of control if the conversion notice is received by the conversion agent following the effective date of the non-stock change of control but before the close of business on the business day immediately preceding the related repurchase date (as specified in the repurchase notice described under Repurchase at Option of the Holder Fundamental Change Put).

The number of additional shares issuable upon conversion will be adjusted in the same manner as and as of any date on which the conversion rate of the debentures is adjusted as described above under Conversion Rate Adjustments. The stock prices set forth in the first row of the table below (i.e., the column headers) will be simultaneously adjusted to equal the stock prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the conversion rate immediately prior to the adjustment and the denominator of which is the conversion rate as so adjusted.

**Table of Contents**

The following table sets forth an indicative number of additional shares by which the conversion rate shall be increased:

Effective Date	Stock Price									
	\$44.51	\$56.75	\$65.00	\$75.00	\$85.00	\$95.00	\$105.00	\$115.00	\$125.00	\$135.00
February 7, 2007	4.8457	2.8554	2.0857	1.4751	1.0750	0.8023	0.6101	0.4709	0.3677	0.2897
February 15, 2008	4.8457	2.7876	1.9823	1.3589	0.9619	0.6989	0.5188	0.3916	0.2996	0.2315
February 15, 2009	4.8457	2.6380	1.8012	1.1767	0.7961	0.5550	0.3969	0.2899	0.2153	0.1620
February 15, 2010	4.8457	2.3737	1.5086	0.9025	0.5613	0.3626	0.2428	0.1679	0.1193	0.0865
February 15, 2011	4.7473	1.8774	0.9997	0.4716	0.2308	0.1205	0.0687	0.0432	0.0296	0.0215
February 15, 2012										

The exact stock price and effective dates may not be set forth on the table, in which case, if the stock price is:

between two stock price amounts on the table or the effective date is between two dates on the table, the number of additional shares will be determined by straight-line interpolation between the number of additional shares set forth for the higher and lower stock price amounts and the two dates, as applicable, based on a 360-day year;

in excess of \$135.00 per share (subject to adjustment), no additional shares will be issued upon conversion;

less than \$44.51 per share (subject to adjustment), no additional shares will be issued upon conversion.

Notwithstanding the foregoing, in no event will the total number of shares of class A common stock issuable upon conversion exceed 22.4668 per \$1,000 principal amount of the debentures, subject to adjustments in the same manner as the conversion rate.

Additional shares deliverable as described in this section Adjustment to Conversion Rate Upon a Non-Stock Change of Control, or cash in lieu thereof, will be delivered on the settlement date applicable to the relevant conversion.

**Redemption*****Optional Redemption***

At any time on or after February 15, 2012, we may redeem all or a part of the debentures at a cash redemption price equal to 100% of the principal amount of the debentures being redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. However, if the redemption date is after a record date and on or prior to the corresponding interest payment date, the interest will be paid on the redemption date to the holder of record on the record date.

***Redemption Procedures***

We will give notice of redemption not less than 30 nor more than 60 days prior to the redemption date to all record holders of debentures at their addresses set forth in the register of the registrar. This notice will state, among other things:

that you have a right to convert the debentures called for redemption, and the conversion rate then in effect; and

the date on which your right to convert the debentures called for redemption will expire.



---

## **Table of Contents**

If we do not redeem all of the debentures, the trustee will select the debentures to be redeemed in principal amounts of \$1,000 or integral multiples of \$1,000 by lot, pro rata or by another method the trustee considers fair and appropriate. If any debentures are to be redeemed in part only, we will issue a new debentures in principal amount equal to the unredeemed principal portion thereof. If a portion of your debentures is selected for partial redemption and you convert a portion of your debentures, the converted portion will be deemed to be taken from the portion selected for redemption.

Additionally, we will not be required to:

issue, register the transfer of, or exchange any debentures during the period of 15 days before the delivery of the notice of redemption, or

register the transfer of or exchange any debentures so selected for redemption, in whole or in part, except the unredeemed portion of any debentures being redeemed in part.

We may not redeem the debentures if we have failed to pay interest on the debentures and such failure to pay is continuing.

### **Repurchase at the Option of the Holder**

#### ***Optional Put***

On February 15, 2012, February 15, 2017 and February 15, 2022, you will have the right to require us to repurchase, at the repurchase price described below, all or part of your debentures for which you have properly delivered and not withdrawn a written repurchase notice. The debentures submitted for repurchase must be \$1,000 in principal amount or whole multiples thereof.

The repurchase price will be payable in cash and will equal 100% of the principal amount of the debentures being repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. However, if the repurchase date is after a record date and on or prior to the corresponding interest payment date, the interest will be paid on the repurchase date to the holder of record on the record date.

We may be unable to repurchase your debentures upon your exercise of your repurchase right. Our ability to repurchase debentures in cash in the future may be limited by the terms of our then-existing borrowing agreements. Furthermore, we cannot assure you that we would have the financial resources, or would be able to arrange financing, to pay the repurchase price in cash.

We will give written notice at least 20 business days prior to each repurchase date to the trustee and all record holders at their addresses shown in the register of the registrar. This notice will state, among other things, the procedures that you must follow to require us to repurchase your debentures.

To exercise your repurchase right, you must deliver at any time from 9:00 a.m., New York City time, on the date that is 20 business days prior to the applicable repurchase date to 5:00 p.m., New York City time, on the applicable repurchase date, a written notice to the paying agent of your exercise of your repurchase right (together with the debentures to be repurchased, if certificated debentures have been issued). The repurchase notice must state:

if you hold a beneficial interest in a global debenture, your repurchase notice must comply with appropriate DTC procedures; if you hold certificated debentures, the debentures certificate numbers;

the portion of the principal amount of your debentures to be repurchased, which must be in \$1,000 multiples; and

that the debentures are to be repurchased by us pursuant to the applicable provisions of the debentures and the indenture.



## **Table of Contents**

You may withdraw your repurchase notice at any time prior to 5:00 p.m., New York City time, on the applicable repurchase date, by delivering a written notice of withdrawal to the paying agent. If a repurchase notice is given and withdrawn during that period, we will not be obligated to repurchase the debentures listed in the repurchase notice. The withdrawal notice must state:

if you hold a beneficial interest in a global debenture, your withdrawal notice must comply with appropriate DTC procedures; if you hold certificated debentures, the certificate numbers of the withdrawn debentures;

the principal amount of the withdrawn debentures; and

the principal amount, if any, which remains subject to the repurchase notice.

Payment of the repurchase price for debentures for which a repurchase notice has been delivered and not withdrawn is conditioned upon book-entry transfer or delivery of the debentures, together with necessary endorsements, to the paying agent, as the case may be. Payment of the repurchase price for the debentures will be made promptly following the later of the repurchase date and the time of book-entry transfer or delivery of the debentures, as the case may be.

If the paying agent holds on the business day immediately following the repurchase date cash sufficient to pay the repurchase price of the debentures that holders have elected to require us to repurchase, then, as of the repurchase date:

those debentures will cease to be outstanding and interest will cease to accrue, whether or not book-entry transfer of the debentures has been made or the debentures have been delivered to the paying agent, as the case may be; and

all other rights of the debentures holders will terminate, other than the right to receive the repurchase price upon delivery or transfer of the debentures.

In connection with any repurchase, we will, to the extent applicable:

comply with the provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act that may be applicable at the time of the offer to repurchase the debentures;

file a Schedule TO or any other schedule required in connection with any offer by us to repurchase the debentures; and

comply with all other federal and state securities laws in connection with any offer by us to repurchase the debentures.

### ***Fundamental Change Put***

If a fundamental change (as defined below) occurs at any time prior to the maturity of the debentures, you will have the right to require us to repurchase, at the repurchase price described below, all or part of your debentures for which you have properly delivered and not withdrawn a written repurchase notice. The debentures submitted for repurchase must be \$1,000 in principal amount or whole multiples thereof.

The repurchase price will be payable in cash and will equal 100% of the principal amount of the debentures being repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. However, if the repurchase date is after a record date and on or prior to the corresponding interest payment date, the interest will be paid on the repurchase date to the holder of record on the record date.

## Edgar Filing: SUNPOWER CORP - Form 424B5

We may be unable to repurchase your debentures in cash upon a fundamental change. Our ability to repurchase the debentures with cash in the future may be limited by the terms of our then-existing borrowing agreements. In addition, the occurrence of a fundamental change could cause an event of default under the terms

S-38

**Table of Contents**

of our then-existing borrowing agreements. We cannot assure you that we would have the financial resources, or would be able to arrange financing, to pay the repurchase price in cash.

A fundamental change will be deemed to have occurred when any of the following has occurred:

- (1) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person, other than Parent or its successors or a controlling person or persons of Parent, directly or indirectly, including through one or more wholly-owned subsidiaries, becomes the beneficial owner (as these terms are defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act) of more than 75% of the voting power of our capital stock that is at the time entitled to vote by the holder thereof in the election of our board of directors (or comparable body); or
- (2) the first day on which a majority of the members of our board of directors are not continuing directors; or
- (3) the adoption of a plan relating to our liquidation or dissolution;
- (4) the consolidation or merger of us with or into any other person, or the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of our assets and those of our subsidiaries taken as a whole to any person (as this term is used in Section 13(d)(3) of the Exchange Act), other than:

(a) any transaction:

that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of our class A common stock; and

pursuant to which the holders of 50% or more of the total voting power of all shares of our capital stock entitled to vote generally in elections of directors immediately prior to such transaction have the right to exercise, directly or indirectly, 50% or more of the total voting power of all shares of our capital stock entitled to vote generally in elections of directors of the continuing or surviving person immediately after giving effect to such transaction; or

(b) any merger primarily for the purpose of changing our jurisdiction of incorporation and resulting in a reclassification, conversion or exchange of outstanding shares of common stock solely into shares of class A common stock of the surviving entity.

- (5) the termination of trading of our class A common stock, which will be deemed to have occurred if our class A common stock or other common stock into which the debentures are convertible is neither listed for trading on a United States national securities exchange nor approved for listing any United States system of automated dissemination of quotations of securities prices, and no American Depositary Shares or similar instruments for such common stock are so listed or approved for listing in the United States.

(6) Parent repurchases or otherwise directly or indirectly acquires more than 50% of the outstanding class A common stock, other than through conversion of Parent's class B common stock into class A common stock pursuant to the terms of the class B common stock. However, a fundamental change will be deemed not to have occurred if more than 90% of the consideration in the transaction or transactions (other than cash payments for fractional shares and cash payments made in respect of dissenters' appraisal rights) which otherwise would constitute a fundamental change under clause (1), (4) or (6) above consists of shares of common stock, depositary receipts or other certificates

## Edgar Filing: SUNPOWER CORP - Form 424B5

representing common equity interests traded or to be traded immediately following such transaction on a national securities exchange and, as a result of the transaction or transactions, the debentures will become convertible into such common stock, depositary receipts or other certificates representing common equity interests (and any rights attached thereto) and other applicable consideration.

S-39

**Table of Contents**

Continuing directors means, as of any date of determination, any member of the board of directors of SunPower who:

was a member of the board of directors on the date of the indenture; or

was nominated for election or elected to the board of directors with the approval of a majority of the continuing directors who were members of the board at the time of new director's nomination or election.

The definition of fundamental change includes a phrase relating to the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of our assets and those of our subsidiaries taken as a whole. Although there is a developing body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of debentures to require us to repurchase the debentures as a result of a sale, lease, transfer, conveyance or other disposition of less than all of our assets and those of our subsidiaries taken as a whole to another person or group may be uncertain.

On or before the fifth calendar day after the occurrence of a fundamental change, we will provide to all record holders of the debentures on the date of the fundamental change at their addresses shown in the register of the registrar, the trustee and the paying agent, a written notice of the occurrence of the fundamental change and the resulting repurchase right. Such notice shall state, among other things, the event causing the fundamental change and the procedures you must follow to require us to repurchase your debentures.

The repurchase date will be a date specified by us in the notice of a fundamental change that is not less than 20 nor more than 35 calendar days after the date of the notice of a fundamental change.

To exercise your repurchase right, you must deliver, prior to 5:00 p.m., New York City time, on the repurchase date, a written notice to the paying agent of your exercise of your repurchase right (together with the debentures to be repurchased, if certificated debentures have been issued). The repurchase notice must state:

if you hold a beneficial interest in a global debenture, your repurchase notice must comply with appropriate DTC procedures; if you hold certificated debentures, the debentures certificate numbers;

the portion of the principal amount of the debentures to be repurchased, which must be \$1,000 or whole multiples thereof; and

that the debentures are to be repurchased by us pursuant to the applicable provisions of the debentures and the indenture.

You may withdraw your repurchase notice at any time prior to 5:00 p.m., New York City time, on the business day prior to repurchase date by delivering a written notice of withdrawal to the paying agent. If a repurchase notice is given and withdrawn during that period, we will not be obligated to repurchase the debentures listed in the repurchase notice. The withdrawal notice must state:

if you hold a beneficial interest in a global debenture, your withdrawal notice must comply with appropriate DTC procedures; if you hold certificated debentures, the certificate numbers of the withdrawn debentures;

the principal amount of the withdrawn debentures; and

the principal amount, if any, which remains subject to the repurchase notice.

Payment of the repurchase price for debentures for which a repurchase notice has been delivered and not withdrawn is conditioned upon book-entry transfer or delivery of the debentures, together with necessary endorsements, to the paying agent, as the case may be. Payment of the repurchase price for the debentures will be made promptly following the later of the repurchase date and the time of book-entry transfer or

delivery of the debentures, as the case may be.

S-40

## **Table of Contents**

If the paying agent holds on the business day immediately following the repurchase date cash sufficient to pay the repurchase price of the debentures that holders have elected to require us to repurchase, then, as of the repurchase date:

the debentures will cease to be outstanding and interest will cease to accrue, whether or not book-entry transfer of the debentures has been made or the debentures have been delivered to the paying agent, as the case may be; and

all other rights of the holders of debentures will terminate, other than the right to receive the repurchase price upon delivery or transfer of the debentures.

In connection with any repurchase, we will, to the extent applicable:

comply with the provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act that may be applicable at the time of the offer to repurchase the debentures;

file a Schedule TO or any other schedule required in connection with any offer by us to repurchase the debentures; and

comply with all other federal and state securities laws in connection with any offer by us to repurchase the debentures.

This fundamental change repurchase right could discourage a potential acquirer of SunPower. However, this fundamental change repurchase feature is not the result of management's knowledge of any specific effort to obtain control of us by means of a merger, tender offer, solicitation or otherwise, or part of a plan by management to adopt a series of anti-takeover provisions.

Our obligation to repurchase the debentures upon a fundamental change would not necessarily afford you protection in the event of a highly leveraged or other transaction involving us that may adversely affect holders. We also could, in the future, enter into certain transactions, including certain recapitalizations, that would not constitute a fundamental change but would increase the amount of our (or our subsidiaries') outstanding debt. The incurrence of significant amounts of additional debt could adversely affect our ability to service our then existing debt, including the debentures.

### **Consolidation, Merger and Sale of Assets by SunPower**

The indenture will provide that we may not, in a single transaction or a series of related transactions, consolidate with or merge with or into any other person or sell, convey, transfer or lease our property and assets substantially as an entirety to another person, unless:

either (a) we are the continuing corporation or (b) the directly resulting, surviving or transferee person (if other than us) is a corporation or limited liability company organized and existing under the laws of the United States, any state thereof or the District of Columbia and such person assumes, by a supplemental indenture in a form reasonably satisfactory to the trustee, and a supplemental agreement, all of our obligations under the debentures and the indenture;

immediately after giving effect to such transaction, no default or event of default has occurred and is continuing;

if as a result of such transaction the debentures become convertible into common stock or other securities issued by a third party, such third party fully and unconditionally assumes or guarantees all obligations of us or such successor under the debentures and the indenture; and

## Edgar Filing: SUNPOWER CORP - Form 424B5

we have, at or prior to the effective date of such consolidation, merger or transfer, delivered to the trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger or transfer is permitted by the indenture and that all conditions precedent provided for relating to such transaction have been complied with.

S-41

## **Table of Contents**

In the event of any transaction described in and complying with the conditions listed in the immediately preceding paragraph in which SunPower is not the continuing corporation, the successor person formed or remaining shall succeed, and be substituted for, and may exercise every right and power of, SunPower, and SunPower shall be discharged from its obligations, under the debentures and the indenture.

This covenant includes a phrase relating to the sale, conveyance, transfer and lease of the property and assets of SunPower substantially as an entirety. There is no precise, established definition of the phrase substantially as an entirety under New York law, which governs the indenture and the debentures. Accordingly, the ability of a holder of the debentures to require us to repurchase the debentures as a result of a sale, conveyance, transfer or lease of less than all of the property and assets of SunPower may be uncertain.

An assumption by any person of SunPower's obligations under the debentures and the indenture might be deemed for U.S. federal income tax purposes to be an exchange of the debentures for new debentures by the holders thereof, resulting in recognition of gain or loss for such purposes and possibly other adverse tax consequences to the holders. Holders should consult their own tax advisors regarding the tax consequences of such an assumption.

### **Events of Default; Notice and Waiver**

The following will be events of default under the indenture:

we fail to pay any interest on the debentures when due and such failure continues for a period of 30 calendar days;

we fail to pay principal of the debentures when due at maturity, or we fail to pay the redemption price or repurchase price, or any make whole premium payable, in respect of any debentures when due;

we fail to deliver cash and, if applicable, shares of our class A common stock (including any additional shares payable as a result of a make whole premium), upon the conversion of any debentures and such failure continues for five days following the scheduled settlement date for such conversion;

we fail to provide for a period of five business days after it is required in the indenture, notice of the anticipated effective date or actual effective date of a fundamental change;

we fail to perform or observe any other term, covenant or agreement in the debentures or the indenture for a period of 60 calendar days after written notice of such failure is given to us by the trustee or to us and the trustee by the holders of at least 25% in aggregate principal amount of the debentures then outstanding;

a failure to pay when due (whether at stated maturity or otherwise) or a default that results in the acceleration of maturity, of any indebtedness for borrowed money in excess of \$25.0 million of SunPower or any of our significant subsidiaries (which term shall have the meaning specified in Rule 1-02(w) of Regulation S-X), unless such indebtedness is discharged, or such acceleration is rescinded, stayed or annulled, within a period of 30 calendar days after written notice of such failure is given to us by the trustee or to us and the trustee by the holders of at least 25% in aggregate principal amount of the debentures then outstanding; or

certain events involving our bankruptcy, insolvency or reorganization or the bankruptcy, insolvency or reorganization of any of our significant subsidiaries (which term shall have the meaning specified in Rule 1-02(w) of Regulation S-X).

We are required to notify the trustee promptly upon becoming aware of the occurrence of any default under the indenture known to us. The trustee is then required within 90 calendar days of becoming aware of the occurrence of any default to give to the registered holders of the debentures notice of all uncured defaults known to it. However, the trustee may withhold notice to the holders of the debentures of any default, except defaults in



**Table of Contents**

payment of principal, interest on the debentures, if the trustee, in good faith, determines that the withholding of such notice is in the interests of the holders. We are also required to deliver to the trustee, on or before a date not more than 120 calendar days after the end of each fiscal year, a written statement as to compliance with the indenture, including whether or not any default has occurred.

If an event of default specified in the last bullet point listed above occurs and continues with respect to us or any of our significant subsidiaries, the principal amount of the debentures and accrued and unpaid interest on the outstanding debentures will automatically become due and payable. If any other event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debentures may declare the principal amount of the debentures and accrued and unpaid interest on the outstanding debentures to be due and payable. Thereupon, the trustee may, in its discretion, proceed to protect and enforce the rights of the holders of the debentures by appropriate judicial proceedings.

After a declaration of acceleration, but before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of a majority in aggregate principal amount of the debentures outstanding, by written notice to us and the trustee, may rescind and annul such declaration if:

we have paid (or deposited with the trustee a sum sufficient to pay) (1) all overdue interest on all debentures; (2) the principal amount of any debentures that have become due otherwise than by such declaration of acceleration; (3) to the extent that payment of such interest is lawful, interest upon overdue interest; and (4) all sums paid or advanced by the trustee under the indenture and the reasonable compensation, expenses, disbursements and advances of the trustee, its agents and counsel; and

all events of default, other than the non-payment of the principal amount and any accrued and unpaid interest that have become due solely by such declaration of acceleration, have been cured or waived.

The holders of a majority in aggregate principal amount of the outstanding debentures will have the right to direct the time, method and place of any proceedings for any remedy available to the trustee, subject to limitations specified in the indenture.

No holder of the debentures may pursue any remedy under the indenture, except in the case of a default in the payment of principal or interest on the debentures, unless:

the holder has given the trustee written notice of an event of default;

the holders of at least 25% in aggregate principal amount of the outstanding debentures make a written request to the trustee to pursue the remedy, and offer reasonable security or indemnity against any costs, liability or expense of the trustee;

the trustee fails to comply with the request within 60 calendar days after receipt of the request and offer of indemnity; and

the trustee does not receive an inconsistent direction from the holders of a majority in aggregate principal amount of the outstanding debentures.

***Waiver***

The holders of a majority in aggregate principal amount of the debentures outstanding may, on behalf of the holders of all the debentures, waive any past default or event of default under the indenture and its consequences, except:

our failure to pay principal of or interest on any debentures when due;

Edgar Filing: SUNPOWER CORP - Form 424B5

our failure to convert any debentures into cash and, if applicable, shares of class A common stock as required by the indenture;

S-43

**Table of Contents**

our failure to pay the redemption price on the redemption date in connection with a redemption by us or the repurchase price on the repurchase date in connection with a holder exercising its repurchase rights; or

our failure to comply with any of the provisions of the indenture that would require the consent of the holder of each outstanding debentures affected.

**Modification**

***Changes Requiring Approval of Each Holder***

The indenture (including the terms and conditions of the debentures) may not be modified or amended without the written consent or the affirmative vote of each affected holder of a debenture to:

extend the maturity of any debentures;

reduce the rate or extend the time for payment of interest on any debentures;

reduce the principal amount of any debentures;

reduce any amount payable upon redemption or repurchase of any debentures;

impair the right of a holder to institute suit for payment of any debentures;

change the currency in which any debentures is payable;

change the redemption provisions in a manner adverse to the holders;

change our obligation to repurchase any debentures at the option of the holder in a manner adverse to the holders except as provided below;

change our obligation to repurchase any debentures upon a fundamental change in a manner adverse to the holders after the occurrence of a fundamental change;

affect the right of a holder to convert any debentures into cash and, if applicable, shares of our class A common stock or reduce the number of shares of our class A common stock or any other property, including cash, receivable upon conversion pursuant to the terms of the indenture;

change our obligation to maintain an agency for service of process in New York City;

## Edgar Filing: SUNPOWER CORP - Form 424B5

subject to specified exceptions, modify certain provisions of the indenture relating to modification of the indenture or waiver under the indenture; or

reduce the percentage of the debentures required for consent to any modification of the indenture that does not require the consent of each affected holder.

### ***Changes Requiring Majority Approval***

The indenture (including the terms and conditions of the debentures) may be modified or amended, except as described above, with the written consent or affirmative vote of the holders of a majority in aggregate principal amount of the debentures then outstanding.

### ***Changes Requiring No Approval***

The indenture (including the terms and conditions of the debentures) may be modified or amended by us and the trustee, without the consent of the holder of any debentures, to, among other things:

provide for conversion rights of holders of the debentures and our repurchase obligations in connection with a fundamental change in the event of any reclassification of our class A common stock, merger or consolidation, or sale, conveyance, transfer or lease of our property and assets substantially as an entity;

S-44

**Table of Contents**

secure the debentures;

provide for the assumption of our obligations to the holders of the debentures in the event of a merger or consolidation, or sale, conveyance, transfer or lease of our property and assets substantially as an entirety;

surrender any right or power conferred upon us;

to add to our covenants for the benefit of the holders of the debentures;

cure any ambiguity or correct or supplement any inconsistent or otherwise defective provision contained in the indenture; provided that such modification or amendment does not adversely affect the interests of the holders of the debentures in any material respect; provided, further, that any amendment made solely to conform the provisions of the indenture to the description of the debentures contained in this prospectus supplement will not be deemed to adversely affect the interests of the holders of the debentures;

make any provision with respect to matters or questions arising under the indenture that we may deem necessary or desirable and that shall not be inconsistent with provisions of the indenture; provided that such change or modification does not, in the good faith opinion of our board of directors, adversely affect the interests of the holders of the debentures in any material respect;

increase the conversion rate;

comply with the requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act;

adding guarantees of obligations under the debentures; and

provide for a successor trustee.

***Other***

The consent of the holders of debentures is not necessary under the indenture to approve the particular form of any proposed modification or amendment. It is sufficient if such consent approves the substance of the proposed modification or amendment. After a modification or amendment under the indenture becomes effective, we are required to mail to the holders a notice briefly describing such modification or amendment. However, the failure to give such notice to all the holders, or any defect in the notice, will not impair or affect the validity of the modification or amendment.

***Debentures Not Entitled to Consent***

Any debentures held by us or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with us shall be disregarded (from both the numerator and the denominator) for purposes of determining whether the holders of the requisite aggregate principal amount of the outstanding debentures have consented to a modification, amendment or waiver of the terms of the indenture, except that for the purposes of determining whether the Trustee shall be protected in relying on any such consent, only debentures that the Trustee knows are so owned shall be so disregarded.

**Repurchase and Cancellation**

## Edgar Filing: SUNPOWER CORP - Form 424B5

We may, to the extent permitted by law, repurchase any debentures in the open market or by tender offer at any price or by private agreement. Any debentures repurchased by us may, at our option, be surrendered to the trustee for cancellation, but may not be reissued or resold by us. Any debentures surrendered for cancellation may not be reissued or resold and will be promptly cancelled.

S-45

## **Table of Contents**

### **Information Concerning the Trustee, Paying Agent, Conversion Agent and Common Stock Transfer Agent and Registrar**

We have appointed Wells Fargo Bank, National Association, the trustee under the indenture, as paying agent, conversion agent, debentures registrar and custodian for the debentures. The trustee or its affiliates may also provide other services to us in the ordinary course of their business. The indenture contains certain limitations on the rights of the trustee, if it or any of its affiliates is then our creditor, to obtain payment of claims in certain cases or to realize on certain property received on any claim as security or otherwise. The trustee and its affiliates will be permitted to engage in other transactions with us. However, if the trustee or any affiliate continues to have any conflicting interest and a default occurs with respect to the debentures, the trustee must eliminate such conflict or resign.

ComputerShare Investor Services is the transfer agent and registrar for our common stock.

### **Governing Law**

The debentures and the indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

### **Calculations in Respect of the Debentures**

Except as otherwise provided herein, we will be responsible for making all calculations called for under the debentures. These calculations include, but are not limited to, determinations of the sale price of our class A common stock, accrued interest payable on the debentures and the conversion rate and conversion price. We or our agents will make all these calculations in good faith and, absent manifest error, such calculations will be final and binding on holders of the debentures. We will provide a schedule of these calculations to each of the trustee and the conversion agent, and each of the trustee and conversion agent is entitled to rely upon the accuracy of our calculations without independent verification. The trustee will forward these calculations to any holder of the debentures upon the request of that holder.

### **Form, Denomination and Registration**

The debentures will be issued:

in fully registered form;

without interest coupons; and

in denominations of \$1,000 principal amount and integral multiples of \$1,000.

#### ***Global Debentures, Book-Entry Form***

The debentures will initially be evidenced by one or more global debentures. We will deposit the global debentures with DTC and register the global debentures in the name of Cede & Co. as DTC's nominee. Except as set forth below, the global debenture may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee.

Beneficial interests in a global debenture may be held through organizations that are participants in DTC (called "participants"). Transfers between participants will be effected in the ordinary way in accordance with DTC rules and will be settled in clearing house funds. The laws of some states require that certain persons take physical delivery of securities in definitive form. As a result, the ability to transfer beneficial interests in the global debentures to such persons may be limited.

Beneficial interests in a global debenture held by DTC may be held only through participants, or certain banks, brokers, dealers, trust companies and other parties that clear through or maintain a custodial relationship with a participant, either directly or indirectly (called "indirect participants"). So long as Cede & Co., as the



**Table of Contents**

nominee of DTC, is the registered owner of a global debentures, Cede & Co. for all purposes will be considered the sole holder of such global debentures. Except as provided below, owners of beneficial interests in a global debenture will:

not be entitled to have certificates registered in their names;

not receive physical delivery of certificates in definitive registered form; and

not be considered holders of the global debentures.

We will pay principal of and interest on, and the redemption price or the repurchase price of, the global debentures to Cede & Co., as the registered owner of the global debentures, by wire transfer of immediately available funds on the maturity date, each interest payment date or the redemption or repurchase date, as the case may be. Neither we, the trustee nor any paying agent will be responsible or liable:

for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in a global debenture; or

for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

DTC has advised us that it will take any action permitted to be taken by a holder of the debentures, including the presentation of the debentures for conversion, only at the direction of one or more participants in whose account with DTC interests in the global debentures are credited, and only in respect of the principal amount of the debentures represented by the global debentures as to which the participant or participants has or have given such direction.

DTC has advised us that it is:

a limited purpose trust company organized under the laws of the State of New York, and a member of the Federal Reserve System;

a clearing corporation within the meaning of the Uniform Commercial Code; and

a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants. Participants include securities brokers, dealers, banks, trust companies and clearing corporations and other organizations. Some of the participants or their representatives, together with other entities, own DTC. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

DTC has agreed to the foregoing procedures to facilitate transfers of interests in a global debenture among participants. However, DTC is under no obligation to perform or continue to perform these procedures, and may discontinue these procedures at any time. We will issue the debentures in definitive certificated form if DTC notifies us that it is unwilling or unable to continue as depositary or DTC ceases to be a clearing agency registered under the Exchange Act and a successor depositary is not appointed by us within 90 days. In addition, beneficial interests in a global debenture may be exchanged for definitive certificated debentures upon request by or on behalf of DTC in accordance with customary procedures following the request of a beneficial owner seeking to enforce its rights under such debentures or the indenture. The indenture permits us to determine at any time and in our sole discretion that debentures shall no longer be represented by global debentures. DTC has advised us that, under its current practices, it would notify its participants of our request, but will only withdraw beneficial interests from the global note at the request of each DTC participant. We would issue definitive certificates in exchange for any such beneficial interests withdrawn.

## Edgar Filing: SUNPOWER CORP - Form 424B5

Neither we, the trustee, registrar, paying agent nor conversion agent will have any responsibility or liability for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

S-47

## **Table of Contents**

### **DESCRIPTION OF CLASS A COMMON STOCK**

This section describes the general terms and provisions of our class A common stock and, where applicable to holders of our class A common stock, the terms and provisions of our class B common stock.

The summary set forth below does not purport to be complete and is subject to and qualified in its entirety by reference to our restated certificate of incorporation and amended and restated bylaws, each of which is incorporated by reference. We encourage you to read our restated certificate of incorporation and amended and restated bylaws for additional information before you decide whether to invest in this offering.

#### **General**

Our restated certificate of incorporation authorizes the issuance of up to 217,500,000 shares of class A common stock, par value \$0.001 per share and 157,500,000 shares of class B common stock, par value \$0.001 per share.

#### **Voting Rights**

Shares of class A common stock and class B common stock have substantially similar rights except that shares of class A common stock are entitled to one vote per share while shares of class B common stock are entitled to eight votes per share, on all matters to be voted on by our stockholders. Holders of shares of our capital stock are not entitled to cumulate their votes in the election of directors to our board of directors. Generally, all matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast at a meeting by all shares of class A common stock and class B common stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock. Except as otherwise provided by law, and subject to any voting rights granted to any outstanding preferred stock, amendments to our restated certificate of incorporation generally must be approved by at least a majority of the combined voting power of all our class A common stock and class B common stock, voting together as a single class. However, shares of class A common stock are not eligible to vote on any alteration or change in the powers, preferences, or special rights of the class B common stock that would not adversely affect the rights of the class A common stock.

#### **Conversion Rights**

If Cypress makes a distribution of its shares of class B common stock to its stockholders in connection with a tax-free distribution, shares of our class B common stock will automatically convert into shares of class A common stock. Such a conversion will also occur if such shares of class B common stock are transferred to a person other than Cypress, a successor in interest to Cypress or one of Cypress' subsidiaries. Cypress, its successors in interest and its subsidiaries may also convert shares of class B common stock into shares of class A common stock at any time. All conversions of shares of class B common stock into shares of class A common stock will be effected on a one-for-one basis. Shares of class A common stock are not convertible into any of our other securities.

At such time, if at all, as Cypress, its successors in interest and its subsidiaries collectively own less than 40% of the shares of all classes of our common stock then outstanding, and if Cypress has not effected a tax-free distribution of class B common stock to its stockholders prior to such time, each outstanding share of class B common stock will automatically convert into one share of our class A common stock on a one-for-one basis.

#### **Dividend Rights**

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of class A common stock and class B common stock are entitled to receive dividends out of assets legally available at the times and in the amounts that our board of directors may determine from time to time.

## **Table of Contents**

### **No Preemptive or Redemption Rights**

Class A common stock and class B common stock are not entitled to preemptive rights and are not subject to redemption or sinking fund provisions.

### **Right to Receive Liquidation Distributions**

Upon our liquidation, dissolution or winding-up, the holders of class A common stock and class B common stock are entitled to share equally in all of our assets remaining after payment of all liabilities and the liquidation preferences of any outstanding preferred stock.

### **Registration Rights**

We have entered into an investor rights agreement with Cypress providing for specified registration and other rights relating to its shares of our common stock. In connection with the Merger, we agreed to file with the SEC, and keep effective for a period of up to three years from the effectiveness thereof, a registration statement covering the resale of the shares of our class A common stock issued to the former shareholders of PowerLight in the Merger. We have not entered into, and do not expect to enter into, any other agreements, with any of our other stockholders obligating or requiring us to register shares of class A common stock.

### **Classification of Our Board of Directors**

Our restated certificate of incorporation and amended and restated bylaws provide that until such time as Cypress, its successors in interest and its subsidiaries collectively own less than 40% of the shares of all classes of our common stock then outstanding and Cypress is no longer consolidating us for accounting purposes, our board of directors will not be classified; thereafter, our board of directors will be divided into three classes of directors, with the classes to be as nearly equal in number as possible. Our amended and restated bylaws contain a process for determining to which class our incumbent directors will belong in the event that our board of directors becomes classified.

### **Membership on Committees of the Board of Directors**

Our restated certificate of incorporation and amended and restated bylaws provide that until such time as Cypress, its successors in interest and its subsidiaries collectively own less than 40% of the shares of all classes of our common stock then outstanding and Cypress is no longer consolidating us for accounting purposes, at the request of Cypress, a representative specifically designated by Cypress shall serve on each committee of our board of directors unless otherwise prohibited by the rules of The Nasdaq Stock Market or applicable law.

### **Calling of a Special Meeting of Stockholders by a Stockholder**

Our restated certificate of incorporation and amended and restated bylaws provide that until such time as Cypress, its successors in interest and its subsidiaries collectively own less than 40% of the shares of all classes of our common stock then outstanding and Cypress is no longer consolidating us for accounting purposes, Cypress may call a special meeting of the stockholders; thereafter, stockholders may not call special meetings of the stockholders.

### **Action of the Stockholders by Written Consent**

Our restated certificate of incorporation and amended and restated bylaws provide that until such time as Cypress, its successors in interest and its subsidiaries collectively own less than 40% of the shares of all classes of our common stock then outstanding and Cypress is no longer consolidating us for accounting purposes, stockholders may act without a meeting by written consent; thereafter, no action can be taken by stockholders except at an annual or special meeting of the stockholders called in accordance with our amended and restated bylaws, and stockholders may not act by written consent.

## **Table of Contents**

### **Super-Majority Voting of the Board of Directors**

Our restated certificate of incorporation provides that unless and until Cypress, its successors in interest and its subsidiaries collectively own less than 40% of the shares of all classes of our common stock then outstanding and Cypress is no longer consolidating us for accounting purposes, the affirmative vote of at least 75% of the then-authorized number of members of our board of directors will be required to: (a) adopt, amend or repeal our amended and restated bylaws or restated certificate of incorporation; (b) appoint or remove our chief executive officer; (c) designate, appoint or allow for the nomination or recommendation for election by our stockholders of an individual to our board of directors; (d) change the size of our board of directors to be other than five members; (e) form a committee of our board of directors or establish or change a charter, committee responsibilities or committee membership of any committee of our board of directors; (f) adopt any stockholder rights plan, poison pill or other similar arrangement; or (g) approve any transactions that would involve a merger, consolidation, restructuring, sale of substantially all of our assets or any of our subsidiaries or otherwise result in any person or entity obtaining control of us or any of our subsidiaries.

Cypress may at any time in its sole discretion waive this requirement to obtain such a super-majority vote of our board of directors.

### **Provisions of Our Restated Certificate of Incorporation Governing Corporate Opportunity**

Our amended certificate of incorporation provides that directors and officers who are also directors or officers of Cypress have no duty to communicate or present a corporate opportunity to us unless it is specifically and primarily applicable to converting solar energy into electrical energy and using the resulting electrical energy other than in applications for consumers where photodiode technology is combined with micro-controllers and other integrated circuits made by Cypress, have the right to deal with such corporate opportunity in their sole discretion and shall not be liable to us or our stockholders for breach of fiduciary duty by reason of the fact that such director or officer pursues or acquires such corporate opportunity for itself or for Cypress.

### **Anti-Takeover Effects of Delaware Law**

We are subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, those provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

the transaction is approved by the board before the date the interested stockholder attained that status;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

on or after the date the business combination is approved by the board and authorized at a meeting of stockholders by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines "business combination" to include the following:

any merger or consolidation involving the corporation and the interested stockholder;

any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

Edgar Filing: SUNPOWER CORP - Form 424B5

any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or

S-50

## **Table of Contents**

the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of a corporation and any entity or person affiliated with or controlling or controlled by any of these entities or persons.

A Delaware corporation may opt out of this provision either with an express provision in its original certificate of incorporation or in an amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out, and do not currently intend to opt out, of this provision. The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

## **Limitation of Liability and Indemnification Matters**

We have adopted provisions in our restated certificate of incorporation that limit the liability of our directors for monetary damages for breach of their fiduciary duty as directors, except for liability that cannot be eliminated under the DGCL. Delaware law provides that directors of a company will not be personally liable for monetary damages for breach of their fiduciary duty as directors, except for liabilities:

for any breach of their duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

for unlawful payment of dividend or unlawful stock repurchase or redemption, as provided under Section 174 of the DGCL; or

for any transaction from which the director derived an improper personal benefit.

Our restated certificate of incorporation and amended and restated bylaws also provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law. Our amended and restated bylaws also permit us to purchase insurance on behalf of any officer, director, employee or other agent for any liability arising out of his actions as our officer, director, employee or agent, regardless of whether the amended and restated bylaws would permit indemnification. We have entered into separate indemnification agreements with our directors and executive officers that could require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified.

## **Nasdaq Global Market Listing Symbol**

Our class A common stock trades on The Nasdaq Global Market under the symbol SPWR.

## **Transfer Agent and Registrar**

The transfer agent and registrar for our class A common stock is ComputerShare Investor Services.

---

**Table of Contents**

**DESCRIPTION OF SHARE LENDING AGREEMENT**

Concurrently with this offering of debentures, we are offering, by means of a separate prospectus supplement, 2,947,132 million shares of our class A common stock, all of which are being borrowed by an affiliate of Lehman Brothers Inc., one of the underwriters of the debentures. We will not receive any proceeds from that offering of class A common stock, but we will receive a nominal lending fee of \$0.001 per share for each share of common stock that we loan pursuant to the share lending agreement described below.

To make the purchase of the debentures offered pursuant to this prospectus supplement and the accompanying prospectus more attractive to prospective investors, we have entered into a share lending agreement, dated February 2, 2007, with Lehman Brothers Inc., as agent for its affiliate, Lehman Brothers International (Europe) Limited, which we refer to as LBIE, as principal, under which we have agreed to loan to LBIE 2,947,132 shares of our class A common stock for a period beginning on the date we entered into the share lending agreement and ending on February 15, 2027, or, if earlier, the date as of which we have notified LBIE in writing of our intention to terminate the agreement at any time after the entire principal amount of the convertible debentures ceases to be outstanding as the result of conversion, repurchase or redemption, or earlier in certain circumstances, which we refer to as the loan availability period.

Share loans under the share lending agreement will terminate and the borrowed shares must be returned to us if this offering of debentures is not consummated or upon the termination of the loan availability period, as well as under the following circumstances:

LBIE may terminate all or any portion of a loan at any time;

we may terminate any or all of the outstanding loans upon a default by LBIE under the share lending agreement, including a breach by LBIE of any of its representations and warranties, covenants or agreements under the share lending agreement, or the bankruptcy of LBIE; or

if we enter into a merger or similar business combination transaction with an unaffiliated third party (as defined in the agreement), all outstanding loans will terminate on the effective date of such event.

Except in certain limited circumstances, any borrowed shares returned to us cannot be reborrowed.

Any shares that we loan to LBIE will be issued and outstanding for corporate law purposes and, accordingly, the holders of the borrowed shares will have all of the rights of a holder of our outstanding shares, including the right to vote the shares on all matters submitted to a vote of our stockholders and the right to receive any dividends or other distributions that we may pay or make on our outstanding shares of class A common stock. However, under the share lending agreement, LBIE has agreed:

to pay to us an amount equal to any cash dividends that we pay on the borrowed shares, and

to pay or deliver to us any other distribution, in liquidation or otherwise, that we make on the borrowed shares.

LBIE also has agreed that it will not vote any borrowed shares of which it is the record owner, and it will not transfer or dispose of any borrowed shares initially borrowed by LBIE except pursuant to a registration statement that is effective under the Securities Act. However, investors that purchase the shares from LBIE (and any subsequent transferees of such purchasers) will be entitled to the same voting rights with respect to those shares as any other holder of our class A common stock.

The obligation of LBIE to us under the share lending agreement will be guaranteed by Lehman Brothers Holdings, Inc., an affiliate of LBIE.

**Table of Contents**

Under the share lending agreement, if Lehman Brothers Holdings, Inc. receives a rating downgrade of its long term, unsecured and subordinated indebtedness below a specified level by Standard & Poor's Ratings Group or Moody's Investor Services, Inc., LBIE has agreed to post and maintain with Lehman Brothers Inc., acting as collateral agent on our behalf, collateral in the form of cash, government securities, certificates of deposit, high-grade commercial paper of U.S. issuers or money market shares with a market value at least equal to 100% of the market value of the borrowed shares as security for the obligation of LBIE to return the borrowed shares of class A common stock to us when required under the terms of the share lending agreement. In certain limited circumstances, primarily if LBIE is prohibited by law or court order from returning the borrowed shares, we may elect to receive a distribution of the posted collateral in lieu of the delivery of the shares.

Our issuance of loaned shares of our class A common stock offered pursuant to the share lending agreement will be essentially analogous to a sale of shares coupled with a prepaid forward purchase contract for the reacquisition of the shares at a future date. An instrument that requires physical settlement by repurchase of a fixed number of shares in exchange for cash is considered a forward purchase instrument. While the share lending agreement does not require a cash payment upon return of the shares, physical settlement is required (i.e., the loaned shares must be returned at the end of the arrangement). In view of this and the contractual undertakings of LBIE in the share lending agreement, which have the effect of substantially eliminating the economic dilution that otherwise would result from the issuance of the borrowed shares, we believe that under U.S. GAAP, the borrowed shares will not be considered outstanding for the purpose of computing and reporting our earnings per share. Notwithstanding the foregoing, the shares will nonetheless be issued and outstanding and will be eligible for trading on The Nasdaq Global Market.

LBIE has agreed that it, or its affiliates, will use shares initially borrowed from us to facilitate the establishment by investors in our debentures of hedged positions in the debentures through purchases of class A common stock from such investors in short sales transactions or the entry into privately negotiated derivative transactions with those investors. In addition, LBIE and its affiliates may engage in such transactions at any time and from time to time during the term of the agreement in share amounts to be determined by LBIE and such affiliates. Further, LBIE and its affiliates may from time to time purchase our shares of class A common stock in the market and use such shares to facilitate hedging transactions by investors in our debentures.

The existence of the share lending agreement and the short positions established in connection with the sale of the debentures could have the effect of causing the market price of our class A common stock to be lower over the term of the share lending agreement than it would have been had we not entered into the agreement. See **Risk Factors** **Risks Related to the Debentures and the Class A Common Stock**. The effect of the issuance of our shares of class A common stock pursuant to the share lending agreement, including sales of our class A common stock in short sale transactions by purchasers of the debentures, may lower the market price of our class A common stock. However, we have determined that the entry into the share lending agreement is in our best interests as it is a means to facilitate the offer and sale of the debentures pursuant to this prospectus supplement and the accompanying prospectus on terms more favorable to us than we could have otherwise obtained.

**Table of Contents**

**MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of the material U.S. federal income tax consequences of the purchase, ownership and disposition of the debentures and our class A common stock into which the debentures may be converted. This summary deals only with a debenture or common stock held as a capital asset by a holder who purchases the debenture on original issuance at its initial offering price. It does not describe all of the tax consequences that may be relevant to a holder in light of its particular circumstances or to a holder subject to special rules, such as:

a dealer in securities or currencies;

a financial institution;

a regulated investment company;

a real estate investment trust;

a tax-exempt organization;

an insurance company;

a person holding the debentures as part of a hedging, integrated, conversion or constructive sale transaction or straddle;

a trader in securities that has elected the mark-to-market method of accounting;

a person liable for alternative minimum tax;

a person who is an investor in a pass-through entity such as a partnership;

a United States person whose functional currency is not the U.S. dollar; or

a United States expatriate.

This summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the Code), final, temporary, and proposed Treasury Regulations, administrative pronouncements of the Internal Revenue Service (IRS) and judicial decisions, all as of the date hereof. Those authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those summarized herein. Persons considering the purchase of debentures should consult their tax advisors with respect to the application of the United States federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

**Tax Consequences to United States Holders**

## Edgar Filing: SUNPOWER CORP - Form 424B5

As used here, the term **United States Holder** means a beneficial owner of a debenture or our common stock that is, for United States federal income tax purposes:

an individual citizen or resident of the United States;

a corporation or other entity taxable as a corporation for United States federal income tax purposes that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership, including an entity treated as a partnership for United States federal income tax purposes, is a holder of a debenture or our common stock, the United States federal income tax treatment of a partner in the

S-54

## **Table of Contents**

partnership will generally depend on the status of the partner and the activities of the partnership. Partners in such a partnership are urged to consult their tax advisors as to the particular United States federal income tax consequences applicable to them of purchasing, holding or disposing of the debentures or our common stock.

### **Payments of Interest**

Interest paid on a debenture will be taxable to a United States Holder as ordinary interest income at the time it accrues or is received in accordance with the holder's method of accounting for federal income tax purposes.

### **Sale, Exchange or Retirement of the Debentures**

Upon the sale, exchange or retirement of a debenture (other than a conversion into common stock and cash), a United States Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the holder's adjusted tax basis in the debenture. For these purposes, the amount realized does not include any amount attributable to accrued interest. Amounts attributable to accrued interest are treated as interest as described under "Payments of Interest" above. Gain or loss realized on the sale, exchange or retirement of a debenture will generally be capital gain or loss will generally be long-term capital gain or loss if at the time of sale, exchange or retirement the debenture has been held by the United States Holder for more than one year. If you are a non-corporate United States Holder, long-term capital gains will be subject to reduced rates of taxation. Your ability to deduct capital losses may be limited.

### **Conversion of the Debentures Into Cash**

If a United States Holder converts a debenture and we deliver solely cash, the United States Holder will recognize gain or loss in the same amount as if such holder had disposed of the debenture in a taxable disposition as described under "Sale, Exchange or Retirement of the Debentures" above.

### **Conversion of the Debentures Into Common Stock and Cash**

If a United States Holder converts a debenture and we deliver a combination of our common stock and cash, we intend to take the position (and the following discussion assumes) that the conversion will be treated as a recapitalization for United States federal income tax purposes, although this tax treatment is not free from doubt.

Assuming such treatment, a United States Holder will recognize gain, but not loss, equal to the excess of the sum of the fair market value of our common stock and cash received (other than amounts attributable to accrued interest, which will be treated as described under "Payments of Interest" above) over such holder's adjusted tax basis in the debenture, but in no event will the gain recognized exceed the amount of cash received (excluding cash attributable to accrued interest or received in lieu of a fractional share).

In such circumstances, a United States Holder's tax basis in our common stock received upon conversion of a debenture (other than common stock received with respect to accrued interest, but including any basis allocable to a fractional share) will equal the tax basis of the debenture that was converted, reduced by the amount of cash received (excluding cash received in respect of accrued interest and cash received in lieu of a fractional share) and increased by any gain recognized upon conversion (other than gain recognized upon receipt of cash in lieu of a fractional share). The receipt of cash in lieu of a fractional share generally will result in capital gain or loss (measured by the difference between the cash received in lieu of the fractional share and the United States Holder's tax basis in the fractional share). A holder's tax basis in the fractional share will be determined by allocating the holder's tax basis in the common stock between the common stock received upon conversion and the fractional share, in accordance with their respective fair market values.

A United States Holder's holding period for our common stock received upon conversion will include the period during which the holder held the debentures, except that the holding period of any common stock received in respect of accrued interest will commence on the day after conversion.

## **Table of Contents**

If the conversion is not treated as a recapitalization, an alternative characterization would treat the cash payment received on conversion as proceeds from a sale of a portion of the debenture, and would require a holder to recognize gain or loss in the manner described under Sale, Exchange or Retirement of the Debentures above with respect to the portion of the debenture treated as sold for cash. Under this alternative characterization, the United States Holder would not recognize gain or loss with respect to our common stock received (other than stock attributable to accrued interest), and the holder's holding period for such stock would include the period during which such holder held the debentures. In such case, the holder's basis in the debenture would be allocated pro rata between the common stock and cash received, in accordance with their fair market values. United States Holders should consult their tax advisors regarding the tax treatment of the receipt of cash and our common stock for debentures upon conversion.

### **Constructive Dividends**

If at any time we were to make a distribution of cash or property to our stockholders that would be taxable to the stockholders as a dividend for United States federal income tax purposes and, in accordance with the anti-dilution provisions of the debentures, the conversion rate of the debentures were increased, such increase would be a deemed distribution, taxable as a dividend to holders of the debentures to the extent of our current and accumulated earnings and profits (and otherwise as discussed below), notwithstanding the fact that the holders do not receive a cash payment.

If the conversion rate is increased at our discretion or in certain other circumstances (including adjustment to the conversion rate in connection with a fundamental change), such increase also may be a deemed distribution, taxable as a dividend to holders of the debentures to the extent of our current and accumulated earnings and profits (and otherwise as discussed below), notwithstanding the fact that the holders do not receive a cash payment. In certain circumstances the failure to make an adjustment of the conversion rate under the indenture may result in a deemed taxable distribution to holders of our common stock.

If there is a deemed distribution, such distribution will be taxable as a dividend to the extent of our current and accumulated earnings and profits, and thereafter as a return of capital or capital gain in accordance with the tax rules applicable to corporate distributions, but may not be eligible for the reduced rates of tax applicable to certain dividends paid to individual holders or the dividends-received deduction applicable to certain dividends paid to corporate holders.

Generally, an increase in the conversion rate under the indenture made pursuant to a bona fide reasonable adjustment formula in the event of stock dividends or distributions of rights to subscribe for our common stock will not be a taxable constructive dividend.

### **Distributions on Common Stock**

Distributions paid on our common stock received upon a conversion of a debenture, other than certain pro rata distributions of common shares, will be treated as a dividend to the extent paid out of our current or accumulated earnings and profits (as determined under United States federal income tax principles) and will be includible in income by the United States Holder and taxable as ordinary income when received. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the United States Holder's investment, up to the United States Holder's basis in the common stock. Any remaining excess generally will be treated as a capital gain. Dividends received by non-corporate United States Holders in taxable years beginning prior to January 1, 2011 will be eligible to be taxed at reduced rates if the holder meets certain holding period and other applicable requirements. Dividends received by a corporate United States Holder will be eligible for the dividends-received deduction if the holder meets certain holding period and other applicable requirements.

## **Table of Contents**

### **Sale or Other Disposition of Common Stock**

Gain or loss realized by a United States Holder on the sale or other disposition of our common stock received upon conversion of a debenture will be capital gain or loss for United States federal income tax purposes, and will be long-term capital gain or loss if the United States Holder's holding period for the common stock is more than one year. The amount of the United States Holder's gain or loss will be equal to the difference between the United States Holder's tax basis in the common stock disposed of and the amount realized on the disposition. If you are a non-corporate United States Holder, long-term capital gains will be subject to reduced rates of taxation. Your ability to deduct capital losses may be limited.

### **Possible Effect of the Change In Conversion Consideration After a Consolidation, Merger or Sale of Assets**

In certain situations, including a consolidation, merger or combination involving us or a transfer of all or substantially all of our property and assets, the debentures may become convertible into property other than our common stock. See "Description of the Debentures—Conversion Rights—Conversion Rate Adjustments." Depending on the circumstances, the conversion of the debentures into such property other than our common stock may be a fully taxable event.

### **Backup Withholding and Information Reporting**

Information returns will be filed with the IRS in connection with payments on the debentures, dividends on the common stock and proceeds from a sale or other disposition of the debentures or the common stock. A United States Holder will be subject to United States backup withholding tax on these payments if the United States Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a United States Holder will be allowed as a credit against the United States Holder's United States federal income tax liability and may entitle the United States Holder to a refund, provided that the required information is furnished to the IRS.

### **Tax Consequences to Non-U. S. Holders**

As used herein, the term "Non-U.S. Holder" means a beneficial owner of a debenture that is, for United States federal income tax purposes:

an individual who is classified as a nonresident alien for United States federal income tax purposes;

a foreign corporation; or

a foreign estate or trust.

"Non-U. S. Holder" does not include a holder who is an individual present in the United States for 183 days or more in the taxable year of the disposition of the debentures or common stock and who is not otherwise a resident of the United States for United States federal income tax purposes. Such a holder should consult his or her own tax advisor regarding the United States federal income tax consequences of the sale, exchange or other disposition of the debentures or common stock.

### **Payments on the Debentures**

Subject to the discussion below concerning backup withholding, payments of principal and interest (including interest deemed to be received upon conversion) on the debentures to a Non-U. S. Holder will not be subject to United States federal withholding tax, provided that, in the case of interest:

the holder does not own, actually or constructively, 10 percent or more of the total combined voting power of all classes of our stock entitled to vote, is not a bank described in section 881(c)(3)(A) of the



## **Table of Contents**

Code, and is not a controlled foreign corporation related, directly or indirectly, to us through stock ownership; and

the certification requirement described below has been fulfilled with respect to the beneficial owner.

### **Certification Requirement**

Interest on a debenture will generally not be exempt from withholding tax unless the beneficial owner of the debenture certifies on IRS Form W-8BEN, under penalties of perjury, that it is not a United States person.

If a Non-U. S. Holder of a debenture is engaged in a trade or business in the United States, and if interest on the debenture is effectively connected with the conduct of this trade or business, the Non-U. S. Holder, although exempt from the withholding tax discussed above, will generally be taxed in the same manner as a United States Holder (see Tax Consequences to United States Holders above), except that the holder will be required to provide a properly executed IRS Form W-8ECI in order to claim an exemption from withholding tax. These holders should consult their own tax advisors with respect to other United States tax consequences of the ownership and disposition of notes, including the possible imposition of a branch profits tax at a rate of 30% (or a lower treaty rate).

### **Sale, Exchange or Other Disposition of Debentures or Common Stock**

Subject to the discussion below concerning backup withholding, a Non-U.S. Holder generally will not be subject to United States federal income tax on gain realized on a sale, exchange or other taxable disposition (including upon conversion) of debentures or common stock unless:

the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States; or

we are or have been within the shorter of the five-year period preceding such sale, exchange, or other disposition and the period during which the Non-U.S. Holder held the debentures or common stock, a United States real property holding corporation, as defined in the Code.

We believe that we are not, and do not anticipate becoming, a United States real property holding corporation. Even if we were a U.S. real property holding corporation, gain arising from a disposition of common stock still would not be subject to United States Federal income tax if our class A common stock is considered regularly traded under applicable Treasury regulations on an established securities market, such as The Nasdaq National Market, and the Non-U.S. Holder does not own, actually or constructively, at any time during the five year period ending on the date of disposition more than 5% of the total fair market value of the class of our stock disposed of by the Non-U.S. Holder.

### **Taxation of Dividends on Common Stock**

Dividends on our common stock paid or constructive dividends deemed paid (see Tax Consequences to United States Holders Constructive Dividends above), to a Non-U.S. Holder generally will be subject to United States withholding tax at a 30% rate, subject to reduction under an applicable treaty. In the case of any constructive dividend, it is possible that the United States federal tax on this constructive dividend would be withheld from interest, shares of your common stock or sales proceeds subsequently paid or credited to the Non-U.S. Holder.

## **Table of Contents**

In order to obtain a reduced rate of withholding, a Non-U.S. Holder will be required to provide a properly executed IRS Form W-8BEN certifying its entitlement to benefits under a treaty. A Non-U.S. Holder who is subject to withholding tax under such circumstances should consult its tax advisor as to whether it can obtain a refund for all or a portion of the withholding tax.

If a Non-U.S. Holder of common stock is engaged in a trade or business in the United States, and if the dividends (or constructive dividends) are effectively connected with the conduct of this trade or business, the Non-U.S. Holder although exempt from United States withholding tax, will generally be taxed in the same manner as a United States Holder (see Tax Consequences to United States Holders above), except that the Non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI in order to claim an exemption from withholding tax. These Non-U.S. Holders should consult their own tax advisors with respect to other tax consequences of the ownership of our common stock, including the possible imposition of a branch profits tax at 30% (or at a reduced rate under an applicable tax treaty) for corporate Non-U.S. Holders.

## **Backup Withholding and Information Reporting**

Information returns will be filed with the IRS in connection with payments on the debentures and on the common stock. Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a United States person, information returns may be filed with the IRS in connection with the proceeds from a sale or other disposition of the debentures or common stock and the Non-U.S. Holder may be subject to United States backup withholding on payments on the debentures and on the common stock or on the proceeds from a sale or other disposition of the debentures or common stock. The certification procedures required to claim the exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid the backup withholding as well. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's United States federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is furnished to the IRS.

**Table of Contents****UNDERWRITING**

Lehman Brothers Inc. and Credit Suisse Securities (USA) LLC are acting as the representatives of the underwriters and the joint book-running managers of this offering. Under the terms and subject to the conditions contained in an underwriting agreement to be filed as an exhibit relating to this prospectus supplement, we have agreed to sell to the underwriters named below, and the underwriters have severally agreed to purchase from us the following respective principal amount of the debentures:

<b>Underwriters</b>	<b>Principal Amount of Debentures</b>
Lehman Brothers Inc.	\$ 61,250,000
Credit Suisse Securities (USA) LLC	43,750,000
Deutsche Bank Securities Inc.	35,000,000
Cowen and Company, LLC	17,500,000
First Albany Capital Inc.	8,750,000
ThinkEquity Partners LLC	8,750,000
<b>Total</b>	<b>\$ 175,000,000</b>

The underwriting agreement provides that the obligation of the underwriters to purchase the debentures depends of the satisfaction of conditions contained in the underwriting agreement, including:

the obligation to purchase all of the debentures offered hereby (other than those debentures covered by their option to purchase additional debentures as described below), if any of the debentures are purchased;

the representations and warranties made by us to the underwriters are true;

there is no material change in the financial markets; and

we deliver customary closing documents to the underwriters.

**Commissions and Expenses**

The following table summarizes the underwriting discounts and commission we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional debentures. The underwriting discounts and commissions are equal to 2.50% of the public offering price:

	<b>No Exercise</b>	<b>Full Exercise</b>
Per debenture	\$ 25	\$ 25
Total	\$ 4,375,000	\$ 5,000,000

The representatives of the underwriters have advised us that the underwriters propose to offer the debentures directly to the public at the public offering price on the cover page of this prospectus supplement and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of \$15.00 per debenture. After the offering, the representatives may change the offering price and other selling terms.

## Edgar Filing: SUNPOWER CORP - Form 424B5

The expenses of this offering and the concurrent offering of our class A common stock that are payable by us are estimated to be \$540,000 (excluding underwriting discounts and commissions).

S-60

## **Table of Contents**

### **Option to Purchase Additional Debentures**

We have granted the underwriters an option exercisable for 30 days after the date of this prospectus supplement, to purchase from time to time, in whole or in part, up to an aggregate of up to an additional \$25.0 million principal amount of debentures at the public offering price, less the underwriting discounts and commissions. This option may be exercised if the underwriters sell more than \$175.0 million aggregate principal amount of debentures in connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional debentures based on the underwriter's percentage underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting section.

### **Lock-Up Agreements**

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our common stock regardless of class, or the Securities, or securities convertible into or exchangeable or exercisable for any Securities, or publicly disclose the indenture to make any offer, sale, pledge, disposition or filing, without the prior written consent of Lehman Brothers Inc. and Credit Suisse Securities (USA) LLC for a period of 90 days after the date of this prospectus supplement, subject to certain exceptions, including grants equity awards pursuant to terms of a plan in effect on the date hereof or disclosed in this prospectus supplement, issuances pursuant to the exercise of employee stock options outstanding on the date hereof or pursuant to our dividend reinvestment plan, issuances of up to an aggregate 3.0 million shares of our Securities or other rights to acquire our Securities which we may issue in connection with transactions with others, including in acquisitions, so long as such parties agree to be locked-up for the remainder of the 90-day period, and except for the issuance of our class A common stock in connection with the share lending agreement.

Our officers, directors and Cypress have agreed that, subject to certain exceptions, they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Securities, or securities convertible into or exchangeable or exercisable for any Securities, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Securities, whether any of these transactions are to be settled by delivery of the Securities or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Lehman Brothers Inc. and Credit Suisse Securities (USA) LLC for a period of 90 days (in the case of our officers and directors) and 60 days (in the case of Cypress) after the date of this prospectus supplement except issuances pursuant to the exercise of employee stock options outstanding on the date hereof or pursuant to our dividend reinvestment plan and except for securities acquired in the open market and transfers to family members or certain other parties or as a gift.

### **Indemnification**

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to any payments that the underwriters may be required to make for these liabilities.

### **Stabilization, Short Positions and Penalty Bids**

The representatives may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases, or passive market making for the purpose of pegging, fixing or maintaining the price of the debentures and our class A common stock, in accordance with Regulation M under the Exchange Act:

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

## **Table of Contents**

A short position involves a sale by the underwriters of debentures in excess of the principal amount of debentures the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the principal amount of debentures involved in the sales made by the underwriters in excess of the principal amount of debentures they are obligated to purchase is not greater than the principal amount of debentures that they may purchase by exercising their option to purchase additional debentures. In a naked short position, the principal amount of debentures involved is greater than the principal amount of debentures in their option to purchase additional debentures. The underwriters may close out any short position by either exercising their option to purchase additional debentures and/or purchasing debentures in the open market. In determining the source of debentures to close out the short position, the underwriters will consider, among other things, the price of debentures available for purchase in the open market as compared to the price at which they may purchase debentures through their option to purchase additional debentures. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the debentures in the open market after pricing that could adversely affect investors who purchase in the offering.

Syndicate covering transactions involve purchases of the debentures in the open market after the distribution has been completed in order to cover syndicate short positions.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the debentures originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

Passive market making consists of displaying bids on The Nasdaq Global Market no higher than the bid prices of independent market makers and making purchases at prices no higher than those independent bids and effected in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker's average daily trading volume in our class A common stock during a specified period and must be discontinued when such limit is reached. Passive market making may cause the price of class A common stock to be higher than the price that otherwise would exist in the open market in the absence of such transactions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our debentures or preventing or retarding a decline in the market price of the debentures. As a result, the price of the debentures may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The Nasdaq Global Market or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the debentures. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

### **Nasdaq Global Market Quotation**

Our shares of class A common stock are listed on The Nasdaq Global Market under the symbol SPWR.

The debentures are a new issue of securities with no established market. We do not intend to apply for the debentures to be listed on any securities exchange or to arrange for the debentures to be quoted on any quotations system. We have been advised by the underwriters that the underwriters intend to make a market in the debentures but none of the underwriters is obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market, if any, for the debentures.

## **Table of Contents**

### **Electronic Distribution**

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus supplement and the accompanying prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

### **Stamp Taxes**

If you purchase debentures offered in this prospectus supplement and the accompanying prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus supplement. Accordingly, we urge you to consult a tax advisor with respect to whether you may be required to pay taxes or charges, as well as any other consequences that may arise under the laws of the country of purchase.

### **Relationships**

Several of the underwriters have in the past performed investment banking services for our parent, Cypress Semiconductor. Lehman Brothers Inc. and Credit Suisse Securities (USA) LLC, acting as joint book-running managers and representatives of the underwriters, and Cowen and Company, LLC and First Albany Capital Inc., as underwriters, earned underwriting discounts and commissions in connection with our initial public offering that was completed on November 22, 2005. In addition, Lehman Brothers Inc. and Credit Suisse Securities (USA) LLC, acting as joint book-running managers and representatives of the underwriters, and Deutsche Bank Securities Inc., Cowen and Company, LLC and First Albany Capital Inc., as underwriters, earned underwriting discounts and commissions in connection with our follow-on offering that was completed on June 6, 2006. We and affiliates of Lehman Brothers Inc. and Credit Suisse Securities (USA) LLC have entered into a three year \$25 million revolving credit facility for which we have paid and expect to pay them customary fees. In addition, Lehman Brothers Inc. received customary fees in connection with the issuance of its fairness opinion relating to our acquisition of PowerLight. The underwriters may in the future perform investment banking and advisory services for us or our parent from time to time for which they may in the future receive customary fees and expenses. The underwriters may, from time to time, engage in transactions with or perform other services for us in the ordinary course of their business.

Concurrently with this offering, we are offering, by means of a separate prospectus supplement, shares of our class A common stock that we have agreed to loan to LBIE, an affiliate of Lehman Brothers Inc., pursuant to a share lending agreement described in Description of Share Lending Agreement. LBIE has agreed that it or its affiliates will use the short sale of our class A common stock pursuant to that offering to facilitate transactions by which investors in the debentures will hedge their investments. See Description of Share Lending Agreement. In connection with facilitating those transactions, LBIE or its affiliates expect to receive customary, negotiated fees from investors in our debentures.

## **Table of Contents**

### **LEGAL MATTERS**

The validity of the debentures has been passed upon for us by Jones Day, Palo Alto, California. Selected legal matters with respect to the debentures will be passed upon for the underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, Palo Alto, California.

### **EXPERTS**

The financial statements of SunPower Corporation as of December 31, 2004 and 2005 and for the year ended December 31, 2003, the period from January 1, 2004 to November 8, 2004, the period from November 9, 2004 to December 31, 2004 and the year ended December 31, 2005 incorporated in this prospectus supplement by reference to SunPower's annual report on Form 10-K for the fiscal year ended December 31, 2005 have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of PowerLight Corporation appearing in SunPower Corporation's current report on Form 8-K/A dated January 25, 2007 incorporated by reference in this prospectus supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein, and are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

### **WHERE YOU CAN FIND MORE INFORMATION**

#### **Available Information**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any of this information at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 or (202) 942-8090 for further information on the public reference room. The SEC also maintains an Internet website that contains reports, proxy statements and other information regarding issuers, including us, who file electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov). The information contained on the SEC's website is expressly not incorporated by reference into this prospectus supplement.

Our SEC filings are also available on our website at [www.sunpowercorp.com](http://www.sunpowercorp.com), although the information on our website is expressly not incorporated by reference into, and does not constitute a part of, this prospectus supplement.

This prospectus supplement contains summaries of provisions contained in some of the documents discussed in this prospectus supplement, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to in this prospectus supplement have been filed or will be filed or incorporated by reference as exhibits to the registration statement of which this prospectus supplement is a part. If any contract, agreement or other document is filed or incorporated by reference as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved.

#### **Incorporation of Documents by Reference**

The SEC allows us to incorporate by reference information into this prospectus supplement. This means we can disclose information to you by referring you to another document we filed with the SEC. We will make those documents available to you without charge upon your oral or written request. Requests for those documents should be directed to SunPower Corporation, 3939 North First Street, San Jose, California 95134, Attention: Corporate Secretary. In addition, you may obtain copies of this information by sending an e-mail to

**Table of Contents**

publicrelations@sunpowercorp.com or by calling (408) 240-5588. This prospectus supplement incorporates by reference the following documents:

Our annual report on Form 10-K for the fiscal year ended December 31, 2005 filed on March 24, 2006;

Our quarterly report on Form 10-Q for the quarter ended April 2, 2006 filed on May 16, 2006;

Our quarterly report on Form 10-Q for the quarter ended July 2, 2006 filed on August 16, 2006;

Our quarterly report on Form 10-Q for the quarter ended October 1, 2006 filed on November 13, 2006;

Our current reports on Form 8-K filed on March 14, 2006, March 24, 2006 (both of the current reports on Form 8-K filed on this day), May 1, 2006 (only the information reported under Item 1.01 is incorporated herein by reference), July 10, 2006 (only the information reported under Item 1.01 is incorporated herein by reference), July 17, 2006, October 18, 2006 (only the information reported under Item 1.01 is incorporated herein by reference), November 16, 2006 (as amended by filings on November 20, 2006 and November 22, 2006), December 22, 2006 and January 17, 2007 (both of the current reports on Form 8-K filed on this day, although with respect to the current report on Form 8-K relating to (i) the entry into a material definitive agreement with JingAo Solar Company, Ltd., only the information reported under Item 1.01 thereof is incorporated herein by reference and (ii) the completion of the Merger, also including the amendment thereto filed on January 25, 2007); and

the description of the class A common stock included in the Form 8-A filed on October 31, 2005, and any amendment or report we may file with the SEC for the purpose of updating such description.

We are also incorporating by reference additional documents we may file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act after the date of this prospectus supplement until the offering of the particular securities covered by this prospectus supplement has been completed, other than any portion of the respective filings furnished, rather than filed, under the applicable SEC rules. This additional information is a part of this prospectus supplement from the date of filing of those documents.

Any statements made in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference into this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document which is also incorporated or deemed to be incorporated into this prospectus supplement modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

The information relating to us contained in this prospectus supplement and the accompanying prospectus should be read together with the information in the documents incorporated by reference.

---

**Table of Contents**

**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

Upon the completion of the Merger, all of the outstanding shares of PowerLight, and a portion of each vested option to purchase shares of PowerLight, were cancelled, and all of the outstanding options to purchase shares of PowerLight (other than the portion of each vested option that was cancelled) were assumed, by SunPower, in exchange for aggregate consideration of (i) approximately \$120.7 million in cash plus (ii) a total of 5,708,723 shares of SunPower's class A common stock, inclusive of (a) 1,601,839 shares of SunPower class A common stock which may be issued upon the exercise of assumed vested and unvested PowerLight stock options, which options vest on the same schedule as the assumed PowerLight stock options, and (b) 1,675,881 shares of SunPower class A common stock issued to employees of the PowerLight business in the Merger, which shares are subject to certain transfer restrictions and a repurchase option by the Company, both of which lapse over a two-year period under the terms of certain equity restriction agreements. The Company is also obligated under the terms of the Merger Agreement to issue an additional 200,471 shares of restricted SunPower class A common stock (such shares, the Bonus Pool) to certain employees of the PowerLight business, which shares will be subject to certain transfer restrictions which will lapse over four years.

SunPower's fiscal year consists of 52 or 53 weeks ending the Sunday closest to December 31, with quarters of 13 or 14 weeks ending the Sunday closest to March 31, June 30 and September 30 of each year. PowerLight's fiscal year ends on December 31 of each year. For presentation purposes only, the accompanying unaudited condensed combined financial statements and related notes refer to the calendar year end and month end of each respective period. The following unaudited pro forma condensed combined balance sheet is based on the historical condensed consolidated balance sheets of each of SunPower and PowerLight as of September 30, 2006, and has been prepared to reflect the Merger as if it had been consummated on September 30, 2006. The following unaudited pro forma condensed combined statements of operations give effect to the Merger as if it had been completed on January 1, 2005. The unaudited pro forma condensed combined statement of operations for the fiscal year ended December 31, 2005 combines SunPower's and PowerLight's respective historical consolidated statements of operations for their 2005 fiscal year. The following unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2006 combines SunPower's and PowerLight's respective historical consolidated statements of operations for the nine months then ended.

The Merger is being accounted for under the purchase method of accounting in accordance with Statement of Financial Accounting Standards, or SFAS, No. 141, *Business Combinations*. Under the purchase method of accounting, the total purchase price, calculated as described in Note 1 to these unaudited pro forma condensed combined financial statements, is allocated to the net tangible and intangible assets of PowerLight based on their fair values. Management has made a preliminary allocation of the estimated purchase price to the tangible and intangible assets acquired and liabilities assumed based on various estimates. A final determination of these estimated fair values will be based on the actual net tangible and intangible assets of PowerLight that existed as of the Effective Date.

The unaudited pro forma condensed combined financial statements are based on the estimates and assumptions which are preliminary and have been made solely for purposes of developing such pro forma information. They do not include liabilities that may result from integration activities which are not presently estimable. Management is in the process of making these assessments, and estimates of these costs are not currently known. However, liabilities ultimately may be recorded for severance costs, costs of vacating some facilities or other costs associated with exiting activities of PowerLight that would affect the pro forma financial statements. In addition, the pro forma condensed combined financial statements do not include any potential operating efficiencies or cost savings from expected synergies of combining the companies. The unaudited pro forma condensed combined financial statements are not necessarily an indication of the results that would have been achieved had the Merger been consummated as of the dates indicated or that may be achieved in the future. The unaudited pro forma condensed combined financial statements are based upon the historical consolidated financial statements of each of SunPower and PowerLight and should be read in conjunction with:

the information under the caption "Risk Factors" in this prospectus supplement and the accompanying prospectus;

**Table of Contents**

the accompanying notes to these unaudited pro forma condensed combined condensed financial statements;

the separate historical financial statements of SunPower as of and for the three and nine months ended September 30, 2006 included in SunPower's quarterly report on Form 10-Q for the three and nine months ended September 30, 2006, which is incorporated by reference in this prospectus supplement;

the separate historical financial statements of SunPower as of and for the years ended December 31, 2005, 2004 and 2003 included in SunPower's annual report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference in this prospectus supplement; and

the separate historical financial statements of PowerLight as of and for the nine months ended September 30, 2006, and for the years ended December 31, 2005, 2004 and 2003, which have been filed as exhibits to our current report on Form 8-K/A, dated January 25, 2007, which is incorporated by reference in this prospectus supplement.

All intercompany balances and profits or losses from intercompany transactions between SunPower and PowerLight have been eliminated in these pro forma condensed combined financial statements.

**Table of Contents****PRO FORMA CONDENSED COMBINED BALANCE SHEETS****AS OF SEPTEMBER 30, 2006****(In thousands)****(Unaudited)**

	Historical		Pro Forma	Notes	Pro Forma
	SunPower	PowerLight	Adjustments		Combined
<b>Assets</b>					
Cash and cash equivalents	\$ 253,735	\$ 20,612	\$ (120,694)	(a)	\$ 153,653
Short-term investments	19,897				19,897
Accounts receivable, net	47,067	46,972	(7,413)	(b)	86,626
Inventories	26,069	22,888			48,957
Prepaid expenses and other current assets	22,472	9,118	(3,800)	(d)	
			(10,000)	(e)	17,790
Deferred costs		38,752	(1,400)	(f)	37,352
Deferred income taxes		3,350			3,350
Total current assets	369,240	141,692			367,625
Property, plant and equipment, net	163,455	1,823			165,278
Goodwill	2,883		182,036	(j)	184,919
Intangible assets, net	15,213	2,312	(2,312)	(h)	
			86,714	(i)	101,927
Other long-term assets	271	8,469	(1,200)	(d)	7,540
Advances to suppliers, net of current portion	13,308				13,308
Total assets	\$ 564,370	\$ 154,296			\$ 840,597
<b>Liabilities and Stockholders Equity</b>					
Accounts payable	\$ 31,048	\$ 45,587	\$ (7,413)	(b)	\$ 69,222
Accounts payable to Cypress Semiconductor Corporation	3,904				3,904
Note payable to SunPower		10,000	(10,000)	(e)	
Note payable to bank		7,095			7,095
Accrued liabilities and other	11,154	12,627	3,000	(k)	26,781
Current portion of customer advances	11,643		(5,000)	(d)	6,643
Billings in excess of costs and estimated gross profit on contracts in progress		56,377	(3,602)	(o)	52,775
Total current liabilities	57,749	131,686			166,420
Deferred tax liability	1,140		34,686	(g)	35,826
Customer advances, net of current portion	28,854				28,854
Other long term liabilities		4,771			4,771
Total liabilities	87,743	136,457			235,871
Preferred stock with redemption rights		14,586	(14,586)	(l)	
Stockholders equity	476,627	3,253	(3,253)	(m)	
			132,546	(n)	
			(4,447)	(c)	604,726

&amp;