SUNPOWER CORP
Form DEF 14A
March 13, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

SunPower Corporation

(Name of Registrant as Specified In Its Charter)

n/a

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(1) Amount previously paid with preliminary materials:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed: March 13, 2014

NOTICE OF THE 2014 ANNUAL MEETING OF STOCKHOLDERS

TO ALL SUNPOWER STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2014 Annual Meeting of Stockholders (the Annual Meeting) of SunPower Corporation, a Delaware corporation (SunPower), will be held on:

Date:	Wednesday, April 23, 2014
Time:	Noon Pacific Time
Place:	SunPower Corporation, 77 Rio Robles, San Jose, California 95134
Items of Business:	1. The re-election of three directors to serve as Class III directors on our board of directors (the Board);
	2. The proposal to approve, in an advisory vote, our named executive officer compensation;
	3. The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2014;
	4. The approval of the SunPower Corporation Annual Executive Bonus Plan; and
	5. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this Notice. On March 13, 2014 we began mailing to stockholders either a Notice of Internet Availability of Proxy Materials or this notice of the Annual Meeting, the proxy statement and the form of proxy.

All stockholders are cordially invited to attend the Annual Meeting in person. Only stockholders of record at the close of business on February 24, 2014 (the Record Date) are entitled to receive notice of, and to vote at, the Annual Meeting or any adjournment or postponement of the Annual Meeting. Any registered stockholder in attendance at the Annual Meeting and entitled to vote may do so in person even if such stockholder returned a proxy.

San Jose, California
March 13, 2014

FOR THE BOARD OF DIRECTORS

Lisa Bodensteiner
Corporate Secretary

IMPORTANT: WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE PROXY CARD AND MAIL IT PROMPTLY, OR YOU MAY VOTE BY TELEPHONE OR VIA THE INTERNET BY FOLLOWING THE DIRECTIONS ON THE PROXY CARD. ANY ONE OF THESE METHODS WILL ENSURE REPRESENTATION OF YOUR SHARES AT THE ANNUAL MEETING. NO POSTAGE NEED BE AFFIXED TO THE COMPANY-PROVIDED PROXY CARD ENVELOPE IF MAILED IN THE UNITED STATES.

PROXY STATEMENT FOR

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77 Rio Robles

San Jose, California 95134

PROXY STATEMENT FOR

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INFORMATION CONCERNING SOLICITATION AND VOTING

General

The Board of Directors (the Board) of SunPower Corporation, a Delaware corporation, is furnishing this proxy statement and proxy card to you in connection with its solicitation of proxies to be used at SunPower Corporation s Annual Meeting of Stockholders to be held on April 23, 2014 at noon Pacific Time at SunPower Corporation, 77 Rio Robles, San Jose, California, or at any adjournment(s), continuation(s) or postponement(s) of the meeting (the Annual Meeting).

We use a number of abbreviations in this proxy statement. We refer to SunPower Corporation as SunPower, the Company, or we, us or our. term proxy solicitation materials includes this proxy statement, the notice of the Annual Meeting, and the proxy card. References to fiscal 2013 mean our 2013 fiscal year, which began on December 31, 2012 and ended on December 29, 2013, while references to fiscal 2012 mean our 2012 fiscal year, which began on January 2, 2012 and ended on December 30, 2012.

Our principal executive offices are located at 77 Rio Robles, San Jose, California 95134, and our telephone number is (408) 240-5500.

Important Notice Regarding the Availability of Proxy Materials

We have elected to comply with the Securities and Exchange Commission (the SEC) Notice and Access rules, which allow us to make our proxy solicitation materials available to our stockholders over the Internet. Under these rules, on or about March 13, 2014, we started mailing to certain of our stockholders a Notice of Internet Availability of Proxy Materials (the Notice of Internet Availability). The Notice of Internet Availability contains instructions on how our stockholders can both access the proxy solicitation materials and our 2013 Annual Report on Form 10-K for the fiscal year ended December 29, 2013 (the 2013 Annual Report) online and vote online. By sending the Notice of Internet Availability instead of paper copies of the proxy materials, we expect to lower the costs and reduce the environmental impact of our Annual Meeting.

Our proxy solicitation materials and our 2013 Annual Report are available at www.proxyvote.com.

Stockholders receiving the Notice of Internet Availability may request a paper or electronic copy of our proxy solicitation materials by following the instructions set forth on the Notice of Internet Availability. Stockholders who did not receive the Notice of Internet Availability will continue to receive a paper or electronic copy of our proxy solicitation materials, which were first mailed to stockholders and made public on or about March 13, 2014.

Delivery of Voting Materials

If you would like to further reduce our costs in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions provided for voting via www.proxyvote.com and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

To reduce the expenses of delivering duplicate materials to our stockholders, we are taking advantage of householding rules that permit us to deliver only one set of proxy solicitation materials, proxy card, and our 2013 Annual Report, or one copy of the Notice of Internet Availability, to stockholders who share the same address, unless otherwise requested. Each stockholder retains a separate right to vote on all matters presented at the Annual Meeting.

If you share an address with another stockholder and have received only one set of materials, you may write or call us to request a separate copy of these materials at no cost to you. For future annual meetings, you may request separate materials or request that we only send one set of materials to you if you are receiving multiple copies by writing to us at SunPower Corporation, 77 Rio Robles, San Jose, California 95134, Attention: Corporate Secretary, or calling us at (408) 240-5500.

A copy of our 2103 Annual Report has been furnished with this proxy statement to each stockholder. A stockholder may also request a copy of our 2013 Annual Report by writing to our Corporate Secretary at 77 Rio Robles, San Jose, California 95134. Upon receipt of such request, we will provide a copy of our 2013 Annual Report without charge, including the financial statements required to be filed with the SEC pursuant to Rule 13a-1 of the Securities Exchange Act of 1934 (Exchange Act) for our fiscal year 2013. Our 2013 Annual Report is also available on our website at *http://investors.sunpower.com/sec.cfm.*

Record Date and Shares Outstanding

Stockholders who owned shares of our common stock, par value $0.001 per share, at the close of business on February 24, 2014, which we refer to as the Record Date, are entitled to notice of, and to vote at, the Annual Meeting. On the Record Date, we had 121,637,984 shares of common stock outstanding. For more information about beneficial ownership of our issued and outstanding common stock, please see *Security Ownership of Management and Certain Beneficial Owners*.

Board Recommendations

Our Board recommends that you vote:

FOR Proposal One: re-election of each of the nominated Class III directors;

FOR Proposal Two: the approval, on an advisory basis, of the compensation of our named executive officers;

FOR Proposal Three: the ratification of appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2014; and

FOR Proposal Four: the approval of the SunPower Corporation Annual Executive Bonus Plan.

Voting

Each holder of shares of common stock is entitled to one vote for each share of common stock held as of the Record Date. Cumulating votes is not permitted under our By-laws.

Many of our stockholders hold their shares through a stockbroker, bank or other nominee, rather than directly in their own name. As summarized below, there are distinctions between shares held of record and those beneficially owned.

Stockholder of Record. If your shares are registered directly in your name with our transfer agent, Computershare Trust Company N.A., you are considered, with respect to those shares, the stockholder of record and these proxy solicitation materials are being furnished to you directly by us.

Beneficial Owner. If your shares are held in a stock brokerage account, or by a bank or other nominee (also known as shares registered in street name), you are considered the beneficial owner of such shares held in street name, and these proxy solicitation materials are being furnished to you by your broker, bank or other nominee, who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other nominee as to how to vote your shares. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not automatically vote your shares in person at the Annual Meeting.

How To Vote. If you hold shares directly as a stockholder of record, you can vote in one of the following three ways, in addition to attending the Annual Meeting:

(1) Vote via the Internet at www.proxyvote.com. Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time on April 22, 2014. Have your Notice of Internet Availability or proxy card in hand when you access the website and then follow the instructions.

(2) Vote by Telephone at 1-800-690-6903. Use a touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time on April 22, 2014. Have your Notice of Internet Availability or proxy card in hand when you call and then follow the instructions. This number is toll free in the U.S. and Canada.

(3) Vote by Mail. Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided with any paper copy of the proxy statement, or return the proxy card to SunPower Corporation, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

If you hold shares beneficially in street name, you may submit your voting instructions in the manner prescribed by your broker, bank or other nominee by following the instructions provided by your broker, bank or other nominee. Shares registered in street name may be voted in person by you at the Annual Meeting only if you obtain a signed proxy from the broker, bank or other nominee who holds your shares, giving you the right to vote the shares.

Even if you plan to attend the Annual Meeting, we recommend that you vote your shares in advance as described above so that your vote will be counted if you later decide not to attend the Annual Meeting.

Quorum. A quorum, which is the holders of at least a majority of shares of our stock issued and outstanding and entitled to vote as of the Record Date, is required to be present in person or by proxy at the Annual Meeting in order to hold the Annual Meeting and to conduct business. Your shares will be counted as being present at the Annual Meeting if you appear in person at the Annual Meeting (and are the stockholder of record for your shares), if you vote your shares by telephone or over the Internet, or if you submit a properly executed proxy card. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. Votes against a particular proposal will also be counted both to determine the presence or absence of a quorum and to determine whether the requisite number of voting shares has been obtained.

Explanation of Broker Non-Votes and Abstentions. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. NYSE rules (which also apply to companies listed on The Nasdaq Stock Exchange) prohibit brokers from voting in their discretion on any of our proposals without instructions from the beneficial owners. If you do not instruct your broker how to vote on the proposals, your broker will not vote for you. Abstentions are deemed to be entitled to vote for purposes of determining whether stockholder approval of that matter has been obtained, and they would be included in the tabulation of voting results as votes against the proposal.

Votes Required/Treatment of Broker Non-Votes and Abstentions.

Proposal One Re-election of Class III Directors. Election of a director requires the affirmative vote of the holders of a plurality of votes represented by the shares present in person or represented by proxy at a meeting at which a quorum is present. The three persons receiving the greatest number of votes at the Annual Meeting shall be elected as Class III directors. Since only affirmative votes will be counted, neither broker non-votes nor abstentions will affect the outcome of the voting on Proposal One.

Proposal Two Advisory Vote on Named Executive Officer Compensation. The advisory vote on named executive compensation requires the affirmative vote of the holders of a majority of our stock having voting power and present in person or represented by proxy at the Annual Meeting. Broker non-votes and abstentions will not count as votes in favor of the advisory vote on named executive officer compensation and abstentions, but not broker non-votes, will have the effect of votes against Proposal Two.

Proposal Three Ratification of the Appointment of Independent Registered Public Accounting Firm for Fiscal Year 2014. Ratification of the appointment of our independent registered public accounting firm requires the affirmative vote of the holders of a majority of our stock having voting power and present in person or represented by proxy at the Annual Meeting. Broker non-votes and abstentions will not count as votes in favor of this proposal and abstentions, but not broker non-votes, will have the effect of votes against Proposal Three.

Proposal Four Approval of the SunPower Corporation Annual Executive Bonus Plan. The approval of the SunPower Corporation Annual Executive Bonus Plan requires the affirmative vote of the holders of a majority of our stock having voting power and present in person or represented by proxy at the Annual Meeting. Broker non-votes and abstentions will not count as votes in favor of this proposal and abstentions, but not broker non-votes, will have the effect of votes against Proposal Four.

How Your Proxy Will Be Voted

If you complete and submit your proxy card or vote via the Internet or by telephone, the shares represented by your proxy will be voted at the Annual Meeting in accordance with your instructions. If you submit your proxy card by mail, but do not fill out the voting instructions on the proxy card, the shares represented by your proxy will be voted in favor of each of the three proposals. In addition, if any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as directed by the Board. We have not received notice of any other matters that may properly be presented at the Annual Meeting.

Revoking Your Proxy

You may revoke your proxy at any time before the date of the Annual Meeting by: (1) submitting a later-dated vote in person at the Annual Meeting, via the Internet, by telephone or by mail; or (2) delivering instructions to us at 77 Rio Robles, San Jose, California 95134 to the attention of our Corporate Secretary. Any notice of revocation sent to us must include the stockholder s name and must be actually received by us before the Annual Meeting to be effective. Your attendance at the Annual Meeting after having executed and delivered a valid proxy card or vote via the Internet or by telephone will not in and of itself constitute a revocation of your proxy. If you intend to revoke your proxy by voting in person at the Annual Meeting, you will be required to give oral notice of your intention to do so to the Inspector of Elections at the Annual Meeting. If your shares are held in street name, you should follow the directions provided by your broker, bank or other nominee regarding how to revoke your proxy.

Solicitation of Proxies

We will pay for the cost of this proxy solicitation. We may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding or furnishing proxy solicitation materials to such beneficial owners. Proxies may also be solicited personally or by telephone, telegram, or facsimile by certain of our directors, officers, and regular employees, without additional compensation.

Voting Results

We will announce preliminary voting results at the Annual Meeting and publish final results on a Current Report on Form 8-K, which we intend to file with the SEC within four business days following the date of the Annual Meeting.

Note Concerning Forward-Looking Statements

Certain of the statements contained in this proxy statement are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that do not represent historical facts and the assumptions underlying such statements. We use words such as anticipate, believe, continue could, estimate, expect, intend, may, potential, should, will, would and similar expressions to identify forward-looking statements. These statements include, but are not limited to, operating results, business strategies, management s plans and objectives for future operations, expectations and intentions, actions to be taken by us and other statements that are not historical facts. These forward-looking statements are based on information available to us as of the date of this proxy statement and our current expectations, forecasts and assumptions and involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks and uncertainties include a variety of factors, some of which are beyond our control. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed in Part I, Item 1A, Risk Factors and elsewhere in our 2013 Annual Report, which accompanies this proxy statement. There may be other factors of which we are not currently aware that may affect matters discussed in the forward-looking statements and may cause actual results to differ materially from those discussed. These forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we are under no obligation to, and expressly disclaim any responsibility to, update our forward-looking statements, whether as a result of new information, future events or otherwise.

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, YOU ARE REQUESTED TO COMPLETE, DATE, AND SIGN THE PROXY CARD AND RETURN IT PROMPTLY, OR VOTE BY TELEPHONE OR VIA THE INTERNET BY FOLLOWING THE DIRECTIONS ON THE PROXY CARD. BY RETURNING YOUR PROXY CARD OR VOTING BY PHONE OR INTERNET PROMPTLY, YOU CAN HELP US AVOID THE EXPENSE OF FOLLOW-UP MAILINGS TO ENSURE A QUORUM IS PRESENT AT THE ANNUAL MEETING. STOCKHOLDERS WHO ATTEND THE ANNUAL MEETING MAY REVOKE A PRIOR PROXY VOTE AND VOTE THEIR SHARES IN PERSON AS SET FORTH IN THIS PROXY STATEMENT.

PROPOSAL ONE

RE-ELECTION OF CLASS III DIRECTORS

Our Board is currently composed of nine members and divided into three classes, in accordance with Article IV, Section B of our Certificate of Incorporation. Only the terms of the three directors serving as Class III directors are scheduled to expire in 2014. The terms of other directors expire in subsequent years.

On April 28, 2011, we and Total Energies Nouvelles Activités USA, SAS, formerly known as Total Gas & Power USA, SAS (Total), a subsidiary of Total S.A. (Total S.A.), entered into a Tender Offer Agreement (the Tender Offer Agreement). Pursuant to the Tender Offer Agreement, on June 21, 2011, Total purchased in a cash tender offer approximately 60% of the outstanding shares of our former class A common stock and 60% of the outstanding shares of our former class B common stock (the Tender Offer) at a price of $23.25 per share for each class. In connection with the Tender Offer, we and Total entered into an Affiliation Agreement that governs the relationship between Total and us following the close of the Tender Offer (the Affiliation Agreement). In accordance with the terms of the Affiliation Agreement, our Board had 11 members, composed of our Chief Executive Officer, four non-Total-designated members of the Board, and six directors designated by Total. On the first anniversary of the consummation of the Tender Offer (June 21, 2012), the size of the Board was reduced to nine members and one non-Total-designated director, W. Steve Albrecht, and one director designated by Total, Jean-Marc Otero del Val, resigned from the Board. If the Total Group s (as defined in the Affiliation Agreement) ownership percentage declines, the number of members of the Board that Total is entitled to designate will be reduced as set forth in the Affiliation Agreement. Ms. Betsy S. Atkins, a Class II director and an independent director, resigned from the Board effective August 31, 2012, and the Board appointed Catherine Lesjak as a new independent director to fill this vacancy, effective June 6, 2013. Mr. Otero del Val replaced Jérôme Schmitt, a Class I director, as a Total-designated director effective April 30, 2013.

The Board has considered and approved the nomination of Thomas McDaniel, Humbert de Wendel and Thomas Werner, our current Class III directors, for re-election as directors at the Annual Meeting. Mr. de Wendel is a Total-designated director whose initial appointment and nomination was recommended by Total. Mr. McDaniel is an independent director. Mr. Werner is our President and CEO. Each nominee has consented to being named in this proxy statement and to serve if re-elected. Unless otherwise directed, the proxy holders will vote the proxies received by them for the three nominees named below. If any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who is designated by the present Board to fill the vacancy. We do not expect that any nominee will be unable or will decline to serve as a director. The Class III directors elected will hold office until the annual meeting of stockholders in 2017 or until their successors are elected.

The Class I group of directors consists of Arnaud Chaperon, Jean-Marc Otero del Val and Pat Wood III, who will hold office until the annual meeting of stockholders in 2015 or until their successors are elected. Messrs. Chaperon and Otero del Val are Total-designated directors. Mr. Wood is an independent director. The Class II group of directors consists of Bernard Clement, Denis Giorno and Catherine Lesjak, who will hold office until the annual meeting of stockholders in 2016 or until their successors are elected. Messrs. Clement and Giorno are Total-designated directors. Ms. Lesjak is an independent director.

Additional information, as of March 13, 2014, about the Class III director nominees for re-election and the Class I and Class II directors is set forth below.

Class III Directors Nominated for Re-Election at the Annual Meeting

Name	Class	Age	Position(s) with SunPower	Director Since
Thomas R. McDaniel	III	65	Director	2009
Humbert de Wendel	III	57	Director	2011
Thomas H. Werner	III	54	President and CEO, Director and Chairman of the Board	2003

Mr. Thomas R. McDaniel was Executive Vice President, Chief Financial Officer and Treasurer of Edison International, a generator and distributor of electric power and investor in infrastructure and energy assets, before retiring in July 2008 after 37 years of service. Before January 2005, Mr. McDaniel was Chairman, Chief Executive Officer and President of Edison Mission Energy, a power generation business specializing in the development, acquisition, construction, management and operation of power production facilities. Mr. McDaniel was also Chief Executive Officer and a director of Edison Capital, a provider of capital and financial services supporting the growth of energy and infrastructure projects, products and services, both domestically and internationally. Mr. McDaniel has served on our Board since February 2009. He is Chairman of the Board of Tendril, a smart-grid, software-as-a-service company. Mr. McDaniel is a director of SemGroup, L.P., a midstream energy services company. He is also on the advisory board of Cypress Envirosystems, which develops and markets energy efficiency products. Mr. McDaniel also serves on the Advisory Board of On Ramp Wireless, a communications company serving electrical, gas and water utilities. Mr. McDaniel formerly served on the board of directors of the Senior Care Action Network (SCAN) from 2000-2013. Through the McDaniel Family Foundation, he is also actively involved in a variety of charitable activities such as the Boys and Girls Club of Huntington Beach, the Adult Day Care Center and the Free Wheelchair Mission.

Mr. McDaniel brings significant operational and development experience to the Board. Mr. McDaniel s extensive experience growing and operating global electric power businesses is directly aligned with our efforts to further develop the utility and power plant portions of our business. In addition, Mr. McDaniel s prior experience as a Chief Financial Officer qualifies him as a financial expert, which is relevant to his duties as an audit committee member. It is based on the Board s identification of these qualifications, skills and experience that the Board has concluded that Mr. McDaniel should serve as a director on our Board and Chairman of the Audit Committee and Chairman of the Finance Committee.

Mr. Humbert de Wendel has served as the Total Group Treasurer since the beginning of 2012. Previously, Mr. de Wendel served as the Senior Vice President of Corporate Business Development for Total from 2006 to 2011. From 2000 to 2006, Mr. de Wendel served as a Vice President for Total, overseeing finance operations of its exploration and production subsidiaries. Before that, he held other positions within the Total group, where he has been employed since 1982. Mr. de Wendel holds a degree in law and economics from the Institut d études Politiques de Paris, and a degree in business administration from École Supérieure des Sciences Économiques et Commerciales.

Mr. de Wendel brings extensive international experience in finance and business development to the Board. This experience allows him to bring valuable perspective to our relationships with our key financial and industrial partners. It is based on the Board s identification of these qualifications, skills and experience that the Board has concluded that Mr. de Wendel should serve as a on our Board.

Mr. Thomas H. Werner has served as our President and Chief Executive Officer since May 2010, as a member of our Board since June 2003, and Chairman of the Board since May 2011. From June 2003 to April 2010, Mr. Werner served as our Chief Executive Officer. Before joining SunPower, from 2001 to 2003, he held the position of Chief Executive Officer of Silicon Light Machines, Inc., an optical solutions subsidiary of Cypress Semiconductor Corporation. From 1998 to 2001, Mr. Werner was Vice President and General Manager of the Business Connectivity Group of 3Com Corp., a network solutions company. He has also held a number of executive management positions at Oak Industries, Inc. and General Electric Co. Mr. Werner currently serves as a board member of Cree, Inc., Silver Spring Networks, and the Silicon Valley Leadership Group. Mr. Werner is on the Board of Trustees of Marquette University. Mr. Werner holds a bachelor s degree in industrial engineering from the University of Wisconsin Madison, a bachelor s degree in electrical engineering from Marquette University and a master s degree in business administration from George Washington University.

Mr. Werner brings significant leadership, technical, operational and financial management experience to the Board. Mr. Werner provides the Board with valuable insight into management s perspective with respect to our operations. Mr. Werner has demonstrated strong executive leadership skills through nearly 20 years of executive officer service with various companies and brings the most comprehensive view of our operational history over the past several years. Mr. Werner also brings to the Board leadership experience through his service on the board of directors for two other organizations, which gives him the ability to compare the way in which management and the boards operate within the companies he serves. It is based on the Board s identification of these qualifications, skills and experience that the Board has concluded that Mr. Werner should serve as a director on our Board.

Class I Directors with Terms Expiring in 2015

Name	**Class**	**Age**	**Position(s) with SunPower**	**Director Since**
Arnaud Chaperon	I	58	Director	2011
Jean-Marc Otero del Val	I	47	Director	2013
Pat Wood III	I	51	Director	2005

Mr. Arnaud Chaperon currently serves as the Senior Vice President of Prospective Analysis, Institutional Relations and Communications for the New Energies division of Total S.A. Before taking this position with the New Energies division in 2007, Mr. Chaperon was the Managing Director for five years of Total E&P Qatar and country representative of the Total group, which has oil, gas, and petrochemical assets and operations in the State of Qatar. Before that, he held other positions within the Total group, where he has been employed since 1980. Mr. Chaperon holds a master s degree in engineering from École Nationale Supérieure de Techniques Avancées.

Mr. Chaperon brings significant international strategic, operational and development experience to the Board. His experience developing renewable energy projects and investments throughout the value chain for the Total group, as well as managing traditional oil and gas operations, gives him a unique perspective on our strategic outlook and worldwide opportunities. It is based on the Board s identification of these qualifications, skills and experience that the Board has concluded that Mr. Chaperon should serve as a director on our Board.

Mr. Jean-Marc Otero del Val has served as Vice President of Strategy & Business Development in the New Energies Division of Total S.A. since July 2012 where he is also the Deputy Senior Vice President of Business Operations. He served as the Vice President, Electricity, for the Gas & Power Division of Total S.A. from September 2011 to June 2012. Mr. Otero del Val previously served as General Manager of the Grandpuits Refinery for Total France S.A. from 2007 to August 2011. From 2003 to 2007, Mr. Otero del Val served as the Managing Director for Total Coal South Africa (Pty) Ltd., a subsidiary of Total S.A. that focuses on the mining of export quality coal in South Africa. Before that, he held other positions within the Total S.A. group, where he has been employed since 1998. Mr. Otero del Val received a degree in chemical engineering from École Polytechnique, a bachelor of arts in finance from Strasbourg University, and a master of arts in finance from Paris-Dauphine University.

Mr. Otero del Val brings significant international managerial and operational experience to the Board. His extensive experience managing complex industrial assets gives him a unique perspective on our efforts to manage our manufacturing and project development activities. It is based on the Board s identification of these qualifications, skills and experience that the Board has concluded that Mr. Otero del Val should serve as a director on our Board.

Mr. Pat Wood III has served as a Principal of Wood3 Resources, an energy infrastructure developer, since July 2005. He is active in the development of electric power and natural gas infrastructure assets in North America. From 2001 to 2005 Mr. Wood served as the Chairman of the Federal Energy Regulatory Commission. From 1995 to 2001, he chaired the Public Utility Commission of Texas. Mr. Wood has also been an attorney with Baker & Botts, a global law firm, and an associate project engineer with Arco Indonesia, an oil and gas company, in Jakarta. He currently serves as Chairman of Dynegy, Inc., and is a director of Quanta Services, Inc. He is a strategic advisor to Natural Gas Partners, an energy private equity fund, and to Hunt Transmission Services/InfraREIT Capital Partners. Mr. Wood is a past director of the American Council on Renewable Energy and is a member of the National Petroleum Council.

Mr. Wood brings significant strategic and operational management experience to the Board. Mr. Wood has demonstrated strong leadership skills through a decade of regulatory leadership in the energy sector. Mr. Wood brings a unique perspective and extensive knowledge of energy project development, public policy development, governance and the regulatory process. His legal background also provides the Board with a perspective on the legal implications of matters affecting our business. It is based on the Board s identification of these qualifications, skills and experience that the Board has concluded that Mr. Wood should serve as a director on our Board and Chairman of the Nominating and Corporate Governance Committee and Chairman of the Compensation Committee.

Class II Directors with Terms Expiring in 2016

Name	**Class**	**Age**	**Position(s) with SunPower**	**Director Since**
Bernard Clement	II	55	Director	2011
Denis Giorno	II	63	Director	2011
Catherine Lesjak	II	55	Director	2013

Mr. Bernard Clement has served as the Senior Vice President, Business & Operations, of the New Energies division of Total S.A. since July 1, 2012. Before this appointment, he was Senior Vice President of Gas Assets, Technology, and Research & Development for the Gas & Power division of Total S.A. since January 1, 2010. From 2003 through 2009, Mr. Clement served as Vice President of the Exploration & Production division of Total S.A. relative to its interests in the Middle East. Before that, he held other positions within the Total group, where he has been employed since 1983. Mr. Clement has engineering degrees from Ecole Nationale Supérieure du Pétrole et des Moteurs, where he focused on geophysics, and from École Polytechnique.

Mr. Clement brings significant international operational and development experience to the Board. His extensive experience managing international energy projects and assets, as well as managing technology development allows him to provide valuable insight into our strategic development and our ability to meet our manufacturing goals. It is based on the Board s identification of these qualifications, skills and experience that the Board has concluded that Mr. Clement should serve as a director on our Board.

Mr. Denis Giorno has served as President and CEO of Total New Energies USA since November 2011. From November 2011 until January 2013, he also served as President and General Manager. From October 2007 until October 2011, he served as the Vice President of New Ventures for the Gas & Power division of Total S.A. From 2005 to 2007, Mr. Giorno was Vice President, Business Development, of the Gas & Power division relative to Total s interests in Asia, South America, and Africa. Before that, he held other positions within the Total group, where he has been employed since 1975. Mr. Giorno received a degree in civil engineering from École Nationale des Ponts et Chaussées, a master of science degree in managerial science and engineering from Stanford University and a degree in petroleum engineering from École Nationale du Pétrole et des Moteurs. Mr. Giorno also completed the Stanford Graduate School of Business Executive Education program.

Mr. Giorno s extensive, worldwide business development and international negotiation experience covers a broad spectrum of traditional power projects and renewable energy projects, including experience throughout the value chain in the solar sector. This experience allows him to make significant contributions to our strategic outlook and international development perspectives. It is based on the Board s identification of these qualifications, skills and experience that the Board has concluded that Mr. Giorno should serve as a director on our Board.

Ms. Catherine A. Lesjak has served as Executive Vice President and Chief Financial Officer of Hewlett-Packard Company (HP) since January 1, 2007. Ms. Lesjak served as interim Chief Executive Officer of HP from August 2010 through October 2010. As a 27-year veteran at HP, Ms. Lesjak held a broad range of financial leadership roles across HP. Before being named as CFO, Ms. Lesjak served as Senior Vice President and Treasurer, responsible for managing HP s worldwide cash, debt, foreign exchange, capital structure, risk management and benefits plan administration. Earlier in her career at HP, she managed financial operations for Enterprise Marketing and Solutions and the Software Global Business Unit. Before that, she was group controller for HP s Software Solutions Organization and managed HP s global channel credit risk as controller and credit manager for the Commercial Customer Organization. Ms. Lesjak has a bachelor s degree in biology from Stanford University and a master of business degree in finance from the University of California, Berkeley.

Ms. Lesjak s extensive experience as the chief financial officer of a major corporation, with significant presence in both the business-to-consumer and business-to-business markets, allows her to make significant contributions to our strategic business planning and execution. Her background is also valuable in terms of financial oversight and review of our strategic investments. It is based on the Board s identification of these qualifications, skills and experience that the Board has concluded that Ms. Lesjak should serve as a director on our Board.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION TO THE BOARD OF EACH OF THE CLASS III PROPOSED NOMINEES.

BOARD STRUCTURE

Determination of Independence

Our Board has determined that three of our nine directors, namely Messrs. McDaniel and Wood and Ms. Lesjak, each meet the standards for independence as defined by applicable listing standards of the Nasdaq Global Select Market and rules and regulations of the SEC. Our Board has also determined that Mr. Werner, our President and Chief Executive Officer, and Messrs. Chaperon, Clement, Giorno, Otero del Val and de Wendel, as directors designated by our controlling stockholder Total Energies Nouvelles Activités USA, SAS, formerly known as Total Gas & Power USA, SAS (Total), pursuant to our Affiliation Agreement with Total, are not independent as defined by applicable listing standards of the Nasdaq Global Select Market. There are no family relationships among any of our directors or executive officers.

Leadership Structure and Risk Oversight

The Board has determined that having a lead independent director assist Mr. Werner, the Chairman of the Board and Chief Executive Officer, is in the best interest of our stockholders. Mr. Wood has served as the lead independent director of the Board since June 2012. The Board believes this structure ensures a greater role for the independent directors in the oversight of our company and encourages active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Board. We believe that this leadership structure also is preferred by a significant number of our stockholders.

The Board is actively involved in oversight of risks that could affect our company. This oversight is conducted primarily through committees of the Board, in particular our Audit Committee, as disclosed in the descriptions of each of the committees below and in the respective charters of each committee. The full Board, however, has retained responsibility for general oversight of risks. The Board satisfies this responsibility through full reports by each committee chair regarding the committee s considerations and actions, as well as through regular reports directly from our officers responsible for oversight of particular risks within our company. The Board believes its administration of its risk oversight function has not affected the Board s leadership structure.

Board Meetings

Our Board held four regular, quarterly meetings, one annual meeting and six special meetings during fiscal 2013. During fiscal 2013, each director attended at least 75% of the aggregate number of meetings of the Board and its committees on which such director served during his or her term, except for Mr. Schmitt, who resigned from the Board in April 2013. Our independent directors held four executive sessions during regular, quarterly meetings without management present during fiscal 2013.

Controlled Company, Nasdaq Listing Standards

Since the Tender Offer in June 2011 (including as of March 13, 2014) Total has owned greater than 50% of our outstanding voting securities and we are therefore considered a controlled company within the meaning of the Nasdaq Stock Market rules. As long as we remain a controlled company, we are exempt from the rules that would otherwise require that our Board be composed of a majority of independent directors and that our Compensation Committee and Nominating and Corporate Governance Committee be composed entirely of independent directors. This controlled company exception does not modify the independence requirements for the Audit Committee, and we comply with the requirements of the Sarbanes-Oxley Act and the Nasdaq Stock Market rules that require that our Audit Committee be composed exclusively of independent directors.

Board Committees

We believe that good corporate governance is important to ensure that we are managed for the long-term benefit of our stockholders. Our Board has established committees to ensure that we maintain strong corporate governance standards. Our Board has standing Audit, Compensation, Nominating and Corporate Governance, and Finance Committees. The charters of our Audit, Compensation, Nominating and Corporate Governance, and Finance Committees are available on our website at *http://investors.sunpower.com*. You may also request copies of our committee charters free of charge by writing to SunPower Corporation, 77 Rio Robles, San Jose, California 95134, Attention: Corporate Secretary. Below is a summary of our committee structure and membership information.

Director	**Audit Committee**	**Compensation Committee**	**Nominating and Corporate Governance Committee**	**Finance Committee**
Arnaud Chaperon				Member
Bernard Clement			Member	
Denis Giorno			Member	
Catherine Lesjak (I)	Member			Member
Thomas R. McDaniel (I)	Chair	Member	Member	Chair
Jean-Marc Otero del Val		Member		
Humbert de Wendel		Member		Member
Pat Wood III (I)(*)	Member	Chair	Chair	

(I) Indicates an independent director.
(*) Indicates lead independent director.

Audit Committee

Our Audit Committee is a separately-designated standing committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Board has determined that each member of our Audit Committee is independent as that term is defined in Section 10A of the Exchange Act and as defined by applicable listing standards of the Nasdaq Global Select Market. Each member of the Audit Committee is financially literate and has the financial sophistication required by the applicable listing standards of the Nasdaq Global Select Market. Mr. Albrecht, formerly the Chairman of the Audit Committee, resigned from the Board in June 2012, and Mr. McDaniel became the Chairman of the Audit Committee. The Board has determined that each of Ms. Lesjak and Mr. McDaniel meet the criteria of an audit committee financial expert within the meaning of applicable SEC regulations due to their professional experience. Mr. McDaniel s and Ms. Lesjak s relevant professional experience is described above under *Proposal One Re-election of Class III Directors*. The Audit Committee held nine meetings during fiscal 2013.

The purpose of the Audit Committee, pursuant to its charter, is to:

- provide oversight of our accounting and financial reporting processes and the audit of our financial statements and internal controls by our independent registered public accounting firm;
- assist the Board in the oversight of: (1) the integrity of our financial statements; (2) our compliance with legal and regulatory requirements; (3) the independent registered public accounting firm s performance, qualifications and independence; and (4) the performance of our internal audit function;
- oversee management s identification, evaluation, and mitigation of major risks to our company;
- prepare an audit committee report as required by the SEC to be included in our annual proxy statement;
- provide to the Board such information and materials as it may deem necessary to make the Board aware of financial matters requiring the attention of the Board; and

consider questions of actual and potential conflicts of interest (including corporate opportunities) of Board members and corporate officers and review and approve proposed related party transactions (as defined in Item 404 of Regulation S-K); any waiver of the Code of Business Conduct and Ethics for directors and executive officers and any approval of related party transactions may be made only by the disinterested members of the Audit Committee.

The Audit Committee also serves as the representative of the Board with respect to its oversight of the matters described below in the *Audit Committee Report*. The Audit Committee has established procedures for (1) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, and (2) the confidential, anonymous submission by our employees of concerns regarding accounting or auditing matters. The Audit Committee promptly reviews such complaints and concerns.

Compensation Committee

Mr. Wood is the Chairman of the Compensation Committee, appointed in November 2012. Two of the four members of the Compensation Committee, Messrs. McDaniel and Wood, are independent as defined by applicable listing standards of the Nasdaq Global Select Market. Messrs. Otero del Val and de Wendel were designated by Total to be on the Compensation Committee pursuant to our Affiliation Agreement with Total. The Compensation Committee held four meetings during fiscal 2013.

The Compensation Committee, pursuant to its charter, assists the Board in discharging its duties with respect to:

- the formulation, implementation, review, and modification of the compensation of our directors and executive officers;
- the preparation of an annual report of the Compensation Committee for inclusion in our annual proxy statement or Annual Report on Form 10-K, in accordance with applicable rules of the SEC and applicable listing standards of the Nasdaq Global Select Market;
- reviewing and discussing with management the Compensation Discussion and Analysis section of our annual proxy statement or Annual Report on Form 10-K;
- the establishment of a company compensation philosophy, which may be performance-based, to reward and retain employees based on achievement of goals; and
- the administration of our equity incentive plans, including the Third Amended and Restated SunPower Corporation 2005 Stock Incentive Plan.

In certain instances, the Compensation Committee has delegated limited authority to Mr. Werner, in his capacity as a Board member, with respect to compensation and equity awards for employees other than our executive officers. For more information on our processes and procedures for the consideration and determination of executive compensation, see *Compensation Discussion and Analysis* below.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee was at any time during fiscal 2013 one of our officers or employees, or is one of our former officers or employees. No member of our Compensation Committee had any relationship requiring disclosure under Item 404 and Item 407(e)(4) of Regulation S-K. Additionally, during fiscal 2013, none of our executive officers or directors was a member of the board of directors, or any committee of the board of directors, or of any other entity such that the relationship would be construed to constitute a compensation committee interlock within the meaning of the rules and regulations of the SEC.

Nominating and Corporate Governance Committee

Mr. Wood is the Chairman of our Nominating and Corporate Governance Committee. Two of the four members of the Nominating and Corporate Governance Committee, Messrs. McDaniel and Wood, are independent as defined by applicable listing standards of the Nasdaq Global Select Market. Messrs. Clement and Giorno were designated by Total to be on the Nominating and Corporate Governance Committee pursuant to our Affiliation Agreement with Total. The Nominating and Corporate Governance Committee held four meetings during fiscal 2013.

The Nominating and Corporate Governance Committee, pursuant to its charter, assists the Board in discharging its responsibilities with respect to:

- the identification of individuals qualified to become directors and the selection or recommendation of candidates for all directorships to be filled by the Board or by the stockholders;
- the evaluation of whether an incumbent director should be nominated for re-election to the Board upon expiration of such director s term, based upon factors established for new director candidates as well as the incumbent director s qualifications, performance as a Board member, and such other factors as the Committee deems appropriate; and
- the development, maintenance and recommendation of a set of corporate governance principles applicable to us, and for periodically reviewing such principles.

The Nominating and Governance Committee also considers diversity in identifying nominees for directors. In particular, the Nominating and Governance Committee believes that the members of the Board should reflect a diverse range of talent, skill and expertise sufficient to provide sound and prudent guidance with respect to our operations and interests. In addition, the Nominating and Governance Committee has determined that the Board as a whole must have the right diversity, mix of characteristics and skills for the optimal functioning of the Board in its oversight role.

The Nominating and Governance Committee believes the Board should be composed of persons with skills in areas such as:

- relevant industries, especially solar products and services;
- technology manufacturing;
- sales and marketing;
- leadership of large, complex organizations;
- finance and accounting;
- corporate governance and compliance;
- strategic planning;
- international business activities; and
- human capital and compensation.

Under our Corporate Governance Principles, during the director nominee evaluation process, the Nominating and Corporate Governance Committee and the Board take the following into account:

A significant number of directors on the Board should be independent directors, unless otherwise required by applicable law or the Nasdaq Stock Market rules;

Candidates should be capable of working in a collegial manner with persons of different educational, business and cultural backgrounds and should possess skills and expertise that complement the attributes of the existing directors;

Candidates should represent a diversity of viewpoints, backgrounds, experiences and other demographics;

Candidates should demonstrate notable or significant achievement and possess senior-level business, management or regulatory experience that would inure to our benefit;

Candidates shall be individuals of the highest character and integrity;

Candidates shall be free from any conflict of interest that would interfere with their ability to properly discharge their duties as a director or would violate any applicable law or regulation;

- Candidates shall be capable of devoting the necessary time to discharge their duties, taking into account memberships on other boards and other responsibilities; and

- Candidates shall have the desire to represent the interests of all stockholders.

Finance Committee

Two of the four members of the Finance Committee, Ms. Lesjak and Mr. McDaniel, are independent as defined by applicable listing standards of the Nasdaq Global Select Market. Messrs. Chaperon and de Wendel were designated by Total to be on the Finance Committee pursuant to our Affiliation Agreement with Total. The Finance Committee held nine meetings during fiscal 2013.

The Finance Committee, pursuant to its charter, assists the Board in discharging its duties with respect to:

- The review, evaluation and approval of financing transactions, including credit facilities, structured finance, issuance of debt and equity securities in private and public transactions, and the repurchase of debt and equity securities (other than financing activity exceeding $50 million which requires the review and approval of the Board);

- The review of our annual operating plan for recommendation to the Board, and the monitoring of capital spend as compared with the annual operating plan;

- The review and recommendation to the Board of investments, acquisitions, divestitures and other corporate transactions; and

- General oversight of our treasury activities, and the review, at least annually, of our counterparty credit risk and insurance programs.

CORPORATE GOVERNANCE

Stockholder Communications with Board of Directors

We provide a process by which stockholders may send communications to our Board, any committee of the Board, our non-management directors or any particular director. Stockholders can contact our non-management directors by sending such communications to the Chairman of the Nominating and Corporate Governance Committee, c/o Corporate Secretary, SunPower Corporation, 77 Rio Robles, San Jose, California 95134. Stockholders wishing to communicate with a particular Board member, a particular Board committee or the Board as a whole, may send a written communication to our Corporate Secretary, SunPower Corporation, 77 Rio Robles, San Jose, California 95134. The Corporate Secretary will forward such communication to the full Board, to the appropriate committee or to any individual director or directors to whom the communication is addressed, unless the communication is unduly hostile, threatening, illegal, or harassing, in which case the Corporate Secretary has the authority to discard the communication or take appropriate legal action regarding the communication.

Directors Attendance at Our Annual Meetings

Although we do not have a formal policy that mandates the attendance of our directors at our annual stockholder meetings, our directors are encouraged to attend. All of our nine directors are expected to attend the 2014 Annual Meeting, and seven of our nine directors attended our annual meeting of stockholders held on July 24, 2013 (the 2013 Annual Meeting).

Submission of Stockholder Proposal for the 2015 Annual Meeting

As a SunPower stockholder, you may submit a proposal, including director nominations, for consideration at future annual meetings of stockholders.

Stockholder Proposals. Only stockholders meeting certain criteria outlined in our By-laws are eligible to submit nominations for election to the Board or to propose other proper business for consideration by stockholders at an annual meeting. Under the By-laws, stockholders who wish to nominate persons for election to the Board or propose other proper business for consideration by stockholders at an annual meeting must give proper written notice to us not earlier than the 120th day and not later than the 90th day before the first anniversary of the preceding year s annual meeting, provided that in the event that our 2015 annual meeting is called for a date that is not within 25 days before or after such anniversary date, notice by the stockholder in order to be timely must be received not later than the close of business on the 10th day following the day on which we mail or publicly announce our notice of the date of the annual meeting, whichever occurs first. Therefore, notices regarding nominations of persons for election to the Board and proposals of other proper business for consideration at the 2015 annual meeting of stockholders must be submitted to us no earlier than December 24, 2014 and no later than January 23, 2015. If the date of the 2015 annual meeting is moved more than 25 days before or after the anniversary date of the 2014 Annual Meeting, the deadline will instead be the close of business on the 10th day following notice of the date of the 2015 annual meeting of stockholders or public disclosure of such date, whichever occurs first. We have discretionary power, but are not obligated, to consider stockholder proposals submitted after January 23, 2015.

Stockholder proposals will also need to comply with SEC regulations, such as Rule 14a-8 of the Exchange Act regarding the inclusion of stockholder proposals in any Company-sponsored proxy material. The submission deadline for stockholder proposals to be included in our proxy materials for the 2015 annual meeting of stockholders pursuant to Rule 14a-8 of the Exchange Act is November 13, 2014. All written proposals must be received by our Corporate Secretary, at our corporate offices at 77 Rio Robles, San Jose, California 95134 by the close of business on the required deadline in order to be considered for inclusion in our proxy materials for the 2015 annual meeting of stockholders.

Nomination of Director Candidates. Our Nominating and Corporate Governance Committee will consider director candidates recommended by our stockholders. Such nominations should be directed to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, SunPower Corporation, 77 Rio Robles, San Jose, California 95134. In addition, the stockholder must give notice of a nomination to our Corporate Secretary, and such notice must be received within the time period described above under *Stockholder Proposals*. Any such proposal must include the following:

- the name, age, business address, residence address and record address of such nominee;
- the principal occupation or employment of such nominee;
- the class or series and number of shares of our stock owned beneficially or of record by such nominee;
- any information relating to the nominee that would be required to be disclosed in our proxy statement;
- the nominee holder for, and number of, shares owned beneficially but not of record by such person;
- whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding (including any derivative or short positions, profit interests, options or borrowed or loaned shares) has been made, the effect or intent of which is to mitigate loss to or manage risk or benefit of share price changes for, or to increase or decrease the voting power of, such person with respect to any share of our stock;
- to the extent known by the stockholder giving the notice, the name and address of any other stockholder supporting the nominee for election or reelection as a director on the date of such stockholder s notice;
- a description of all arrangements or understandings between or among such persons pursuant to which the nomination(s) are to be made by the stockholder and any relationship between or among the stockholder giving notice and any person acting in concert, directly or indirectly, with such stockholder and any person controlling, controlled by or under common control with such stockholder, on the one hand, and each proposed nominee, on the other hand; and
- a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice.

If a director nomination is made pursuant to the process set forth above, the Nominating and Corporate Governance Committee will apply the same criteria in evaluating the nominee as it would any other board nominee candidate, and will recommend to the Board whether or not the stockholder nominee should be included as a candidate for election in our proxy statement. The nominee and nominating stockholder should be willing to provide any information reasonably requested by the Nominating and Corporate Governance Committee in connection with its evaluation. The Board will make the final determination whether or not a nominee will be included in the proxy statement and on the proxy card for election.

Once either a search firm selected by the Nominating and Corporate Governance Committee or a stockholder has provided our Nominating and Corporate Governance Committee with the identity of a prospective candidate, the Nominating and Corporate Governance Committee communicates the identity and known background and experience of the candidate to the Board. If warranted by a polling of the Board, members of our Nominating and Corporate Governance Committee and/or other members of our senior management may interview the candidate. If the Nominating and Governance Committee reacts favorably to a candidate, the candidate is next invited to interview with the members of the Board who are not on the Nominating and Governance Committee. The Nominating and Governance Committee then makes a final determination whether to recommend the candidate to the Board for directorship. The Nominating and Governance Committee currently has not set specific, minimum qualifications or criteria for nominees that it proposes for Board membership, but evaluates the entirety of each candidate s credentials. The Nominating and Governance Committee believes, however, that we will be best served if our directors bring to the Board a variety of diverse experience and backgrounds and, among other things, demonstrated integrity, executive leadership and financial, marketing or business knowledge and experience. See *Board Structure Nominating and Corporate Governance Committee* for factors considered by the Nominating and Corporate Governance Committee and the Board in considering director nominees.

Corporate Governance Principles

We believe that strong corporate governance practices are the foundation of a successful, well-run company. The Board has adopted Corporate Governance Principles that set forth our core corporate governance principles, including:

- oversight responsibilities of the Board;
- election and responsibilities of the lead independent director;
- role of Board committees and assignment and rotation of members;
- review of the Code of Business Conduct and Ethics and consideration of related party transactions;
- independent directors meetings without management and with outside auditors;
- Board s access to employees;
- annual review of Board member compensation;
- membership criteria and selection of the Board;
- annual review of Board performance;
- director orientation and continuing education;
- annual review of performance and compensation of executive officers; and
- succession planning for key executive officers.

The Corporate Governance Principles are available on our website at *http://investors.sunpower.com*.

Code of Business Conduct and Ethics; Related Persons Transactions Policy and Procedures

It is our general policy to conduct our business activities and transactions with the highest level of integrity and ethical standards and in accordance with all applicable laws. In addition, it is our policy to avoid situations that create an actual or potential conflict between our interests and the personal interests of our officers and directors. Such principles are described in our Code of Business Conduct and Ethics. Our Code of Business Conduct and Ethics is applicable to our directors, officers, and employees (including our principal executive officer, principal financial officer and principal accounting officer) and is designed to promote compliance with the laws applicable to our business, accounting standards, and proper and ethical business methods and practices. Our Code of Business Conduct and Ethics is available on our website at *http://investors.sunpower.com/governance.cfm* under the link for Code of Conduct. You may also request a copy by writing to us at SunPower Corporation, 77 Rio Robles, San Jose, California 95134, Attention: Corporate Secretary. If we amend our Code of Business Conduct and Ethics or grant a waiver applicable to our principal executive officer, principal financial officer or principal accounting officer, we will post a copy of such amendment or waiver on our website. Under the Corporate Governance Principles, the Nominating and Corporate Governance Committee is responsible for reviewing and recommending changes to our Code of Business Conduct and Ethics.

Pursuant to our Corporate Governance Principles and our Audit Committee Charter, our Audit Committee will consider questions of actual and potential conflicts of interest (including corporate opportunities) of directors and officers, and approve or prohibit such transactions. The Audit Committee will review and approve in advance all proposed related party transactions (as defined in Item 404 of Regulation S-K), in compliance with the applicable Nasdaq Stock Market rules. A related party transaction will only be approved if the Audit Committee determines that it is in our best interests. If a director is involved in the transaction, he or she will be recused from all voting and approval processes in connection with the transaction.

Certain Relationships and Related Persons Transactions

Other than the compensation agreements and other arrangements described herein, and the transactions described below, since the start of our last fiscal year on December 31, 2012, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we have been or will be a party:

in which the amount involved exceeded or will exceed $120,000; and

in which any director, director nominee, executive officer, beneficial owner of more than 5% of any class of our common stock, or any immediate family member of such persons had or will have a direct or indirect material interest.

Agreements with Total Energies Nouvelles Activités USA, SAS (Total) and Total S.A.

Tender Offer Agreement and Tender Offer Agreement Guaranty

On April 28, 2011, we and Total entered into a Tender Offer Agreement (the Tender Offer Agreement), pursuant to which, on June 21, 2011, Total purchased approximately 60% of our then-outstanding shares of common stock for a total cost of approximately $1.4 billion (the Tender Offer).

Tenesol Stock Purchase Agreement, Private Placement Agreement, and Master Agreement

On December 23, 2011, we entered into a Stock Purchase Agreement with Total, under which we agreed to acquire 100% of the equity interests of Tenesol SA (Tenesol) from Total for $165.4 million in cash. The Tenesol acquisition was consummated on January 31, 2012. Tenesol is a European-based manufacturer and developer of solar projects with module manufacturing operations in France and South Africa.

Contemporaneously with the execution of the Tenesol Stock Purchase Agreement, we entered into a Private Placement Agreement with Total, under which Total agreed to purchase, and we agreed to issue and sell 18.6 million shares of our common stock for a purchase price of $8.80 per share. The sale was completed contemporaneously with the closing of the Tenesol acquisition on January 31, 2012, thereby increasing Total s ownership to approximately 66% of our outstanding common stock as of such date.

On December 23, 2011, we also entered into a Master Agreement with Total, under which we and Total agreed to a framework of transactions related to the Tenesol acquisition and Private Placement Agreement. Additionally, Total has agreed to pursue several negotiations on additional agreements related to directly investing in our R&D program over a multi-year period, the purchase of our modules and the development of a multi-megawatt project using our products. We and Total amended the Master Agreement on December 20, 2012 to clarify that the development of the multi-megawatt project using our products shall mean development of up to 10 C-7 Tracker demonstration projects at a total cost to Total of not more than $2.5 million provided agreements for such projects were entered into before December 31, 2013.

Credit Support Agreement

In connection with the Tender Offer, on April 28, 2011, we entered into a Credit Support Agreement with Total S.A. Pursuant to the Credit Support Agreement, subject to the terms and conditions described below, Total S.A., as Guarantor has agreed to enter into one or more guarantee agreements (each a Guaranty) with banks providing letter of credit facilities to us or our subsidiaries in support of our utility and power plant (UPP) and large commercial portion of the residential and commercial segment (LComm) businesses and certain other permitted purposes. Pursuant to such Guarantees, Guarantor would guarantee the payment to the applicable bank of our obligation to reimburse a draw on a letter of credit and pay interest thereon in accordance with the letter of credit facility between such bank and us. The Credit Support Agreement became effective on June 28, 2011 (the CSA Effective Date), and was amended on June 7, 2011, December 12, 2011 and December 14, 2012.

Under the Credit Support Agreement, at any time from the CSA Effective Date until the fifth anniversary thereof, we may request that Guarantor provide a Guaranty with respect to a letter of credit facility. Guarantor is required to issue and enter into the Guaranty requested by us subject to certain terms and conditions, any of which may be waived by Total S.A. The aggregate letter of credit amount cannot exceed $771 million for the period from January 1, 2013 through December 31, 2013, $878 million for the period from January 1, 2014 through December 31, 2014, $936 million for the period from January 1, 2015 through December 31, 2015 and $1 billion for the period from January 1, 2016 through the termination of the Credit Support Agreement (the Maximum L/C Amount), subject to certain adjustments.

Payments to be Paid by us to the Guarantor. In consideration for the commitments of Guarantor, we are required to pay Guarantor a guarantee fee, repay any payments made under any Guaranty plus interest, and pay certain expenses of Guarantor and interest on overdue amounts owed to Guarantor. The guarantee fee for each letter of credit that is the subject of a Guaranty and was outstanding for all or part of the preceding calendar quarter will be equal to: (w) the average daily amount of the undrawn amount of such letter of credit plus the amount drawn on such letter of credit that has not yet been reimbursed by us or Guarantor, (x) 1.40% for letters of credit issued or extended from the second anniversary of the CSA Effective Date until the third anniversary of the CSA Effective Date, 1.85% for letters of credit issued or extended from the third anniversary of the CSA Effective Date until the fourth anniversary of the CSA Effective Date, and 2.35% for letters of credit issued or extended from the fourth anniversary of the CSA Effective Date until the fifth anniversary of the CSA Effective Date, (y) multiplied by the number of days that such letter of credit was outstanding, (z) divided by 365. We are required to reimburse payments made by Guarantor under any Guaranty within 30 days plus interest at a rate equal to LIBOR (as in effect as of the date of Guarantor s payment) plus 3.00%. The expenses of Guarantor to be reimbursed by us include reasonable out-of-pocket expenses incurred after the CSA Effective Date in the performance of its services under the Credit Support Agreement and reasonable out-of-pocket attorneys fees and expenses incurred in connection with payments to a bank under a Guaranty or enforcement of any of our obligations. Overdue payment obligations accrue interest at a rate per annum equal to LIBOR as in effect at such time such payment was due plus 5.00%. Finally, we are solely responsible for any bank fees incurred in connection with securing any letter of credit facilities. In fiscal 2013, we incurred guaranty fees of $8.9 million that were paid to Total S.A.

Benchmark Credit Terms. No later than June 30, 2012 and annually every June 30 thereafter throughout the term of the Credit Support Agreement, and also at any time we desire to obtain a letter of credit facility that would be the subject of a Guaranty, we are required to solicit benchmark credit terms for a letter of credit facility without a Guaranty from Guarantor and without collateral and report those benchmark terms to Guarantor. If (a) the annual fees payable by us on the issued amount of a letter of credit under a proposed letter of credit facility that is not guaranteed by Guarantor are equal to or less than 110% of the annual fees plus any applicable guarantee fee payable to Guarantor pursuant to a guaranteed letter of credit facility under the Credit Support Agreement, (b) the other fees payable under such non-guaranteed letter of credit facility are reasonable in light of the fees payable under a guaranteed letter of credit facility and the anticipated uses of such non-guaranteed letter of credit facility and (c) the other terms and conditions of such non-guaranteed letter of credit facility (including restrictive covenants) are reasonable in light of the anticipated use of such non-guaranteed letter of credit facility, then (i) we will be required to enter into such non-guaranteed letter of credit facility as soon as commercially reasonable, (ii) we will be required to reduce the commitments under guaranteed letter of credit facilities in an amount equal to such non-guaranteed letter of credit facility and (iii) so long as such non-guaranteed letter of credit facility remains in effect, the Maximum L/C Amount during such period will be reduced by the maximum aggregate amount of the letters of credit that may be issued pursuant to such non-guaranteed letter of credit facility. We did not conduct any benchmarking under this agreement during fiscal 2013.

Covenants of SunPower. Under the Credit Support Agreement, we have agreed to undertake certain actions, including, but not limited to, ensuring that our payment obligations to Guarantor rank at least equal in right of payment with all of our other present and future indebtedness, other than certain permitted secured indebtedness. We have agreed to refrain from taking certain actions as detailed in the Credit Support Agreement, including (1) amending any agreements related to any guaranteed letter of credit facility, (2) granting any lien to secure indebtedness unless (a) an identical lien is granted to Guarantor and (b) such other lien is at all times equal or subordinate to the priority of the lien granted to Guarantor under (a), and (3) making any equity distributions.

Trigger Events. Under the Credit Support Agreement, following a Trigger Event (as defined in the agreement and described below), and during its continuation, Guarantor may elect not to enter into any additional Guaranties; declare all or any portion of the outstanding amounts owed by us to Guarantor to be due and payable; direct banks that have provided guaranteed letter of credit facilities to stop all issuances of any additional letters of credit under such facilities; access and inspect our relevant financial records and other documents upon reasonable notice to us; and exercise all other rights it may have under applicable law, provided that at its discretion Guarantor may also rescind such actions.

Each of the following events constitutes a Trigger Event :

- we default with respect to our reimbursement obligations to Guarantor described above or any other payment obligation under the Credit Support Agreement that is 30 days overdue for which Guarantor has demanded payment in writing;

- any representation or warranty made by us in the Credit Support Agreement is false, incorrect, incomplete or misleading in any material respect when made and has not been cured within 15 days after notice thereof by Guarantor;

- we fail, and continue to fail for 15 days, to observe or perform any material covenant, obligation, condition or agreement in the Credit Support Agreement;

- we default in the observance or performance of any agreement, term or condition contained in a guaranteed letter of credit facility that would constitute an event of default or similar event thereunder (other than an obligation to pay any amount, the payment of which is guaranteed by Guarantor), up to or beyond any grace period provided in such facility, unless waived by the applicable bank and Guarantor;

- we or any of our subsidiaries defaults in the observance or performance of any agreement, term or condition contained in any bond, debenture, note or other indebtedness such that the holders of such indebtedness may accelerate the payment of $25 million or more of such indebtedness; and

- certain bankruptcy or insolvency events.

Termination. The Credit Support Agreement will terminate following the fifth anniversary of the CSA Effective Date, after the later of the payment in full of all obligations thereunder and the termination or expiration of each Guaranty provided thereunder.

Affiliation Agreement

In connection with the Tender Offer, we and Total entered into an affiliation agreement (the Affiliation Agreement). The Affiliation Agreement was amended on June 7, 2011, December 12, 2011, February 28, 2012 and August 10, 2012. The Affiliation Agreement governs the relationship following the closing of the Tender Offer between SunPower, on the one hand, and Total S.A., Total, any other affiliate of Total S.A. and any member of a group of persons formed for the purpose of acquiring, holding, voting, disposing of or beneficially owning our voting stock of which Total S.A. or any of its affiliates is a member (the Total Group), on the other hand.

Standstill. Following the closing of the Tender Offer and during the Standstill Period (as defined below), Total, Total S.A., and the Total Group may not:

- effect or seek, or announce any intention to effect or seek, any transaction that would result in the Total Group beneficially owning shares in excess of the Applicable Standstill Limit (as defined below), or take any action that would require us to make a public announcement regarding the foregoing;
- request that (i) we, (ii) our Board members that are independent directors and not appointed to the Board by Total (the Disinterested Directors), or (iii) our officers or employees, amend or waive any of the standstill restrictions applicable to the Total Group; or
- enter into any discussions with any third party regarding any of the foregoing.

In addition, no member of the Total Group may, among other things, solicit proxies relating to the election of directors to our Board without the prior approval of the Disinterested Directors.

The Total Group is, however, permitted to undertake any of the following actions:

- until June 21, 2013, and following the written invitation from the Disinterested Directors, either (i) make and consummate a tender offer to acquire 100% of the outstanding voting power of the Company (a Total Tender Offer) that is approved and recommended by the Disinterested Directors, or (ii) propose and effect a merger providing for the acquisition of 100% of the outstanding voting power of the Company (a Total Merger) that is approved and recommended by the Disinterested Directors;
- from June 22, 2013 until December 31, 2014, either (i) make and consummate a Total Tender Offer that is approved and recommended by the Disinterested Directors or (ii) propose and effect a Total Merger that is approved and recommended by the Disinterested Directors; and
- during the period commencing on January 1, 2015 and at any time thereafter, either (i) make and consummate a Total Tender Offer or (ii) propose and effect a Total Merger so long as, in each case, Total complies with certain advance notice and prior negotiation obligations, including providing written notice to us at least 120 days before commencing or proposing such Total Tender Offer or Total Merger and making its designees reasonably available for the purpose of negotiation with the Disinterested Directors concerning such Total Tender Offer or Total Merger.

The Standstill Period is the period beginning on the date of the Affiliation Agreement and ending on the earlier to occur of:

- a change of control of our company;
- the first time that the Total Group beneficially owns less than 15% of outstanding voting power of our company;
- before Total, together with any controlled subsidiary of Total S.A., owning 50% or less of the outstanding voting power of our company or 40% or less of the outstanding voting power of our company when at least $100 million in Guaranties are outstanding under the Credit Support Agreement, we or our Board taking or failing to take certain of the actions described below under Events Requiring Stockholder Approval by Total or failing to comply with certain of the covenants described below under Covenants of Total and SunPower ;

upon the first time that Total, together with any controlled subsidiary of Total S.A. owns 50% or less of the outstanding voting power of our company or 40% or less of the outstanding voting power of our company when at least $100 million in Guarantees are outstanding under the Credit Support Agreement, a tender offer for at least 50% of the outstanding voting power of our company is commenced by a third party; and

the termination of the Affiliation Agreement.

The Applicable Standstill Limit is the applicable percentage of the lower of (i) the then outstanding shares of our common stock or (ii) the then outstanding voting power of our company equal to:

- 63% during the period commencing with the closing of the Tender Offer and ending on June 21, 2013;
- 66- 2/3% during the period commencing on June 22, 2013 and ending on December 31, 2014; and
- 70% during the period commencing on January 1, 2015 and continuing thereafter until the termination of the Affiliation Agreement.

During the Standstill Period, the Total Group will not be in breach of its standstill obligations described above if any member of the Total Group holds beneficial ownership of shares of our common stock in excess of the Applicable Standstill Limit solely as a result of:

- recapitalizations, repurchases or other actions taken by us or our controlled subsidiaries that have the effect of reducing the number of shares of our common stock then outstanding;
- the issuance of shares of our common stock to Total in connection with the acquisition of Tenesol SA;
- the rights specified in any poison pill share purchase rights plan having separated from the shares of our common stock and a member of the Total Group having exercised such rights; or
- the issuance of voting securities to Total, including from the conversion into voting securities of convertible securities, in connection with the Compensation and Funding Agreement or the Liquidity Support Agreement (each as described below).

Transfer of Control. If any member or members of the Total Group seek to transfer, in one or a series of transactions, either (i) 40% or more of the outstanding shares of our common stock or (ii) 40% or more of the outstanding voting power of our company to a single person or group, then such transfer must be conditioned on, and may not be effected, unless the transferee either:

- makes a tender offer to acquire 100% of the voting power of our company, at the same price per share of voting stock and using the same form of consideration to be paid by the transferee to the Total Group; or
- proposes a merger providing for the acquisition of 100% of the voting power of our company, at the same price per share of voting stock and using the same form of consideration to be paid by the transferee to the Total Group.

Total s Rights to Maintain. The Total Group has the following rights to maintain its ownership in us until (i) the first time that the Total Group owns less than 40% of the outstanding voting power of our company, or (ii) until the first time that Total transfers shares of our common stock to a person other than Total S.A. or a controlled subsidiary of Total S.A. and as a result of such transfer Total S.A. and its subsidiaries own less than 50% of the outstanding voting power of our company.

If we propose to issue new securities primarily for cash in a financing transaction, then Total has the right to purchase a portion of such new securities equal to its percentage ownership in us. Total can also elect to purchase our securities in open market transactions or through privately-negotiated transactions in an amount equal to its percentage ownership in connection with such issuance of new securities. If we propose to issue new securities in consideration for our purchase of a business or asset of a business, then Total has the right to purchase additional securities in the open market or through privately-negotiated transactions equal to its percentage ownership in us. Total has similar rights in the event that we issue or propose to issue (including pursuant to our equity plans or as the result of the conversion of our convertible securities) securities that, together with all other issuances of securities by us since the end of the preceding fiscal quarter aggregate to more than 1% of our fully diluted equity. Total has a nine-month grace period, subject to certain extensions to satisfy regulatory conditions, to acquire securities in the open market or through privately-negotiated transactions in connection with any of the securities issuances described above.

SunPower Board. The Affiliation Agreement provides that, immediately after the consummation of the Tender Offer, our Board will be expanded to eleven persons, composed of the Chief Executive Officer (who will also serve as the Chairman of the Board), four current members of the board and six directors designated by Total. See *Proposal One* above for more details on our current Board membership.

On the first anniversary of the completion of the Tender Offer (i) the Disinterested Directors are obligated to cause one of the Disinterested Directors to resign from the board, (ii) upon the effectiveness of such resignation, Total will promptly cause one of the directors previously designated by it to resign, and (iii) thereafter, the Board will take all action necessary to reduce the number of authorized members of the Board to nine directors (such actions, a Board Reduction Event). On June 21, 2012, the Board Reduction Event occurred and the authorized size of our Board was reduced to nine directors.

So long as Total, together with the controlled subsidiaries of Total S.A., owns at least 10% of the outstanding voting power of our company, then our Board must use its reasonable best efforts to elect the directors designated by Total as follows:

- until the first time that Total, together with controlled subsidiaries of Total S.A., own less than 50% of the voting power of our company, Total will be entitled to designate six nominees to serve on our Board until the Board Reduction Event, and five nominees to serve on our Board thereafter;

- until the first time that Total, together with controlled subsidiaries of Total S.A., own less than 50% but not less than 40% of the voting power of our company, Total will be entitled to designate five nominees to serve on our Board until the Board Reduction Event, and four nominees to serve on our Board thereafter;

- until the first time that Total, together with controlled subsidiaries of Total S.A., own less than 40% but not less than 30% of the voting power of our company, Total will be entitled to designate four nominees to serve on our Board until the Board Reduction Event, and three nominees to serve on our Board thereafter

- until the first time that Total, together with controlled subsidiaries of Total S.A., own less than 30% but not less than 20% of the voting power of our company, Total will be entitled to designate three nominees to serve on our Board until the Board Reduction Event, and two nominees to serve on our Board thereafter; and

- until the first time that Total, together with controlled subsidiaries of Total S.A., own less than 20% but not less than 10% of the voting power of our company, Total will be entitled to designate two nominees to serve on our Board until the Board Reduction Event, and one nominee to serve on our Board thereafter.

For as long as they are serving on our Board, the directors designated by the Total Group will be allocated across the three classes that comprise our Board in a manner as equal as practicable.

Subject to the listing standards of the Nasdaq Global Select Market, until the first time that Total, together with any controlled subsidiaries of Total S.A., owns less than 30% of the outstanding voting power of our company:

- the Audit Committee will be composed of three Disinterested Directors;

- the Compensation Committee and the Nominating and Governance Committee will each be composed of two Disinterested Directors and two directors designated by the Total Group; and

- any other standing committee will be composed of two Disinterested Directors and two directors designated by the Total Group.

Until the first time that Total, together with any controlled subsidiaries of Total S.A., own less than 10% of the outstanding voting power of our company, a representative of Total will, subject to certain exceptions, be

permitted to attend all meetings of our Board or any committee thereof in a non-voting, observer capacity (other than any committee whose sole purpose is to consider a transaction for which there exists an actual conflict of interest between the Total Group, on the one hand, and us and any of our affiliates, on the other hand).

Events Requiring Specific Board Approval. At any time when Total, together with any controlled subsidiaries of Total S.A., owns at least 30% of the outstanding voting power of our company, neither the Total Group nor we (or any of our affiliates) may effect any of the following without first obtaining the approval of a majority of the Disinterested Directors:

any amendment to our Certificate of Incorporation or By-laws;

any transaction that, in the reasonable judgment of the Disinterested Directors, involves an actual conflict of interest between the Total Group, on the one hand, and us and any of our affiliates, on the other hand;

the adoption of any shareholder rights plan or the amendment or failure to renew our existing shareholder rights plan;

except as provided above, the commencement of any tender offer or exchange offer by the Total Group for shares of our common stock or securities convertible into shares of our common stock, or the approval of a merger of us or any company that we control with a member of the Total Group;

any voluntary dissolution or liquidation of our company or any company that we control;

any voluntary bankruptcy filing by us or any company that we control or the failure to oppose any other person s bankruptcy filing or action to appoint a receiver of our company or any company that we control;

any delegation of all or a portion of the authority of our Board to any committee thereof;

any amendment, modification or waiver of any provision of the Affiliation Agreement;

any modification of, or action with respect to, director s and officer s insurance coverage; or

any reduction in the compensation of the Disinterested Directors.

Events Requiring Supermajority Board Approval. At any time when Total, together with any controlled subsidiaries of Total, own at least 30% of the outstanding voting power of our company, neither the Total Group nor we (or any of our affiliates) may, without first obtaining the approval of two-thirds of our directors (including at least one Disinterested Director), effect any approval or adoption of our annual operating plan or budget that has the effect of reducing the planned letter of credit utilization in any given year by more than 10% below the applicable maximum letter of credit amount in the Credit Support Agreement.

Events Requiring Stockholder Approval by Total. Until the first time that Total, together with any controlled subsidiaries of Total, owns 50% or less of the outstanding voting power of our company or 40% or less of the outstanding voting power of our company (a) when at least $100 million in Guarantees are outstanding pursuant to the Credit Support Agreement or (b) for so long as the Liquidity Support Agreement (as described below) remains in effect and, thereafter, for so long as (1) any loans by Total S.A. to us remain outstanding, (2) any guarantees by Total S.A. of any of our indebtedness remain outstanding, or (3) any other continuing obligation of Total S.A. to or for the benefit of us remain outstanding (Total Stockholder Approval Period), neither we (including any of our controlled subsidiaries) nor our Board may effect any of the following without first obtaining the approval of Total:

any amendment to our Certificate of Incorporation or By-laws;

any transaction pursuant to which we or any company that we control acquires or otherwise obtains the ownership or exclusive use of any business, property or assets of a third party if as of the date of the consummation of such transaction the aggregate net present value of the consideration paid or to be paid exceeds the lower of (i) 15% of our then-consolidated total assets or (ii) 15% of our market capitalization;

any transaction pursuant to which a third party obtains ownership or exclusive use of any of our business, property or assets or those of any company that we control if as of the date of the consummation of such transaction the aggregate net present value of the consideration received or to be received exceeds the lower of (i) 10% of our then-consolidated total assets or (ii) 10% of our market capitalization;

the adoption of any shareholder rights plan or certain changes to our existing shareholder rights plan;

except for the incurrence of certain permitted indebtedness, the incurrence of additional indebtedness in excess of the difference, if any, of 3.5 times our LTM EBITDA (as defined in the Affiliation Agreement) less our Outstanding Gross Debt (as defined in the Affiliation Agreement);

subject to certain exceptions, any voluntary dissolution or liquidation of our company or any company that we control;

any voluntary bankruptcy filing by us or any company that we control or the failure to oppose any other person s bankruptcy filing or action to appoint a receiver of our company or any company that we control; or

any repurchase of our common stock.

Certain Matters Related to SunPower s Shareholder Rights Plan. Until the Total Group beneficially owns less than 15% of the outstanding voting power of our company, neither we nor our Board is permitted to adopt any shareholder rights plan or make certain changes to our existing shareholder rights plan without the approval of Total.

Covenants of Total and SunPower. In order to effect the transactions contemplated by the Affiliation Agreement, each of Total and we have committed to taking certain actions. With respect to us, such actions include:

amending our By-laws to provide that the Total Group may call a special meeting of stockholders in certain circumstances;

taking certain actions to exculpate Total S.A., Total, any controlled subsidiary of Total S.A. and those of our directors designated by Total from corporate opportunities, to the fullest extent permitted by applicable law;

taking certain actions to render Delaware s business combination statute inapplicable to the Total Group and certain future transferees of the Total Group;

making certain amendments to our shareholder rights plan, including excluding the Total Group from the definition of Acquiring Person under such plan;

renewing our existing shareholder rights plan so long as the Total Group beneficially owns at least 15% of our outstanding voting power; and

providing Total with certain of our financial information from time to time.

Termination. The Affiliation Agreement generally terminates upon the earlier to occur of (i) the Total Group owning less than 10% of the outstanding voting power of our company or (ii) the Total Group owning 100% of the outstanding voting power of our company.

Reimbursement. We have a reimbursement arrangement with Total pursuant to the Affiliation Agreement, under which Total has agreed to reimburse certain costs that we incur for our acceleration of the accounting close process and implementation of International Financial Reporting Standards. This arrangement facilitates our implementation of accounting and reporting systems in order to timely report monthly financial results to Total pursuant to the Affiliation Agreement. In fiscal 2012, we received $4.5 million from Total under this reimbursement arrangement. In fiscal 2013 we received $120,000 from Total under this arrangement and expect to collect approximately $60,000 from Total under this arrangement in fiscal 2014.

Affiliation Agreement Guaranty

Total S.A. entered into a guaranty (the Affiliation Agreement Guaranty) in connection with the Tender Offer and entry into the Affiliation Agreement, pursuant to which Total S.A. unconditionally guarantees the full and prompt payment of Total S.A. s, Total s and each Total S.A. controlled company s payment obligations under the Affiliation Agreement and the full and prompt performance of their respective representations, warranties, covenants, duties and agreements contained in the Affiliation Agreement.

Research & Collaboration Agreement

In connection with the Tender Offer, we and Total entered into a Research & Collaboration Agreement (the R&D Agreement) that establishes a framework under which the parties may engage in long-term research and development collaboration (the R&D Collaboration). The R&D Collaboration is expected to encompass a number of different projects (R&D Projects), with a focus on advancing technology in the area of photovoltaics. The primary purpose of the R&D Collaboration is to: (i) maintain and expand our technology position in the crystalline silicon domain; (ii) ensure our industrial competitiveness; and (iii) guarantee a sustainable position for both us and Total to be best-in-class industry players.

The R&D Agreement contemplates a joint committee (the R&D Strategic Committee) that identifies, plans and manages the R&D Collaboration. Due to the impracticability of anticipating and establishing all of the legal and business terms that will be applicable to the R&D Collaboration or to each R&D Project, the R&D Agreement sets forth broad principles applicable to the parties potential R&D Collaboration, and the R&D Collaboration Committee establishes the particular terms governing each particular R&D Project consistent with the terms set forth in the R&D Agreement. In December 2011, Total committed to contribute at least $6 million per year for three years for the R&D collaboration activities. The parties also agreed in 2012 to an Annual Collaboration Plan Budget (ACPB) of $30 million of which Total was to contribute $10.7 million. Total contributed approximately $3.4 million in 2012. The ACPB for fiscal 2013 was adjusted to $23 million, of which Total contributed approximately $11 million during fiscal 2013. This amount carries forward certain 2012 project expenditures that were not completed due primarily to delays in our recruiting efforts and third-party contract negotiations.

Registration Rights Agreement

In connection with the Tender Offer, we and Total entered into a customary registration rights agreement (the Registration Rights Agreement) related to Total s ownership of shares of our common stock. The Registration Rights Agreement provides Total with shelf registration rights, subject to certain customary exceptions, and up to two demand registration rights in any 12-month period, also subject to certain customary exceptions. Total also has certain rights to participate in any registrations of securities that we initiate. We will generally pay all costs and expenses we incur and that Total incurs in connection with any shelf or demand registration (other than selling expenses incurred by Total). We and Total have also agreed to certain indemnification rights under the agreement. The Registration Rights Agreement terminates on the first date on which: (i) the shares held by Total constitute less than 5% of our then-outstanding common stock; (ii) all of our securities held by Total may be immediately resold pursuant to Rule 144 promulgated under the Exchange Act during any 90-day period without any volume limitation or other restriction; or (iii) we cease to be subject to the reporting requirements of the Exchange Act.

The Registration Rights Agreement was amended on May 29, 2013, in connection with the issuance of our 0.75% Senior Convertible Debentures due 2018, to provide that the debentures and our common stock underlying the debentures were registrable securities within the meaning of the Registration Rights Agreement.

Stockholder Rights Plan

On April 28, 2011, before the execution of the Tender Offer Agreement, we entered into an amendment (the Rights Agreement Amendment) to the Rights Agreement, dated August 12, 2008, by and between us and

Computershare Trust Company, N.A., as Rights Agent (the Rights Agreement), in order to, among other things, render the rights therein inapplicable to each of: (i) the approval, execution or delivery of the Tender Offer Agreement; (ii) the commencement or consummation of the Tender Offer; (iii) the consummation of the other transactions contemplated by the Tender Offer Agreement and the related agreements; and (iv) the public or other announcement of any of the foregoing.

On June 14, 2011, we entered into a second amendment to the Rights Agreement (the Second Rights Agreement Amendment), in order to, among other things, exempt Total, Total S.A. and certain of their affiliates and certain members of a group of which they may become members from the definition of Acquiring Person thereunder, such that the rights issuable pursuant to the Rights Agreement will not become issuable in connection with the completion of the Tender Offer.

By-laws Amendment

On June 14, 2011, our Board approved amendments of our By-laws as required under the Affiliation Agreement. The amendments: (i) allow any member of the Total Group to call a meeting of stockholders for the sole purpose of considering and voting on a proposal to effect a Total Merger or a Transferee Merger (as defined in the Affiliation Agreement); (ii) provide that the number of directors of our Board shall be determined from time to time by resolution adopted by the affirmative vote of a majority of our entire Board at any regular or special meeting; and (iii) require, before the termination of the Affiliation Agreement, the approval of a majority of our independent directors to amend our By-laws so long as Total, together with Total S.A. s subsidiaries collectively own at least 30% of our voting securities as well as require, before the termination of the Affiliation Agreement, Total s written consent during the Total Stockholder Approval Period to amend the By-laws. In addition, in November 2011, our By-laws were amended to remove restrictions prohibiting stockholder consents in writing.

Liquidity Support Agreement

SunPower Corporation, Systems, a Delaware corporation and our indirect, wholly owned subsidiary (SunPower Systems), is providing engineering, procurement and construction (EPC) services, as well as solar panels and power plant technology, to the California Valley Solar Ranch (CVSR), a 250 MW AC solar power plant that is currently under construction. SunPower Systems is performing this work under an Engineering, Procurement and Construction Agreement, dated as of September 30, 2011 (the EPC Contract), between SunPower Systems, and High Plains Ranch II, LLC, a Delaware limited liability company (HPR II). HPR II is the CVSR project company sold by us to NRG Solar LLC in September 2011. Part of the debt financing necessary for SunPower Systems customer, NRG Solar LLC, to pay for the construction of the CVSR project is being provided by the Federal Financing Bank in reliance on a guarantee of repayment provided by the United States Department of Energy (DOE) under a loan guarantee program. In late 2011, the DOE requested that we, as the EPC contractor for the CVSR project, provide additional financial assurances to support SunPower System s obligations under the EPC Contract in connection with the project s loan guarantee. In response, on February 28, 2012, we and Total S.A. entered into a Liquidity Support Agreement with the DOE, under which Total S.A. agreed to provide us, or cause to be provided to us, additional liquidity under certain circumstances up to an aggregate amount of $600 million. In connection with the Liquidity Support Agreement, we, Total S.A., and Total entered into a series of related agreements (the Liquidity Support Transaction Agreements) to establish the parameters for the terms of the liquidity support to be provided by Total S.A. and Total, including the parameters for the terms of any liquidity injections that may be required to be provided to us under the Liquidity Support Agreement.

The Liquidity Support Agreement provides that, subject to the terms and conditions set forth therein, upon a Liquidity Support Event (defined below), Total S.A. will make available, as of the date of the Liquidity Support Agreement, and provide to us from time to time various forms of equity, debt (both convertible and non-convertible), guarantee or other liquidity support (Liquidity Injections), as may be required to increase the amount of our unrestricted cash, cash equivalents and unused borrowing capacity, and to ensure our satisfaction of our financial covenants under certain third party indebtedness, up to the maximum aggregate amount of $600 million (the Liquidity Support Facility). A Liquidity Support Event occurs when (a) our unrestricted cash and cash equivalents shown on our balance sheet plus any unused availability under any committed credit that is available to us (Reported Liquidity) is below $100 million in a completed fiscal quarter, or our projected liquidity measured in the same manner for the next fiscal quarter (Projected Liquidity) is below $100 million; or (b) at any time during a fiscal quarter, we fail to satisfy any financial covenant under our indebtedness. Upon a Liquidity Support Event, Total S.A. is required to provide to us, and we are required to accept from Total S.A., a Liquidity Injection sufficient to (a) cause our Reported Liquidity and Projected Liquidity to be at least $100 million, or, as applicable, (b) to cure any breach and satisfy the applicable financial covenant in our indebtedness. The terms and conditions of such Liquidity Support Facility are set forth in the Liquidity Support Transaction Agreements, including a Compensation and Funding Agreement, a Revolving Credit and Convertible Loan Agreement, and a Private Placement Agreement, each as described below.

The Liquidity Support Agreement will terminate, all outstanding guarantees issued thereunder will terminate, and all outstanding loans made thereunder will become due (except for Total S.A. s guarantee of the Credit Agricole facility), upon the earliest to occur of (i) the final completion date of the CVSR project as defined under the EPC Contract, (ii) the date of December 31, 2015, as may be extended under certain circumstances as described in the EPC Contract, but not beyond December 31, 2016, (iii) the date on which all secured obligations, as defined under that certain Loan Guarantee Agreement, dated as of September 30, 2011, between the DOE and HPR II, have been paid in full and all commitments to extend credit as set forth therein in connection with the CVSR project have been terminated, and (iv) the date on which SunPower Systems terminates the EPC Contract.

Compensation and Funding Agreement

In connection with the Liquidity Support Agreement, on February 28, 2012, we entered into a Compensation and Funding Agreement (the Compensation and Funding Agreement) with Total S.A., pursuant to which, among other things, we and Total S.A. established the parameters for the terms of the Liquidity Support Facility and any Liquidity Injections that may be required to be provided by Total S.A. to us pursuant to the Liquidity Support Agreement (the Liquidity Support Arrangements). We agreed in the Compensation and Funding Agreement to use commercially reasonable efforts to assist Total S.A. in the performance of its obligations under the Liquidity Support Agreement and to conduct, and to act in good faith in conducting, our affairs in a manner such that Total S.A. s obligation under the Liquidity Support Agreement to provide Liquidity Injections will not be triggered or, if triggered, will be minimized. We also agreed to use any cash provided under the facility in such a way as to minimize the need for further liquidity support.

Upfront Payment Obligations. On February 28, 2012, in consideration for Total S.A. s agreement to enter into the Liquidity Support Agreement and for Total S.A. s commitments set forth in the Liquidity Support Agreement, we issued to Total a warrant (the Upfront Warrant), in the form of Exhibit A to the Compensation and Funding Agreement, that is exercisable to purchase 9,531,677 shares of our common stock at an exercise price of $7.8685 per share, subject to adjustment for customary anti-dilution and other events. The Upfront Warrant is exercisable at any time for seven years after its issuance, provided that, so long as at least $25 million of our existing convertible debt remains outstanding, such exercise will not cause any person, including Total S.A., to, directly or indirectly, including through one or more wholly-owned subsidiaries, become the beneficial owner (as such terms are defined in Rule 13d-3 and Rule 13d-5 under the Securities and Exchange Act of 1934, as amended), of more than 74.99% of the voting power of our common stock at such time, because any person becoming such beneficial owner would trigger the repurchase or conversion of our existing convertible debt.

Ongoing Payment Obligations. The Compensation and Funding Agreement further provides that, subject to the terms and conditions set forth therein, we will make certain cash payments to Total S.A. within 30 days after the end of each calendar quarter during the term of the Compensation and Funding Agreement as follows:

- Quarterly payment of a commitment fee in an amount equal to 0.25% of the unused portion of the $600 million Liquidity Support Facility as of the end of such quarter; and

Quarterly payment of a guarantee fee in an amount equal to 2.75% per annum of the average amount of our indebtedness that is guaranteed by Total S.A. pursuant to any Guaranty (as defined below) issued in accordance with the terms of the Compensation and Funding Agreement during such quarter.

In addition, any of our payment obligations to Total S.A. under the Compensation and Funding Agreement that are not paid when due shall accrue interest until paid in full at a rate equal to 6-months U.S. LIBOR as in effect from time to time plus 5.00% per annum. In fiscal 2013, we incurred commitment fees of $5.5 million to Total S.A.

Form of Liquidity Support. In the event that Total S.A. becomes obligated to provide a Liquidity Injection to us in a Liquidity Support Event pursuant to the Liquidity Support Agreement, the Compensation and Funding Agreement sets forth the form of such Liquidity Injection based on the greatest Drawn Support Amount (defined in the Liquidity Support Agreement) that has been outstanding at any time before the date of determination (the Maximum Drawn Support Amount) at such time, as follows:

(i) To the extent that the Maximum Drawn Support Amount at such time is equal to or less than $60 million, the Liquidity Injection shall be, at Total S.A. s option, in the form of a revolving, non-convertible debt facility (a Revolving Loan) pursuant to the terms of the Revolving Credit and Convertible Loan Agreement, a Total S.A. Guaranty (defined below), or any other form of Liquidity Injection agreed to by us. In addition, at the time of funding of each such Revolving Loan, we will issue to or as directed by Total S.A. a warrant, in the form of Exhibit A to the Compensation and Funding Agreement, that is exercisable for seven years to purchase an amount of our common stock equal to 20% of the amount of such Revolving Loan divided by the volume-weighted average price for our common stock for the 30 trading-day period ending on the trading day immediately preceding the date of calculation (the 30-Day VWAP) as of the date of funding of such Revolving Loan. Notwithstanding the foregoing, the aggregate exercise price of warrants issued in connection with Revolving Loans may not exceed 20% of the maximum aggregate amount of Revolving Loans that has been outstanding at any time under the Revolving Credit and Convertible Loan Agreement. Interest payable on the Revolving Loan shall be 6-months U.S. LIBOR plus 5% per annum when the Maximum Drawn Support Amount is equal to or less than $60 million, 6-months U.S. LIBOR plus 7% per annum when the Maximum Drawn Support Amount is greater than $60 million but less than or equal to $200 million, and 6-months U.S. LIBOR plus 8% per annum when the Maximum Drawn Support Amount is greater than $200 million.

(ii) To the extent that the Maximum Drawn Support Amount at such time is greater than $60 million but equal to or less than $200 million, Total may, at its sole discretion, convert any Revolving Loan into a convertible debt facility (a Convertible Loan), pursuant to the terms of the Revolving Credit and Convertible Loan Agreement, and any future Liquidity Injections will be, at Total S.A. s option, in the form of a Convertible Loan, a Total S.A. Guaranty (defined below), or any other form of Liquidity Injection agreed to by us. Each Convertible Loan will be convertible into our common stock at a conversion price equal to the amount of debt being converted, divided by the closing price of our common stock on the trading day immediately preceding the conversion date at the option of Total S.A. at any time after (A) the Convertible Loan has not been repaid within 6 months; (B) our debt to EBITDA ratio exceeds 3.5 to 1.0; or (C) any time the Maximum Drawn Support Amount exceeds $200 million. In addition, at the time of funding of each such Convertible Loan, we will issue to or as directed by Total S.A. a warrant, in the form of Exhibit A to the Compensation and Funding Agreement, that is exercisable for seven years to purchase an amount of our common stock equal to 25% of the amount of such Convertible Loan (if the Maximum Drawn Support Amount at such time is not in excess of $200 million) or 35% of the amount of such Convertible Loan (to the extent that the Maximum Drawn Support Amount at such time is in excess of $200 million), in each case, divided by the 30-Day VWAP as of the date of funding of such Convertible Loan. Notwithstanding the foregoing, the aggregate exercise price of warrants issued in connection with Convertible Loans up to $140 million may not exceed 25% of the maximum aggregate amount of such Convertible Loans that has been outstanding at any time under the Revolving Credit and Convertible Loan Agreement, and the aggregate exercise price of warrants issued in connection with Convertible Loans in excess of $140 million may not exceed 35% of the maximum aggregate amount of such Convertible Loans that has been outstanding at any time under the Revolving Credit and Convertible Loan Agreement. Interest payable on the Convertible Loan shall be 6-months U.S. LIBOR plus 7% per annum for any Convertible Loan outstanding when the Maximum Drawn Support Amount is less than or equal to $200 million, and 6-months U.S. LIBOR plus 8% per annum when the Maximum Drawn Support Amount is greater than $200 million.

(iii) If the Maximum Drawn Support Amount at such time exceeds $200 million, or if our debt to EBITDA ratio exceeds 3.5 to 1.0, the Liquidity Injection will be in the form selected by Total S.A., at its complete discretion, as an additional Revolving Loan, an additional Convertible Loan, a purchase of our equity securities, pursuant to the terms of the Private Placement Agreement (as described below), a guarantee by Total S.A. of our indebtedness, pursuant to the form Guaranty set forth as Exhibit B to the Compensation and Funding Agreement (a Guaranty), or another form of Liquidity Injection acceptable to the applicable lender. We shall issue to Total S.A. warrants in connection with additional Revolving Loans or Convertible Loans as described above. If such Liquidity Injection is in the form of a purchase of equity securities, then we will issue to or as directed by Total S.A. a warrant, in the form of Exhibit A to the Compensation and Funding Agreement, that is exercisable for seven years to purchase an amount of our common stock equal to 25% of the amount of such Liquidity Injection divided by the 30-Day VWAP as of the date of such Liquidity Injection. Any common stock sold to Total S.A. under the Private Placement Agreement will be priced at a 17% discount from the 30-Day VWAP as of the date such common stock is sold, and may be rounded up, at Total S.A. s option, from the required amount of such Liquidity Injection to the next integral multiple of $25 million.

No warrants issued shall be exercisable so long as at least $25 million of our existing convertible debt remains outstanding and such exercise will cause any person, including Total S.A., to, directly or indirectly, including through one or more wholly-owned subsidiaries, become the beneficial owner of more than 74.99% of the voting power of our common stock at such time. Loans made by Total S.A. under the Compensation and Funding Agreement shall be prepayable by us in agreed increments, so long as after giving effect to any such prepayment our Reported Liquidity and Project Liquidity would be at least $125 million.

Notwithstanding the foregoing, if the incurrence of any such debt or issuance of any such warrants or equity securities would trigger a default under the terms of any of our existing debt agreements in an amount greater than $10 million, Total S.A. will have the option, in its reasonable discretion, to provide a Liquidity Injection in an alternative form so as not to cause us to be in breach or default of any of our debt agreements. Notwithstanding the limitations on the form of Liquidity Injections described above, in connection with an actual or potential breach by us of our covenants under our Revolving Credit Agreement with Credit Agricole Corporate and Investment Bank (the Credit Agricole Facility Agreement), Total S.A. may make Liquidity Injections in the form of equity purchases sufficient to provide us with an equity cure under the Credit Agricole Facility Agreement, plus up to an additional $25 million of equity purchases. In addition to the provision of any equity cure, Total S.A. may also in such event elect to lend money to us, in the form of Revolving Loans or Convertible Loans as described above, in order to repay amounts owing under the Credit Agricole Facility Agreement.

If Total S.A. is required to make any payment to a lender under a Guaranty, and if we do not repay such payment to Total S.A. within 30 days, the amount of such payment, plus interest, shall be convertible, at Total S.A. s option, into a Revolving Loan, a Convertible Loan or a purchase of equity pursuant to the Private Placement Agreement, in each case upon notice from Total S.A. to us and in each case with warrant coverage as described above.

Termination. The Compensation and Funding Agreement will remain in effect as long as (i) any obligations of the Company remain outstanding under the Revolving Credit and Convertible Loan Agreement or the Private Placement Agreement, (ii) any obligations of Total S.A. remain outstanding under any Guaranty, or (iii) Total S.A. has any obligation to provide Liquidity Injections pursuant to the Liquidity Support Agreement.

Revolving Credit and Convertible Loan Agreement

In connection with the Liquidity Support Agreement, on February 28, 2012, we and Total entered into a Revolving Credit and Convertible Loan Agreement which establishes the terms and conditions for any Revolving Loans or Convertible Loans that may be provided to us pursuant to the Compensation and Funding Agreement described above. All Revolving Loans and Convertible Loans accrue interest as described above. All Revolving Loans are in an initial principal amount that is an integral multiple of $1 million and not less than $5 million, or the amount remaining available under the $600 million Liquidity Support Facility. All Convertible Loans are in an initial principal amount that is an integral multiple of $1 million and not less than $10 million, or the amount remaining available under the $600 million Liquidity Support Facility. All Revolving Loans or Convertible Loans must rank *pari passu* with our existing senior indebtedness, and must be secured to the fullest extent permitted by our debt agreements. Total may demand prepayment of any Revolving Loans and/or Convertible Loans, provided that after such prepayment, we would maintain our Reported Liquidity of at least $150 million and would not be in default of any financial covenant under our indebtedness; after the expiration of the Compensation and Funding Agreement, Total may demand prepayment without regard to these conditions.

Private Placement Agreement

In connection with the Liquidity Support Agreement, on February 28, 2012, we and Total entered into a Private Placement Agreement, pursuant to which we agreed to issue and sell to Total, and Total agreed to purchase from us, our common stock or warrants to purchase our common stock with respect to each Liquidity Injection as specified by the terms of the Compensation and Funding Agreement. The number of warrant shares, if any, and exercise price will be calculated in accordance with the Compensation and Funding Agreement, and any common stock sold under the Private Placement Agreement will be priced at a 17% discount from the 30-Day VWAP as of the date such common stock is sold.

The Tender Offer Agreement, Tender Offer Agreement Guaranty, Credit Support Agreement, Affiliation Agreement, Affiliation Agreement Guaranty, Research and Collaboration Agreement, Registration Rights Agreement, Rights Agreement Amendment, Second Rights Agreement Amendment and By-laws, and amendments thereto, are attached to, and more fully described in, our Form 8-Ks as filed with the SEC on May 2, 2011, June 7, 2011, June 15, 2011 and December 23, 2011, our Solicitation/Recommendation Statement on Form 14D-9 filed with the SEC on May 3, 2011, and our Form 10-Q as filed with the SEC on November 2, 2012. The Tenesol Stock Purchase Agreement, the Private Placement Agreement and the Master Agreement are attached to, and more fully described in, our Form 8-K filed with the SEC on December 23, 2011 and Information Statement on Schedule 14C filed with the SEC on January 3, 2012. The Liquidity Support Agreement, the Compensation and Funding Agreement, the Upfront Warrant, the Revolving Credit and Convertible Loan Agreement, the Private Placement Agreement, and amendments thereto are attached to, and more fully described in, our Form 10-K as filed with the SEC on February 29, 2012, our Information Statement on Schedule 14C filed with the SEC on March 22, 2012, and our Form 10-Q as filed with the SEC on November 2, 2012.

Sale of 0.75% Debentures Due 2018

On May 29, 2013, we issued $300 million in aggregate principal amount of our 0.75% Senior Convertible Debentures due 2018 (the Debentures) in a private offering. $200 million in aggregate principal amount of the Debentures were sold to Total by the initial purchasers of the Debentures. The Debentures are convertible into shares of our common stock at any time based on an initial conversion rate of 40.0871 shares of common stock per $1,000 principal amount of Debentures (which is equivalent to an initial conversion price of approximately $24.95 per share of our common stock), subject to adjustment under certain circumstances. The holders of the Debentures may require us to repurchase their Debentures under certain circumstances. The Debentures are subject to redemption at our option under certain circumstances.

EPC and O&M Services Agreements

In the ordinary course of our business, and as more fully described in our 2013 Annual Report, from time to time we enter into various EPC services and operations and maintenance services (O&M services) agreements relating to solar projects, including EPC services and O&M services agreements relating to projects owned or partially owned by Total or its affiliates. From the beginning of fiscal 2013 through February 2014, we received an aggregate of approximately $18.1 million from EPC services and O&M services agreements in respect of projects in which Total has a direct or indirect material interest.

Other Agreements

In January 2013, we entered into an agreement with a Total affiliate in order for such affiliate to support certain former employees in France in their post-termination entrepreneurial plans, including providing loans to the former employees. We paid service fees of approximately 100,000 in fiscal 2013 to Total and 10% of employee loans principal amount (approximately 55,000).

AUDIT COMMITTEE REPORT

The Audit Committee of our Board of Directors serves as the representative of the Board of Directors with respect to its oversight of:

- our accounting and financial reporting processes and the audit of our financial statements;
- the integrity of our financial statements;
- our internal controls;
- our compliance with legal and regulatory requirements and efficacy of and compliance with our corporate policies;
- the independent registered public accounting firm s appointment, qualifications and independence; and
- the performance of our internal audit function.

The Audit Committee also reviews the performance of our independent registered public accounting firm, Ernst & Young LLP, in the annual audit of financial statements and in assignments unrelated to the audit, and reviews the independent registered public accounting firm s fees.

The Audit Committee provides the Board such information and materials as it may deem necessary to make the Board aware of financial matters requiring the attention of the Board. The Audit Committee reviews our financial disclosures, and meets privately, outside the presence of our management, with our independent registered public accounting firm. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements in our Annual Report on Form 10-K for our fiscal year ended December 29, 2013 with management, including a discussion of the quality and substance of the accounting principles, the reasonableness of significant judgments made in connection with the audited financial statements, and the clarity of disclosures in the financial statements. The Audit Committee reports on these meetings to our Board of Directors.

Our management has primary responsibility for preparing our financial statements and for our financial reporting process. In addition, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our independent registered public accounting firm, Ernst & Young LLP, is responsible for expressing an opinion on the conformity of our financial statements to generally accepted accounting principles, and on the effectiveness of our internal control over financial reporting.

The Audit Committee reports as follows:

(1) The Audit Committee has reviewed and discussed the audited financial statements for fiscal year 2013 with our management.

(2) The Audit Committee has discussed with Ernst & Young LLP, our independent registered public accounting firm, the matters required to be discussed by statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

(3) The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee regarding independence, and has discussed with Ernst & Young LLP its independence, including whether Ernst & Young LLP s provision of non-audit services to us is compatible with its independence.

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services, and other services performed by the independent registered public accounting firm. The policy provides

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for pre-approval by the Audit Committee (or its Chair pursuant to delegated authority) of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that fiscal year, the Audit Committee (or its Chair pursuant to delegated authority) must approve the specific service before the independent registered public accounting firm is engaged to perform such services for us.

Based on the review and discussion referred to in items (1) through (3) above, the Audit Committee recommended to our Board of Directors, and the Board approved, the inclusion of our audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 29, 2013, as filed with the SEC.

The foregoing report was submitted by the Audit Committee of the Board and shall not be deemed to be soliciting material or to be filed with the SEC or subject to Regulation 14A promulgated by the SEC or Section 18 of the Exchange Act, and shall not be deemed incorporated by reference into any prior or subsequent filing by us under the Securities Act of 1933 or the Exchange Act.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Thomas R. McDaniel, Chair
Catherine A. Lesjak

Pat Wood III

February 10, 2014

DIRECTOR COMPENSATION

The following table sets forth a summary of the compensation we paid to our non-employee directors for fiscal 2013.

2013 Director Compensation Table

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(3)	Total ($)
Arnaud Chaperon	0	0	0
Bernard Clement	0	0	0
Denis Giorno	0	0	0
Catherine Lesjak (4)	50,020	169,970	219,990
Jean-Marc Otero del Val (5)	0	0	0
Thomas R. McDaniel	100,034	299,966	400,000
Jérôme Schmitt (5)	0	0	0
Humbert de Wendel	0	0	0
Pat Wood III	125,034	299,966	425,000

(1) The amounts reported in this column represent the aggregate cash retainers and payments for fractional shares received by the non-employee directors for fiscal 2013, but do not include amounts reimbursed to the non-employee directors for expenses incurred in connection with attending Board and committee meetings.

(2) The amounts reported in this column represent the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board (or FASB) ASC Topic 718 for restricted stock units granted to our non-employee directors in fiscal 2013, as further described below. Each non-employee director received the following grants of restricted stock units on the following dates with the following grant date fair values (please note that some amounts reported may not add up exactly due to rounding on an award-by-award basis):

Non-Employee Director	Grant Date	Restricted Stock Units (#)	Grant Date Fair Value ($)
Catherine Lesjak	06/06/2013	1,032	19,990
	08/12/2013	3,375	74,993
	11/11/2013	2,313	74,987
Thomas R. McDaniel	02/11/2013	7,944	74,991
	05/13/2013	4,004	74,995
	08/12/2013	3,375	74,993
	11/11/2013	2,313	74,987
Pat Wood III	02/11/2013	7,944	74,991
	05/13/2013	4,004	74,995
	08/12/2013	3,375	74,993
	11/11/2013	2,313	74,987

(3) As of December 29, 2013, Mr. Wood held options for 48,000 shares.
(4) Ms. Lesjak joined the Board effective June 6, 2013.
(5) Mr. Otero del Val replaced Mr. Schmitt on the Board effective April 30, 2013.

2013 Director Compensation Program

Each non-employee director was entitled to the following compensation, if applicable, for his or her service in fiscal 2013:

- an annual fee of $400,000 ($100,000 quarterly) for our non-employee directors other than the Chairman of the Board for service on our Board and on Board committees;
- an annual fee of $450,000 ($112,500 quarterly) to our Chairman of the Board for service on our Board and on Board committees; and
- an additional annual fee of $25,000 ($6,250 quarterly) to the lead independent director.

These annual fees are prorated on a quarterly basis for any director that joins the Board during the year. The $25,000 additional fee payable to the lead independent director is paid in cash. All of the fees payable to the Chairman of the Board are paid in the form of restricted stock units. The other fees are paid on a quarterly basis, 25% in cash on or about the date of the quarterly Board meeting and 75% in the form of fully-vested restricted stock units on the 11th day in the second month of each quarter (or on the next trading day if such day is not a trading day). The restricted stock units are settled in shares of our common stock within seven days of the date of grant. Because Mr. Werner is our President and Chief Executive Officer, he is not separately compensated for his service as Chairman of the Board. Similarly, because each of our Total-nominated directors do not qualify as independent directors under our director compensation policy, such individuals receive no director compensation.

PROPOSAL TWO

ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

As required under the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and Section 14A of the Exchange Act, we are asking our stockholders to again vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the SEC s rules.

As described in detail under the headings *Compensation Discussion and Analysis* and *Executive Compensation*, we have adopted an executive compensation philosophy designed to deliver competitive total compensation to our executive officers upon the achievement of financial and strategic performance objectives. In order to implement that philosophy, the Compensation Committee has established a disciplined process for the adoption of executive compensation programs and individual executive officer pay actions that includes the analysis of competitive market data, a review of each executive officer s role, performance assessments and consultation with the Compensation Committee s independent compensation consultant. Please read the *Compensation Discussion and Analysis* beginning on page 43 and *Executive Compensation* beginning on page 56 for additional details about our executive compensation programs, including information about the fiscal 2013 compensation of our named executive officers.

2013 SunPower Performance. We delivered strong financial and operational results for fiscal 2013:

We grew revenues in fiscal 2013 to $2.5 billion.

The 579 MW Solar Star projects for MidAmerican Solar reached a key milestone with the first 57 MW array segment delivering energy to the grid, and we achieved full commercial operation on the 250 MW California Valley Solar Ranch (CVSR), one of the world s largest solar power plants completed to date.

We saw strong growth in our North American residential business, with more than 20,500 leasing customers signed to date. Additionally, we secured more financing to support our residential lease program with a view toward continuing to drive growth in this channel, including the announcement of a $220 million lease capacity partnership with Bank of America.

Our partnership with Total helped facilitate expansion into a number of new solar markets worldwide. For example, final financing was secured and construction commenced on the milestone 70 MW power plant in Chile the world s largest merchant photovoltaic power plant, through which electricity will be sold on the spot market and we were awarded an 86 MW power plant project in a recent South Africa tender process.

We delivered strong execution on our cost reduction targets, achieving a greater than 20 percent year-over-year cell cost reduction for the second year in a row.

We announced plans for the development of a new solar cell fabrication facility projected to be completed in 2015, which we expect will increase our capacity by approximately 25 percent and incorporate efficiencies that are designed to further reduce our manufacturing costs.

We announced the completion of the first commercial deployment of our SunPower® C7 Tracker technology and launched our SunPower® X-Series Solar Panels, a new panel line for the residential market with demonstrated average module efficiencies of 21.5%.

We closed a joint venture agreement with partners in China to manufacture our SunPower C7 Tracker systems for the Chinese market.

2013 Compensation Features. Our compensation programs are intended to align our named executive officers interests with those of our stockholders by rewarding performance that meets or exceeds the goals that the Compensation Committee establishes with the objective of increasing stockholder value. The Compensation

Committee annually reviews the compensation programs for our named executive officers to ensure they achieve the desired goals of aligning our executive compensation structure with our stockholders interests and current market practices. Among the program features incorporated by the Compensation Committee in fiscal 2013 to implement the executive compensation philosophy stated above are the following:

- Revenue, profitability and free cash flow metrics and corresponding performance targets along with corporate milestone performance targets determined the actual payouts under our performance-based cash bonus programs (specifically, the 2013 Annual Bonus Program and the 2013 Quarterly Bonus Program) for our named executive officers.

- Long-term incentives in the form of time- and performance-based restricted stock units make up a large portion of each named executive officer s compensation and are linked to the long-term performance of our stock. Restricted stock units generally vest over three years, and performance-based restricted stock units are earned only after the achievement of corporate performance targets and also vest over a three-year period.

- Earning performance-based restricted stock units depends on the achievement of performance targets corresponding to our revenue, profitability and free cash flow metrics.

- Individual performance was additionally measured each quarter based on each named executive officer s achievement of his personal Key Initiatives, which support our corporate, strategic and operational milestones.

- Our change of control severance agreements do not entitle our named executive officers to payment without termination of employment following a change of control.

Our financial and operational performance described above was the key factor in the compensation decisions and outcomes for fiscal 2013, as further described in *Compensation Discussion and Analysis* and *Executive Compensation*. One of the core tenets of our executive compensation philosophy is our emphasis on performance pay. As highlighted in the Compensation Components chart in *Compensation Discussion and Analysis*, in fiscal 2013, a large portion of our named executive officers target compensation (90% for our Chief Executive Officer and averaging 78% for our other named executive officers) was delivered in the form of annual and quarterly bonus programs, as well as long-term equity incentives, including retention equity awards.

The Compensation Committee believes that our executive compensation programs, executive officer pay levels and individual pay actions approved for our executive officers, including our named executive officers, are directly aligned with our executive compensation philosophy and fully support its goals. We are asking our stockholders to indicate their support for our named executive officer compensation as described in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives our stockholders the opportunity to express their views on our named executive officers compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. Accordingly, the Board recommends that our stockholders vote FOR the following resolution at the Annual Meeting:

RESOLVED, that, on an advisory basis, the compensation of SunPower s named executive officers, as disclosed in the Compensation Discussion and Analysis, compensation tables and related narratives and descriptions in SunPower s proxy statement for the Annual Meeting, is hereby APPROVED.

Vote Required

The non-binding advisory vote on named executive officer compensation requires the affirmative vote of the holders of a majority of our stock having voting power and present in person or represented by proxy and entitled to vote at the Annual Meeting. Broker non-votes and abstentions will not count as votes in favor of the advisory vote on executive compensation, and abstentions (but not broker non-votes) will have the effect of votes against this proposal.

Although the say-on-pay vote is advisory, and therefore not binding on us, the Compensation Committee or our Board, our Board and our Compensation Committee value the opinions of our stockholders. To the extent there is any significant vote against our named executive officers compensation as disclosed in this proxy statement, we expect to consider our stockholders concerns and the Compensation Committee expects to evaluate whether any actions are necessary to address those concerns.

Next Advisory Vote on Named Executive Officers Compensation

In a non-binding advisory vote at our 2011 Annual Meeting, our stockholders recommended that a non-binding advisory vote to approve the compensation of SunPower s named executive officers be presented to stockholders for their consideration every year. In light of the result of this vote, our Board determined to implement a non-binding advisory stockholder vote on named executive officers compensation once every year. Therefore, the next non-binding advisory stockholder vote on named executive officers compensation is expected to occur at the 2015 annual stockholders meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC ON A NON-BINDING, ADVISORY BASIS.

EXECUTIVE OFFICERS

Certain information, as of March 13, 2014, regarding each of our executive officers is set forth below.

Name	Age	Position
Thomas H. Werner	54	President, Chief Executive Officer and Chairman of the Board
Charles D. Boynton	46	Executive Vice President and Chief Financial Officer
Howard J. Wenger	54	President, Regions
Marty T. Neese	51	Chief Operating Officer
Lisa Bodensteiner	52	Executive Vice President, General Counsel and Corporate Secretary
Douglas J. Richards	55	Executive Vice President, Administration
Eric Branderiz	49	Senior Vice President, Corporate Controller and Principal Accounting Officer

Mr. Thomas H. Werner has served as our President and Chief Executive Officer since May 2010, a member of our Board since June 2003, and Chairman of the Board of Directors since May 2011. From June 2003 to April 2010, Mr. Werner served as our Chief Executive Officer. Before joining SunPower, from 2001 to 2003, he held the position of Chief Executive Officer of Silicon Light Machines, Inc., an optical solutions subsidiary of Cypress Semiconductor Corporation. From 1998 to 2001, Mr. Werner was Vice President and General Manager of the Business Connectivity Group of 3Com Corp., a network solutions company. He has also held a number of executive management positions at Oak Industries, Inc. and General Electric Co., and currently serves as a board member of Cree, Inc., Silver Spring Networks, and the Silicon Valley Leadership Group. Mr. Werner is on the Board of Trustees of Marquette University. Mr. Werner holds a bachelors degree in industrial engineering from the University of Wisconsin Madison, a bachelor s degree in electrical engineering from Marquette University and a master s degree in business administration from George Washington University.

Mr. Charles D. Boynton has served as our Executive Vice President and Chief Financial Officer since March 2012. In March 2012, Mr. Boynton also served as our Acting Financial Officer. From June 2010 to March 2012, he served as our Vice President, Finance and Corporate Development, where he drove strategic investments, joint ventures, mergers and acquisitions, field finance and finance, planning and analysis. Before joining SunPower in June 2010, Mr. Boynton was the Chief Financial Officer for ServiceSource, LLC from April 2008 to June 2010. From March 2004 to April 2008 he served as the Chief Financial Officer at Intelliden. Earlier in his career, Mr. Boynton held key financial positions at Commerce One, Inc., Kraft Foods, Inc. and Grant Thornton, LLP. He is a member of the board of trustees of the San Jose Technology Museum of Innovation. Mr. Boynton was a certified public accountant, State of Illinois, and a Member FEI, Silicon Valley Chapter. Mr. Boynton earned his master s degree in business administration at Northwestern University and his Bachelor of Science degree in business from Indiana University.

Mr. Howard J. Wenger has served as our President, Regions since November 2011. From January 2010 to October 2011, Mr. Wenger served as President, Utilities and Power Plants. From August 2008 to January 2010, Mr. Wenger served as President, Global Business Units, and led all of our business units since January 2007 as an executive officer of the Company. From 2003 to 2007, Mr. Wenger served as Executive Vice President and a member of the board of directors of PowerLight Corporation, a solar system integration company that we acquired in January 2007 and subsequently renamed SunPower Corporation, Systems with Mr. Wenger serving as President. From 2000 to 2003, Mr. Wenger was Vice President, North American Business of AstroPower Inc., a solar power manufacturer and system provider acquired by General Electric, and from 1998 to 2000 he was the Director, Grid-Connected Business. From 1993 to 1998, Mr. Wenger co-founded and managed Pacific Energy Group, a solar power consulting firm and, from 1989 to 1993, Mr. Wenger worked for the Pacific Gas & Electric Company, a utility company in northern California, in both research and strategic planning of solar and distributed generation assets. Mr. Wenger holds a Bachelor of Arts degree in environmental studies from the University California, Santa Barbara, and a Master of Science degree in engineering from the University of Colorado, Boulder.

Mr. Marty T. Neese has served as our Chief Operating Officer since June 2008. From October 2007 to June 2008, Mr. Neese served as Executive Vice President, Worldwide Operations of Flextronics International Ltd., a manufacturing services company. From September 2004 to October 2007, Mr. Neese served in a variety of senior management positions at Solectron Corporation, a manufacturing services company, most recently as its Executive Vice President, Worldwide Operations. Mr. Neese also served in the U.S. Army for five years, reaching the rank of Captain. He is a graduate of the United States Military Academy at West Point. He received his master s degree in business administration from the University of Florida.

Ms. Lisa Bodensteiner has served as our Executive Vice President, General Counsel and Corporate Secretary since June 2012. From October 2009 to June 2012, Ms. Bodensteiner served in roles with increasing responsibility, and most recently as General Counsel, Project Development at First Solar Inc. From October 2007 to April 2009, Ms. Bodensteiner served as Vice President and General Counsel at OptiSolar Inc., a privately held, vertically integrated solar energy producer, manufacturer of proprietary thin-film photovoltaic solar panels and developer of utility-scale solar farms. Before OptiSolar, Ms. Bodensteiner had more than a decade of experience at Calpine Corporation, serving in various legal roles including as Executive Vice President, General Counsel, Secretary and Chief Compliance Officer. From 1989 to 1996, Ms. Bodensteiner practiced as a transactional attorney at law firms. Ms. Bodensteiner earned a Bachelor of Science degree in business administration from the University of Nevada, Reno, and a J.D. from Santa Clara University.

Mr. Douglas J. Richards has served as our Executive Vice President, Administration since November 2011. From April 2010 to October 2011, Mr. Richards served as our Executive Vice President, Human Resources and Corporate Services. From September 2007 to March 2010, Mr. Richards served as our Vice President, Human Resources and Corporate Services. From 2006 to 2007, Mr. Richards was Vice President of Human Resources and Administration for SelectBuild, a construction services company and a wholly-owned subsidiary of BMHC, and from 2000 to 2006, Mr. Richards was Senior Vice President of Human Resources and Administration for BlueArc, a provider of high performance unified network storage systems to enterprise markets. Before BlueArc, Mr. Richards spent 10 years at Compaq Computer Corporation and five years at Apple Computer, Inc. in various management positions. Mr. Richards graduated from California State University, Chico, with a Bachelor of Arts degree in public administration.

Mr. Eric Branderiz has served as our Senior Vice President, Corporate Controller and Principal Accounting Officer since August 2012, and was Vice President, Corporate Controller and Principal Accounting Officer between September 2011 to July 2012, responsible for all financial accounting, customer global shared services, regional controllership, regional planning and global business finance manufacturing operations. Since first quarter of 2013, Mr. Branderiz also leads the global operations and finance organization for the residential and light commercial business, responsible for global order management and fulfillment as well as product offering design and optimization. From June 2010 to August 2011, Mr. Branderiz served as our Vice President and Corporate Controller. Mr. Branderiz was the Vice President, Corporate Controller, Treasurer, and Head of Subsidy Business Operations for the Knowledge Learning Corporation (KLC) from May 2009 to May 2010. Before KLC, he served in various positions at Spansion, Inc. from June 2003 to April 2009, including as the Corporate Vice President, Corporate Finance & Corporate Controller. Before Spansion s initial public offering, Mr. Branderiz served in several concurrent capacities as Corporate Controller, Head of Corporate Financial Planning & Analysis, Head of Regional Sales & Marketing Finance, and Internal Controls. Before Spansion, Mr. Branderiz held various positions at Advanced Micro Devices, Inc., including American Controller; he also held positions at Ernst & Young, LLP, and the Provincial Branch of Consumer & Corporate Affairs and Treasury Departments in Canada. He is a licensed Certified Public Accountant and earned a Business Commerce degree from the University of Alberta, Canada.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides a detailed review and analysis of our compensation policies and programs that applied to our named executive officers during the fiscal year ended December 29, 2013. These executive officers consisted of our Chief Executive Officer, our Chief Financial Officer, and the next three most highly compensated executive officers serving as of December 29, 2013. We refer to these five executive officers, whose names and titles are included in the following table, collectively as our named executive officers:

Name	Title
Thomas H. Werner	President and Chief Executive Officer
Charles D. Boynton	Executive Vice President and Chief Financial Officer
Howard J. Wenger	President, Regions
Marty T. Neese	Chief Operating Officer
Douglas J. Richards	Executive Vice President, Administration

Executive Summary

Our compensation programs are intended to align our named executive officers interests with those of our stockholders by rewarding performance that meets or exceeds the goals that the Compensation Committee establishes with the ultimate objective of increasing stockholder value. We have adopted an executive compensation philosophy designed to deliver competitive total compensation upon the achievement of financial and strategic performance objectives. The total compensation received by our named executive officers will vary based on corporate and individual performance, as measured against performance goals. Therefore, a significant portion of each named executive officer s total pay is tied to Company performance (see the 2013 Compensation Components chart below).

We delivered strong financial and operational results for fiscal 2013:

- We grew revenues in fiscal 2013 to $2.5 billion.

- The 579 MW Solar Star projects for MidAmerican Solar reached a key milestone with the first 57 MW array segment delivering energy to the grid, and we achieved full commercial operation on the 250 MW California Valley Solar Ranch (CVSR), one of the world s largest solar power plants completed to date.

- We saw strong growth in our North American residential business, with more than 20,500 leasing customers signed to date. Additionally, we secured more financing to support our residential lease program with a view toward continuing to drive growth in this channel, including the announcement of a $220 million lease capacity partnership with Bank of America.

- Our partnership with Total helped facilitate expansion into a number of new solar markets worldwide. For example, final financing was secured and construction commenced on the milestone 70 MW power plant in Chile the world s largest merchant photovoltaic power plant, through which electricity will be sold on the spot market and we were awarded an 86 MW power plant project in a recent South Africa tender process.

- We delivered strong execution on our cost reduction targets, achieving a greater than 20 percent year-over-year cell cost reduction for the second year in a row.

- We announced plans for the development of a new solar cell fabrication facility projected to be completed in 2015, which we expect will increase our capacity by approximately 25 percent and incorporate efficiencies that are designed to further reduce our manufacturing costs.

We announced the completion of the first commercial deployment of our SunPower® C7 Tracker technology and launched our SunPower® X-Series Solar Panels, a new panel line for the residential market with demonstrated average module efficiencies of 21.5%.

We closed a joint venture agreement with partners in China to manufacture our SunPower C7 Tracker systems for the Chinese market.

For fiscal 2013, our financial performance was the key factor in the compensation decisions and outcomes for the fiscal year. In fiscal 2013, the highlights of our named executive officer compensation program were as follows:

We redesigned our annual bonus program, introducing new financial metrics that we believe further align our compensation practices with our business goals and, correspondingly, maximize long-term shareholder value. Achievement of performance targets related to our revenue, profitability and free cash flow metrics, along with achievement of our corporate milestone performance targets determined the actual payouts under our performance-based cash bonus programs (specifically, the 2013 Annual Bonus Program and the 2013 Quarterly Bonus Program) for our named executive officers. Performance with respect to these metrics and related targets reached the target or maximum performance level and resulted in payment of cash bonus awards. Performance metrics, thresholds and targets are further described below in *Executive Compensation Non-Equity Incentive Plan Compensation*.

Long-term incentives in the form of time- and performance-based restricted stock units comprise more than 50% of each named executive officer s compensation and are linked to the long-term performance of our stock. Restricted stock units generally vest over three years, and performance-based restricted stock units are earned only after the achievement of corporate performance targets and also vest over a three-year period.

We used new financial metrics in our performance-based restricted stock awards. Earning performance-based restricted stock units depends on the achievement of performance targets set in respect of our revenue, profitability, and free cash flow metrics. Performance with respect to the revenue metric target exceeded the target performance level, and performance with respect to the profitability and free cash flow metric targets exceeded the maximum performance level, which resulted in payment of equity awards with respect to all portions of the performance-based restricted stock units. Performance metrics, thresholds and targets are further described below in *Executive Compensation Equity Incentive Plan Compensation*.

Individual performance was additionally measured each quarter based on each named executive officer s achievement of his personal Key Initiatives, which support our corporate, strategic and operational milestones. An individual s personal Key Initiative score would result in no award being payable under the 2013 Quarterly Bonus Program even if we achieved our corporate targets if the Key Initiative score were determined to be zero. We made payments under our 2013 Quarterly Bonus Program after we exceeded the target or maximum performance level.

In fiscal 2013, we raised the salary of Mr. Boynton, our Chief Financial Officer by 5%. Aside from Mr. Boynton, we did not raise the salary of any of our other named executive officers, including Mr. Werner, our Chief Executive Officer, in fiscal 2013.

Our change of control severance agreements do not entitle our named executive officers to payment without termination of employment following a change of control.

In fiscal 2013 a large portion of our named executive officers target compensation (90% for our Chief Executive Officer and averaging 78% for our other named executive officers) was delivered in the form of annual and quarterly bonus programs and long-term equity incentives. We delivered strong financial and operational results and met the targets for our performance-based cash bonus programs and performance-based restricted stock unit awards.

At our 2013 Annual Meeting of Stockholders, our stockholders voted to approve, on an advisory basis, the compensation of our named executive officers, as disclosed in the proxy statement for that meeting. We refer to this vote as our Say-on-Pay vote. Our Compensation Committee considered the results of the Say-on-Pay vote (which received 93% approval of the votes cast) at its meetings subsequent to the Say-on-Pay vote when it set annual executive compensation. After our Compensation Committee reviewed the stockholders approval of the Say-on-Pay vote in 2013, and in light of our controlling stockholder Total Energies Nouvelles Activités USA, SAS s (Total) input, our Compensation Committee decided to maintain the general framework of our fiscal 2012 compensation policies and programs for our named executive officers in fiscal 2013 as it believed such programs continued to be in the best interest of our stockholders. Though the overarching framework of our compensation philosophy and programs remained consistent in fiscal 2013 compared with fiscal 2012, our Compensation Committee made certain changes to the metrics and allocation of our compensation programs for our named executive officers in fiscal 2013 in furtherance of the Committee s objective to align our named executive officers compensation programs with our business goals. These changes are described in greater detail below.

The following discussion should be read together with the information we present in the compensation tables, the footnotes and narratives to those tables and the related disclosure appearing in *Executive Compensation* below.

General Philosophy and Objectives

For fiscal 2013, we continued to operate a compensation program designed primarily to reward our named executive officers for outstanding financial performance and achievement of corporate objectives consistent with increasing long-term stockholder value. Our compensation program continued to be based on the following primary goals:

- aligning executive compensation with business objectives and performance;
- enabling us to attract, retain and reward executive officers who contribute to our long-term success;
- attracting and retaining the best people in the industry; and
- providing long-term incentives to executives to work to maximize stockholder value.

In order to implement our philosophy, the Compensation Committee has established a disciplined process for the adoption of executive compensation programs and individual executive officer pay actions that includes the analysis of competitive market data, a review of each executive officer s role, performance assessments and consultation with the Compensation Committee s independent compensation consultant, as described below.

The Compensation Committee believes that the most effective executive compensation program is one that rewards the achievement of specific corporate and financial goals by rewarding our named executive officers when those goals are met or exceeded, with the ultimate objective of increasing stockholder value. In addition, we believe the mix of base salary, performance-based cash awards and equity-based awards provides proper incentives without encouraging excessive risk taking. We believe that the risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on our company.

Compensation Setting Process

The Compensation Committee is responsible for managing the compensation of our executive officers, including our named executive officers, in a manner consistent with our compensation philosophy. In accordance with the controlled company exception under the applicable listing standards of the Nasdaq Global Select Market, our Compensation Committee consists of two independent directors and two directors designated by our controlling stockholder, Total. We also have a Section 162(m) sub-committee of the Compensation Committee available to approve certain compensation matters in accordance with Section 162(m) of the Code, as may be determined by the Compensation Committee. The Compensation Committee establishes our compensation philosophy and objectives and annually reviews and, as necessary and appropriate, adjusts each named executive officer s compensation. Consistent with its philosophy, the Compensation Committee offered our named executive officers total target compensation opportunities ranging from the 50th percentile to the 75th percentile of our peer group of companies (as further described below) during fiscal 2013. When determining appropriate compensation for the named executive officers, the Compensation Committee considered the advice of an independent compensation consultant, recommendations from management and internal compensation specialists, practices of companies within our peer group, Company performance, the Company s business plan and individual performance. As part of this process, the compensation consultant prepared a competitive analysis of our compensation program, and management presented its recommendations regarding base salary, time- and performance-based equity awards and performance targets under our 2013 Annual Bonus Program and 2013 Quarterly Bonus Program to the Compensation Committee for its review and consideration. The Compensation Committee accepts, rejects or accepts as modified, management s various recommendations regarding compensation for the named executive officers other than the Chief Executive Officer. The Compensation Committee also approves, after modification, management s recommendations on various performance targets and milestones. The Compensation Committee met without the Chief Executive Officer when reviewing and establishing his compensation.

Compensation Consultant and Peer Group

For fiscal 2013, the Compensation Committee again directly engaged and retained Radford, a compensation consulting firm and a business unit of Aon Hewitt, to identify and maintain a list of our peer group of companies. The Compensation Committee selected Radford because it is believed to be the premiere compensation consultant in the technology industry. The Compensation Committee established the peer group used in connection with fiscal 2013 compensation decisions consistent with the Compensation Committee s belief that the peer group should closely match our business, and be based on the current and anticipated growth that we have experienced and expect to experience. In comparison to our peer group used for purposes of setting fiscal 2012 compensation, our peer group in fiscal 2013 reflects the addition of six new companies, as the Compensation Committee sought to adjust the comparative framework to reflect a greater prevalence of publicly-traded clean technology companies, and the removal of three companies that were deemed to no longer offer useful comparative data. The peer group was selected using a mix of the following factors:

- Publicly-traded North American semiconductor and clean technology companies;
- Companies with between 50% and 250% of our annual revenues; and
- Companies that are comparable in other size and performance metrics such as number of employees, revenue per employee, last fiscal year revenue and net income, market capitalization, ratio of market capitalization to revenue, and market capitalization per employee.

The Compensation Committee believes our fiscal 2013 peer group closely matches our core business. The companies included in our peer group for purposes of establishing fiscal 2013 compensation are listed below:

Altera Corporation	JDS Uniphase Corporation
Analog Devices	Juniper Networks, Inc.
AVX Corporation	KLA-Tencor Corporation
Energizer Holdings, Inc.	Linear Technology
Fairchild Semiconductor International, Inc.	MEMC Electronic Materials, Inc.
First Solar, Inc.	ON Semiconductor
FLIR Systems, Inc.	Quanta Services
GT Advanced Technologies	Roper Industries, Inc.
Hexcel Corporation	Trimble Navigation
International Rectifier	Waters Corporation
Iltron	Xilinx, Inc.

Compared with the peer group, we were in approximately the 50th percentile in revenues, approximately the 40th percentile in number of employees, approximately the 10th percentile in net income, and approximately the 10th percentile in market capitalization as of the end of fiscal 2012, when the Committee approved the peer group for purposes of making fiscal 2013 compensation decisions.

Radford provided the Committee with competitive market information on the peer companies, as well as aggregated data on the broader technology market with respect to base salaries, cash bonus awards as a percentage of base salaries, total cash compensation, and equity awards. In fiscal 2013, Radford also advised the Compensation Committee in connection with evaluating our compensation practices, developing and implementing our executive compensation program and philosophy, establishing total compensation targets, and setting specific compensation components to reach the determined total compensation targets. We also participated in the Radford Global Technology Survey. Radford did not provide any services to us other than advising the Compensation Committee and us, at the direction of the Compensation Committee, on executive compensation issues. We have considered and assessed all relevant factors, including, but not limited to, those set forth in Rule 10C-1(b)(4)(i) through (vi) under the Exchange Act, that could give rise to a potential conflict of interest with respect to the compensation consultant described above. Based on this review, we are not aware of any conflict of interest that has been raised by the work performed by Radford.

Benchmarking

In making its compensation decisions for our named executive officers for fiscal 2013, the Compensation Committee benchmarked each named executive officer s total compensation to the compensation of individuals in comparative positions at companies in the peer group based on information that management obtained from public filings supplemented by data Radford provided from surveys. In general, the Compensation Committee initially established base salaries at or below the 50th percentile of the peer group and both performance-based cash bonus awards and long-term time- and performance-based equity awards generally above the 50th percentile of the peer group. The Compensation Committee provided a considerably greater proportion of our named executive officers total compensation in the form of variable, at risk pay than that provided by our peers, and gave our named executive officers an opportunity to earn more than their counterparts through strong performance. In establishing incentive opportunities, the Compensation Committee focused on corporate performance so that if our corporate performance was achieved at target levels, the Compensation Committee expected that our named executive officers total pay would be above the 50th percentile of the peer group up to the 75th percentile of the peer group. The Compensation Committee viewed benchmarking as just the beginning, and not the end, of its discussion regarding our named executive officers pay opportunities for fiscal 2013, and looked to individual performance, the named executive officer s experience in the executive role, and the executive s scope of responsibility being narrower or broader than that of comparable positions at our peer group companies to establish final pay opportunities either above or below the initial benchmarks. The Compensation Committee considered the individual performance of the named executive officers in approving their compensation in fiscal 2013, in particular:

- Mr. Werner was recognized for his leadership in fiscal 2012 and successful development and execution of our strategy despite a challenging industry environment; under his leadership our revenues increased compared with the previous fiscal year, including due to milestones achieved in connection with the 579 megawatt Antelope Valley Solar Project, and we signed the first federal government project utilizing a 20-year power purchase agreement for the 13.78 megawatt U.S. Navy China Lake Project;

- Mr. Boynton was noted for finalizing an agreement with U.S. Bancorp for $100 million in additional lease financing capacity;

- Mr. Wenger was recognized for major customer acquisitions, reaching record volumes in Japan, and driving increased demand for the residential lease program;

- Mr. Neese was noted for meeting and exceeding targets to reduce the cost of manufacturing through strategic sourcing and internal efficiency initiatives, including achieving a more than 25% blended panel cost reduction, and opening new manufacturing facilities in France and Mexico; and

Mr. Richards contributions included the execution of a comprehensive organization and workforce plan to better align our resources to drive revenue growth and enable efficient decision making in support of our strategy, as well as the integration of Tenesol.

The Compensation Committee believes that consideration of such factors, among others, strongly links our named executive officers pay to their and our performance, and best aligns our named executive officers compensation interests with the interests of our stockholders.

2013 Compensation Components

For fiscal 2013, the Compensation Committee allocated total compensation among various pay elements consisting of base salary, performance-based cash bonus awards, time-based equity awards, performance-based equity awards, and perquisites and other compensation. The table below provides an overview of each element of compensation and is followed by a further discussion and analysis of the specific decisions that we made for each element for fiscal 2013:

Compensation Component	Objective and Basis	Form	Practice
Base salary	Fixed compensation that is set at a competitive level for each position to reward demonstrated experience and skills.	Cash	Competitive market ranges are generally established at or below the 50^{th} percentile, with consideration for experience and scope of role relative to comparable positions in one peer group.
Performance-based cash bonus awards	Quarterly and annual incentives that drive our performance and align executives interests with stockholders interests.	Cash	Target incentives are set as a percentage of base salary and are based on benchmarking from the 50^{th} to the 75^{th} percentile. Actual payment is calculated based on achievement of corporate and individual goals.
Time-based equity awards	Long-term incentive that aligns executives interests with stockholders interests and helps retain executives through long-term vesting periods.	Restricted stock units	Equity awards (time-based plus performance-based) generally between the 50^{th} percentile and the 75^{th} percentile.
Performance-based equity awards	Long-term incentive that drives our performance and aligns executives interests with stockholders interests and helps retain executives through long-term vesting periods.	Performance stock units	Equity awards (time-based plus performance-based) generally between the 50^{th} percentile and the 75^{th} percentile. Actual payment is calculated based on achievement of corporate goals.
Perquisites and other compensation	Offered to attract and retain talent and to maintain competitive compensation packages.	Various	Named executive officers are eligible to participate in health and welfare benefits and 401(k) matching available to all employees. We do not provide any special perquisites to our named executive officers. Named executive officers are parties to employment agreements that provide for certain severance benefits.

The relative proportion of each element for fiscal 2013 was based generally on the Compensation Committee s comparison of compensation that we offered our executive officers against compensation offered by peer group companies to their executive officers, the tax and accounting consequences of certain types of equity compensation, and a desire to allocate a higher proportion of total compensation to performance-based and equity incentive awards.

The components of compensation for the named executive officers for fiscal 2013 are set forth below. This composition is consistent with our philosophy of aligning our named executive officers interests with those of our stockholders by tying a significant portion of their total compensation to corporate performance goals and providing long-term incentives in the form of equity awards.

2013 Compensation Components

Analysis of Fiscal 2013 Compensation Decisions

Base Salary. For fiscal 2013, Mr. Boynton was the only named executive officer to receive an increase in base salary after we evaluated competitive market compensation paid by companies in our competitive peer group for similar positions. We believe that base salaries for executive officers should be initially targeted at or below the 50th percentile of the range of salaries for executive officers in similar positions and with similar responsibilities at comparable companies. Our Chief Executive Officer s base salary is targeted at or below the 50th percentile, as we believe that his compensation should be more closely aligned with our overall performance. This initial benchmarking is consistent with our overall compensation philosophy, a significant component of which is to help us best attract, retain and equitably reward our executives.

The table below sets forth the salaries in effect in fiscal 2013 compared with the salaries in effect in fiscal 2012 for each of our named executive officers:

Name	2012 Base Salary (1)	2013 Base Salary (2)	% Increase
Thomas H. Werner	$ 600,000	$ 600,000	0%
Charles D. Boynton	$ 405,000	$ 425,000	5%
Howard J. Wenger	$ 450,000	$ 450,000	0%
Marty T. Neese	$ 450,000	$ 450,000	0%
Douglas J. Richards	$ 350,000	$ 350,000	0%

(1) These amounts represent 2012 base salaries after April 1, 2012.
(2) These amounts represent 2013 base salaries after April 1, 2013.

Our Compensation Committee approves the salary for our Chief Executive Officer and that of each named executive officer below the Chief Executive Officer level. For those below the Chief Executive Officer level, our Compensation Committee takes into account the Chief Executive Officer s recommendation. Our Chief Executive Officer s recommendations with respect to the compensation of the other named executive officers were approved by the Compensation Committee. The Compensation Committee reviews base salaries annually, and adjusts base salaries from time to time to realign salaries with market levels, based on the information provided by Radford, after taking into account an individual s prior performance, experience, importance of position and expected future performance. Based on information presented to our Compensation Committee by Radford regarding market ranges for salaries at peer group companies, we determined that our named executive officers 2013 base salaries were established below or at approximately the 50^{th} percentile of our peer group of companies. When salaries were established below the 50^{th} percentile (excluding our Chief Executive Officer), it was due to the consideration of the named executive officer s experience in the executive role or the executive s scope of responsibility being narrower than that of comparable positions at our peer group companies.

Performance-Based Cash Bonus Awards. As in the prior fiscal year, we maintained two performance-based cash bonus programs during fiscal 2013. The first program was our Annual Executive Bonus Plan, under which we adopted the 2013 Annual Bonus Program. The second program was our Executive Quarterly Key Initiative Bonus Plan, which is effective quarterly on an ongoing basis and which for fiscal 2013 we refer to as our 2013 Quarterly Bonus Program. We have two cash bonus programs in order to link bonus payments to both corporate financial goals and operational objectives and individual performance goals. We re-evaluated the design of our cash bonus awards in order to determine whether the performance metrics met our most important objectives, including whether the metrics were aligned with shareholder expectations and would drive behaviors aligned with the needs of our business, among other factors. Based on this evaluation, we modified our 2013 Annual Bonus Program to include annual revenue, annual profitability, and annual free cash flow metrics, which are further described below in *Executive Compensation Non-Equity Incentive Plan Compensation*.

We set base salaries for our executive officers at or below the 50^{th} percentile, and we relied on performance-based cash bonus awards to elevate target total cash compensation to at least the 50^{th} percentile. For each named executive officer, an overall target bonus opportunity was established at the 50^{th} percentile, except for our Chief Executive Officer, whose target bonus opportunity was set at the 75^{th} percentile through our benchmarking process. Our Chief Executive Officer s base salary is targeted below the 50^{th} percentile, as we believe that his compensation should be more aligned with the overall performance of our Company, and hence he has a higher target bonus opportunity in order to promote a variable, performance-oriented total compensation philosophy. His total cash compensation remained below the 50^{th} percentile in fiscal 2013.

In fiscal 2013, we allocated three-quarters of each individual s aggregate annual target cash bonus awards under the 2013 Annual Bonus Program and one-quarter under the 2013 Quarterly Bonus Program. In fiscal 2012, we allocated two-thirds of each individual s aggregate annual target cash bonus awards under the 2012 Annual Bonus Program and one-third under the 2012 Quarterly Bonus Program. Our Compensation Committee made this allocation adjustment after reviewing compensation structures of our peer group and concluding that it would further our long-term business goals to increase the proportion of our named executive officers incentive compensation that is tied to our full fiscal year operating and financial results. Our Compensation Committee approved the individual bonus program incentive level for our Chief Executive Officer and for each named executive officer below the Chief Executive Officer level. The table below summarizes the total target payout, including awards under the 2013 Annual Bonus Program and the 2013 Quarterly Bonus Program, as a percentage of annual base salary, for each named executive officer during fiscal 2012 and fiscal 2013. The target payouts under the 2013 Annual Bonus Program and the 2013 Quarterly Bonus Program were effective as of the beginning of fiscal 2013, each following approval by the Compensation Committee. With the exception of Mr. Boynton, the Compensation Committee did not change the percentage payout as a percentage of annual salary for any of our named executive officers from 2012 to 2013. The Compensation Committee adjusted Mr. Boynton s total target payout from a target of 70% for fiscal 2012 to a target of 80% for fiscal 2013 after it evaluated competitive market compensation paid by companies in our peer group for similar positions, his individual performance and the scope of his role.

Name	2012 Total Target Payout (including Annual and Quarterly Programs) as Percentage of Annual Salary	2013 Total Target Payout (including Annual and Quarterly Programs) as Percentage of Annual Salary	2013 Quarterly Bonus Program Target Payout as Percentage of Annual Salary	2013 Annual Bonus Program Target Payout as Percentage of Annual Salary
Thomas H. Werner	150%	150%	37.5%	112.5%
Charles D. Boynton	70%	80%	20%	60%
Howard J. Wenger	90%	90%	22.5%	67.5%
Marty T. Neese	80%	80%	20%	60%
Douglas J. Richards	70%	70%	17.5%	52.5%

Both the 2013 Annual Bonus Program and the 2013 Quarterly Bonus Program are formula-driven, and the formulas are used to calculate actual bonus payments for each named executive officer. See *Executive Compensation Non-Equity Incentive Plan Compensation* below for more information about these formulas.

Payments to our named executive officers under our 2013 Annual Bonus Program required our achieving targets established in respect of our: annual revenue metric (27% of payment), annual profitability metric (33% of payment), and annual free cash flow metric (40% of payment). The targets were set by the Compensation Committee on the basis of the operating plan approved by our Board at the beginning of 2013. The operating plan was based on our history of growth and expectations regarding our future growth, as well as potential challenges in achieving such growth. The performance targets were established to be challenging for our named executive officers to achieve. In 2013, we achieved 103% of the annual revenue target and exceeded the maximum of the annual profitability target and the annual free cash flow target; therefore, our named executive officers earned bonus amounts for all portions of the 2013 Annual Bonus Program. Such bonus amounts are reflected in the *2013 Total Non-Equity Incentive Plan Compensation* table below.

Payments to our named executive officers under our 2013 Quarterly Bonus Program required our achieving targets set in respect of our quarterly profitability metric and quarterly corporate milestones, as well as each individual achieving quarterly personal milestones that we refer to as the personal Key Initiatives. These metrics, thresholds and targets are further described below in *Executive Compensation Non-Equity Incentive Plan Compensation.* The Board approved our targets in respect of our quarterly profitability metric at the beginning of each quarter of 2013. If the threshold targets in respect of our quarterly profitability metric and corporate milestones were achieved, then bonus payouts were determined based on each named executive officer s achievement of around 10 Key Initiatives established for the quarter. Like the 2013 Annual Bonus Program, the targets were set to be challenging goals for our named executive officers to achieve.

We incorporate a management by objective system throughout our organization to establish performance goals that supplement our financial goals. Management establishes five-year corporate milestones, and then derives from them annual and quarterly corporate milestones. Each milestone is reviewed, revised and approved, and subsequently the scores reviewed and approved, by our Board. In addition, for fiscal 2013, each named executive officer established quarterly personal Key Initiatives approved by the Chief Executive Officer that were in line with each quarter s corporate milestones. Quarterly corporate milestones in fiscal 2013 included sensitive business objectives applicable to our entire company, focusing on confidential cost targets, major customer transactions, new product development, manufacturing plans, process enhancements, and inventory turns. For fiscal 2013, personal Key Initiative objectives included executing on confidential cost and revenue targets, achieving liquidity objectives, product development, market expansion, manufacturing and process efficiencies, among others. The Chief Executive Officer s Key Initiatives consisted solely of the quarterly corporate milestones that our Board approved after discussion with the Chief Executive Officer. These corporate milestones and personal objectives are typically challenging in nature and designed to encourage the individual to achieve success in his position during the performance period. In fiscal 2011, we achieved an average of 84% of our corporate milestones and an average of 81% of the personal Key Initiatives for our 2011 named executive officers. The percentages of achievement for fiscal 2011 were lower than those in fiscal 2010 due to challenging market conditions in the solar industry, and because we did not achieve our threshold targets in respect of our quarterly profitability metric in the first two quarters of fiscal 2011, no bonuses were earned under the 2011 Quarterly Bonus Plan for those quarters. In fiscal 2012, however, we achieved an average of 87% of our corporate milestones and an average of 85% of the personal Key Initiatives for our 2012 named executive officers.

In fiscal 2013, the thresholds in respect of our quarterly profitability metric under our 2013 Quarterly Bonus Program were exceeded and achieved at the maximum level. The quarterly corporate milestone scores ranged from 81% to 88% and averaged 83% for the four quarters of fiscal 2013. The combined personal Key Initiative scores for our named executive officers ranged from 81% to 89%, and averaged 85% for the four quarters of fiscal 2013. Each named executive officer achieved greater than threshold performance in all four quarters of fiscal 2013 under the 2013 Quarterly Bonus Plan. Actual payments were determined based on each individual s attainment of personal Key Initiatives. Bonus amounts are reflected in the following table:

2013 Total Non-Equity Incentive Plan Compensation

	2013 Quarterly Bonus Program Compensation				2013 Annual Bonus Program Compensation	Total Non-Equity Incentive Plan
	Q1 Payout ($) (1)	Q2 Payout ($) (1)	Q3 Payout ($) (1)	Q4 Payout ($) (1)	Payout ($)	Compensation ($)
Thomas H. Werner	57,157	61,871	56,883	58,359	927,444	1,161,714
Charles D. Boynton	24,143	19,962	21,356	21,027	350,368	436,855
Howard J. Wenger	30,008	28,749	26,198	27,141	417,350	529,446
Marty T. Neese	24,750	23,729	23,766	25,172	370,977	468,394
Douglas J. Richards	15,793	14,930	17,705	16,375	252,471	317,273

(1) The payments under the 2013 Quarterly Bonus Program were made following the end of each quarter after the achievement of targets in respect of the quarterly profitability metric were approved by the Compensation Committee, the named executive s officer s Key Initiative scores were measured and the quarterly corporate milestone scores were measured.

Equity Awards. Our Compensation Committee believes that long-term company performance is best achieved by an ownership culture that encourages long-term performance by our executive officers through the use of equity-based awards. Our Third Amended and Restated SunPower Corporation 2005 Stock Incentive Plan, or 2005 Equity Plan, permits the grant of stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares, and other stock-based awards. Consistent with our goal to attract, retain and reward the best available talent, and in light of our setting our total direct compensation above the 50^{th} percentile of our peer group, we targeted long-term equity awards generally approximating the 75^{th} percentile of our peer group. In fiscal 2013, our long-term equity awards ranged from below the 50^{th} percentile to the 75^{th} percentile of our peer group. Our Chief Executive Officer s long-term equity awards were at the 50^{th} percentile in order to align his compensation with stockholder returns. Our other named executive officers long-term equity awards were above the 50^{th} percentile if the scope of their responsibilities was significantly broader than that of executives in similar positions at peer companies. The Compensation Committee then allocated long-term equity awards between time-based and performance-based restricted stock units. We believe that time-based restricted stock units provide a more effective retention tool while performance-based restricted stock units provide a stronger performance driver. The Compensation Committee decided that annual long-term equity incentive awards granted in fiscal 2013 would be made half in the form of performance-based restricted stock units and half in the form of time-based restricted stock units.

Awards granted and earned in 2013 were as follows:

Name	Time-Based Restricted Stock Units	Performance-Based Restricted Stock Units (Target)	Performance-Based Restricted Stock Units Earned
Thomas H. Werner	263,500	263,500	361,778
Charles D. Boynton	70,000	70,000	96,108
Howard J. Wenger (1)	80,000	70,000	96,108
Marty T. Neese	70,000	70,000	96,108
Douglas J. Richards	55,000	55,000	75,514

(1) Includes a merit grant of 10,000 restricted stock units made to Mr. Wenger on February 19, 2013 in recognition of his contributions to the Solar Star project.

Performance-based equity awards in the form of performance-based restricted stock units were used as incentive compensation during fiscal 2013 to align our named executive officers compensation with corporate performance. In connection with our annual review of executive officer compensation, the Compensation Committee approved performance targets in respect of our: annual revenue metric (27% of the award), annual profitability metric (33% of the award) and annual free cash flow metric (40% of the award), and a formula under which actual awards would be calculated after completion of the 2013 fiscal year. See *Executive Compensation Equity Incentive Plan Compensation* below for more information about the metrics, the targets and the formula. Awards were assessed at the end of the fiscal year based on our attainment of the targets set in respect of the annual revenue, annual profitability, and annual free cash flow metrics.

These performance metrics were selected on the basis of the operating plan approved by our Board after considering our history of growth and expectations regarding our future growth, as well as potential challenges in achieving such growth. The targets were intended to constitute a challenging goal, without certainty of achievement. In fiscal 2013, our named executive officers achieved 103% of the annual revenue metric target and exceeded the maximum of the annual profitability and annual free cash flow metric targets. Our named executive officers therefore earned all portions of their performance-based restricted stock units, and such units began vesting in three equal annual installments, subject to continued service, starting March 1, 2014.

Time-based equity awards were used in fiscal 2013 as a retention tool and to align our named executive officers interests with long-term stockholder value creation. In connection with our annual review of executive officer compensation, we awarded restricted stock units to named executive officers in fiscal 2013 that began vesting in three equal annual installments, subject to continued service, starting March 1, 2014.

In addition to our regular annual equity incentive awards, in connection with Total s tender offer in 2011, we implemented a retention program under which we granted time-vested RSUs, or Retention RSUs, to some of our officers and employees, including certain of our named executive officers who signed retention agreements (which agreements are described in greater detail below). The Retention RSUs vest in equal one-third increments on each of June 1, 2012, June 1, 2013 and June 1, 2014, subject to the recipient remaining employed by us on each applicable vesting date. In adopting this retention program, the Compensation Committee considered factors such as Total s requests for retention in order to undertake the tender offer, the increased risk of departure typically arising out of a transaction of such nature, the benefits of retaining key officers, and market practices in similar circumstances, among other factors. The Compensation Committee reviewed the scope and magnitude of the Retention RSUs with our outside compensation consultant and awarded the grants to the named executive officers based on their roles and responsibilities.

In August 2010, the Compensation Committee granted 100,000 restricted stock units to Mr. Neese tied to manufacturing cost reduction targets. The Compensation Committee granted this award to appropriately align Mr. Neese s compensation with the achievement of our corporate cost reduction goals because he is the executive officer responsible for manufacturing cost reduction. These restricted stock units were designed to be earned if we achieved certain solar module cost per-watt targets approved by the Compensation Committee as measured at the end of each of fiscal 2010, 2011, 2012 and 2013. These cost per-watt targets were derived from our annual operating plan established by the Board each year, and were intended to be challenging for Mr. Neese to achieve. These cost per-watt targets decreased from $1.79/watt in 2010 to $1.49/watt in 2011, to $1.20/watt in 2012, to $0.90/watt in 2013. In fiscal 2013, Mr. Neese exceeded the minimum award and earned 26,100 performance-based restricted stock units that vested on March 1, 2014.

Perquisites and Other Compensation. As in prior years, perquisites were not a material portion of our named executive officers compensation packages for fiscal 2013. We provided certain perquisites and other health and welfare and retirement benefits, such as health, vision, and life insurance coverage and participation in and matching contributions under our 401(k) defined contribution plan, which benefits are generally available to all employees. For more information about these arrangements and benefits, see footnote four to the *2013 Summary Compensation Table* below.

Pension Benefits. None of our named executive officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us.

Nonqualified Deferred Compensation. None of our named executive officers participate in or have account balances in non-qualified defined contribution plans or other deferred compensation plans maintained by us.

Employment and Severance Arrangements

Employment Agreements. During fiscal 2013, we had employment agreements with our named executive officers that provided for change of control arrangements. The change of control arrangements generally entitle each named executive officer to certain calculated payments tied to base salary and bonus targets and accelerated vesting of his outstanding equity awards, but only upon an actual or constructive termination of employment in connection with a change of control of the company (a double trigger arrangement). Our Chief Executive Officer, however, also receives limited accelerated vesting of outstanding equity awards if terminated without cause or if he resigns for good reason, in each case without a change of control having occurred. These arrangements were adopted to reinforce and encourage the continued attention and dedication of members of management to their assigned duties without the distraction arising from the possibility of a change of control, and to enable and encourage management to focus attention on obtaining the best possible outcome for our stockholders without being influenced by personal concerns regarding the possible impact of various transactions on job security and benefits.

On May 1, 2013, we entered into a First Amendment to Employment Agreement with Mr. Boynton, our Executive Vice President and Chief Financial Officer, to amend Mr. Boynton s Employment Agreement, dated June 28, 2010. The amendment provides that: (1) the expiration of the term of Mr. Boynton s employment agreement will be shortened from June 27, 2016 to August 27, 2014, with the employment agreement automatically renewing on August 28, 2014 for successive three-year terms unless we provide advance notice of non-renewal before the end of a term; and (2) Mr. Boynton will receive enhanced severance benefits under his employment agreement in the event of a qualifying termination, with his lump-sum cash severance benefit increased to reflect 24 months of his then-current base salary (increased from 12 months of his then-current base salary) and two times his target annual bonus (increased from one times his target annual bonus) and his period of subsidized COBRA benefits increased from a period of up to 12 months to a period of up to 24 months.

On October 24, 2013, at the request of Mr. Werner, we entered into a First Amendment to the Employment Agreement with Mr. Werner, our Chief Executive Officer, to amend Mr. Werner s Employment Agreement, dated August 28, 2008. The amendment provides that, effective August 28, 2014 (the date on which the employment agreement would be due to renew in accordance with its terms), the amount of severance benefits that Mr. Werner is entitled to receive under the employment agreement in the event of a qualifying termination will be reduced, with his lump-sum cash severance benefit decreased to reflect 24 months of his then-current base salary (decreased from 36 months of his then-current base salary) and two times his target annual bonus (decreased from three times his target annual bonus) and his period of subsidized COBRA benefits decreased from a period of up to 36 months to a period of up to 24 months.

The amendments to Mr. Boynton and Mr. Werner s employment agreements were intended to align the terms and provisions of such agreements more closely with those of our other named executive officers as described above.

The Compensation Committee approved retention agreements with our named executive officers in 2011. The Compensation Committee, in approving the retention agreements and the related retention RSUs, was primarily motivated by its desire to ensure that certain key employees and management remain with us following the consummation of the Total tender offer in 2011. See *Executive Compensation Employment Agreements Retention Agreements* for additional information about the retention agreements.

Management Career Transition Plan. In April 2013, we adopted a 2014 Management Career Transition Plan to replace a similar plan adopted in 2011, which expired the same year. The severance plan generally entitles each named executive officer to certain calculated payments tied to salary and bonus targets, healthcare benefits, and outplacement assistance if the individual is terminated without cause.

The Compensation Committee believes that the 2014 Management Career Transition Plan provides benefits that are consistent with industry practice. We believe that entering into change of control and severance arrangements with certain of our executives has helped us attract and retain excellent executive talent and that offering standard packages avoids case-by-case negotiations. Without these provisions, these executives may not have chosen to accept employment with us or remain employed by us. The severance arrangements also promote stability and continuity in our senior management team. For more information about the named executive officers change of control arrangements, please see *Executive Compensation Employment Agreements and Executive Compensation Potential Payments Upon Termination or Change of Control below.*

Section 162(m) Treatment Regarding Performance-Based Equity Awards

Under Section 162(m) of the Code, we are generally denied deductions for compensation paid to our Chief Executive Officer and the next three most highly compensated executive officers (other than our Chief Financial Officer) to the extent the compensation for any such individual exceeds one million dollars for the taxable year, unless the compensation qualifies as qualified performance-based compensation under Section 162(m) of the Code. Our Compensation Committee may take action to preserve the deductibility of compensation payable to our executives, although deductibility will be only one among a number of factors considered in determining appropriate levels or methods of compensation. The Compensation Committee believes that the tax deduction limitation should not be permitted to compromise our ability to design and maintain executive compensation arrangements that will attract and retain the executive talent we need to compete successfully. Accordingly, achieving the desired flexibility in the design and delivery of compensation may result in compensation that in certain cases is not deductible for federal income tax purposes.

Other Disclosures

Under our insider trading policy, our executive officers, directors and employees are prohibited from engaging in short sales of our securities, establishing margin accounts or buying or selling options, puts or calls on our securities.

We do not maintain any equity or other security ownership guidelines or requirements for our executives. We do not have a policy regarding adjustment or recovery of awards or payments if the relevant performance goals or measures upon which they are based are restated or otherwise adjusted so that awards or payments are reduced.

EXECUTIVE COMPENSATION

Compensation of Named Executive Officers

The 2013 Summary Compensation Table below quantifies the compensation for each of the named executive officers for services rendered during fiscal 2013 and, as applicable, fiscal 2012 and fiscal 2011. The primary elements of each named executive officer s total compensation during fiscal 2013 are reported in the table below and include, among others, base salary, performance-based cash bonuses under our 2013 Annual Bonus Program and 2013 Quarterly Bonus Program, awards of restricted stock units subject to time-based vesting, and awards of performance-based restricted stock units subject to achievement of financial targets and subsequent time-based vesting.

2013 Summary Compensation Table

Name and Principal Position	Year	Salary ($) (1)	Bonus ($)	Stock Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	All Other Compensation ($) (4)	Total ($)
Thomas H. Werner,	2013	600,000		7,056,530	1,161,714	27,302	8,845,546
President, Chief Executive Officer	2012	600,000		3,228,750	1,051,980	19,482	4,900,212
and Chairman of the Board	2011	559,386		4,380,000	342,153	12,030	5,293,569
Charles D. Boynton	2013	419,615		1,874,600	436,855	27,244	2,758,314
Executive Vice President and	2012	336,710		1,310,000	334,602	19,281	2,000,593
Chief Financial Officer							
Howard J. Wenger,	2013	450,000		2,008,500	529,446	9,097	2,997,043
President, Regions	2012	436,539		1,076,250	457,326	3,618	1,973,733
	2011	414,290	25,000	1,617,600	140,488	1,932	2,199,310
Marty T. Neese,	2013	450,000		1,874,600	468,394	21,736	2,814,730
Chief Operating Officer	2012	440,577		1,076,250	415,955	14,893	1,947,675
	2011	426,465		1,483,200	128,860	9,188	2,047,713
Douglas J. Richards	2013	350,000		1,472,900	317,273	23,955	2,164,128
Executive Vice President,	2012	341,923		896,875	287,546	16,489	1,542,833
Administration	2011	325,551		1,370,400	89,961	11,148	1,797,060

(1) The amounts reported in this column for 2013 reflect each named executive officer s salary for 2013 plus payments for paid and unpaid time off, and holidays.

(2) The amounts reported in the Stock Awards column for 2013 represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of stock awards granted during the year (time-based and performance-based restricted stock units), excluding the effect of certain forfeiture assumptions. For the performance-based restricted stock units reported in this column for 2013, such amounts are based on the probable outcome of the relevant performance conditions as of the grant date. Assuming that the highest level of performance is achieved for these awards, the grant date fair value of the performance-based restricted stock units awards would be: Mr. Werner, $5,292,398; Mr. Boynton, $1,405,950; Mr. Wenger, $1,405,950; Mr. Neese, $1,405,950; and Mr. Richards, $1,104,675. See Note 15 to our consolidated financial statements in our 2103 Annual Report for details as to the assumptions used to determine the aggregate grant date fair value of these awards. See also our discussion of stock-based compensation under *Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates* in our 2013 Annual Report.

(3) The amounts reported in this column for 2013 reflect the amounts earned under our 2013 Annual Bonus Program and our 2013 Quarterly Bonus Program. Additional information about non-equity incentive plan compensation earned during fiscal 2013 is set forth above in the supplemental *2013 Total Non-Equity Incentive Plan Compensation* table in our *Compensation Discussion and Analysis*.

(4) The amounts reported in this column for fiscal 2013 as All Other Compensation consist of the elements summarized in the table below.

Name	Health Benefits ($)	Group Life Insurance ($)	401(k) Match ($)	Total ($)
Thomas H. Werner	18,896	756	7,650	27,302
Charles D. Boynton	18,880	714	7,650	27,244
Howard J. Wenger	694	753	7,650	9,097
Marty T. Neese	13,330	756	7,650	21,736
Douglas J. Richards	15,717	588	7,650	23,955

Grants of Plan-Based Awards

During fiscal 2013, our named executive officers were granted plan-based restricted stock units and performance stock units under our Third Amended and Restated SunPower Corporation 2005 Stock Incentive Plan, or our 2005 Equity Plan. They also were also granted cash bonus awards under our 2013 Annual Bonus Program and our 2013 Quarterly Bonus Program. The following table sets forth information regarding the stock awards and cash bonus awards granted to each named executive officer during fiscal 2013.

2013 Grants of Plan-Based Awards Table

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)		Estimated Possible Payouts Under Equity Incentive Plan Awards (2)		All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Target ($)	Maximum ($)	Target (#)	Maximum (#)	(#)	($)
Thomas H. Werner	(3)	675,000	1,012,500				
	(4)	225,000	281,250				
	2/19/13(5)			263,500	395,250		3,528,265
	2/19/13(6)					263,500	3,528,265
Charles D. Boynton	(3)	255,000	382,500				
	(4)	85,000	106,250				
	2/19/13(5)			70,000	105,000		937,300
	2/19/13(6)					70,000	937,300
Howard J. Wenger	(3)	303,750	455,625				
	(4)	101,250	126,563				
	2/19/13(5)			70,000	105,000		937,300
	2/19/13(6)					70,000	937,300
	2/19/13(7)					10,000	133,900
Marty T. Neese	(3)	270,000	405,000				
	(4)	90,000	112,500				
	2/19/13(5)			70,000	105,000		937,300
	2/19/13(6)					70,000	937,300
Douglas J. Richards	(3)	183,750	275,625				
	(4)	61,250	76,563				
	2/19/13(5)			55,000	82,500		736,450
	2/19/13(6)					55,000	736,450

(1) Additional information about estimated possible payouts under non-equity incentive plan awards is set forth below in the *Estimated Possible Payouts Under Non-Equity Incentive Plan Awards Table*.

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(2) The amounts reported in these columns represent performance-based restricted stock units opportunities. The Compensation Committee approved the awards on February 19, 2013. The grant date fair value of these awards is reported based on the probable outcome of the applicable performance conditions and is consistent with the estimate of aggregate compensation cost, if any, expected to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures.
(3) Consists of an award under our 2013 Annual Bonus Program. Achievement levels for certain performance targets could reduce payouts to zero when the applicable formula is applied, as further described below. As a result, threshold payouts were inapplicble for each named executive officer.
(4) Consists of an award under our 2013 Quarterly Bonus Program. Achievement levels for certain performance targets could reduce payouts to zero when the applicable formula is applied, as further described below. As a result, threshold payouts were inapplicable for each named executive officer.
(5) Consists of an award of restricted stock units, subject to achievement of specific performance metrics in addition to time-based vesting requirements, under the 2005 Equity Plan. Failure to achieve certain performance metrics could result in zero restricted stock units being awarded. The maximum attainable award is 150% of target. The closing price of our common stock was $13.39 on February 19, 2013. Actual awards were determined in the first quarter of 2014 and are described in *Equity Incentive Plan Compensation* below. The earned award vests ratably on March 1, 2014, March 1, 2015 and March 1, 2016.
(6) Consists of an award of restricted stock units, subject to time-based vesting requirements, under the 2005 Equity Plan. The award vests ratably on March 1, 2014, March 1, 2015 and March 1, 2016. The closing price of our common stock was $13.39 on February 19, 2013.
(7) Includes a merit grant of 10,000 restricted stock units made to Mr. Wenger on February 19, 2013 in recognition of his contributions to the Solar Star project.

Non-Equity Incentive Plan Compensation

During fiscal 2013, our named executive officers were eligible for cash bonus payments under two bonus plans. The first plan was our Annual Executive Bonus Plan, under which we adopted our 2013 Annual Bonus Program. The second plan was our Executive Quarterly Key Initiative Bonus Plan, under which we adopted our 2013 Quarterly Bonus Program. The supplemental table below entitled *Estimated Possible Payouts Under Non-Equity Incentive Plan Awards Table* provides additional information about each named executive officer s target and maximum payout opportunities under both the 2013 Annual Bonus Program and the 2013 Quarterly Bonus Program. Under the terms of both bonus plans, failure to achieve certain corporate or individual metrics could have resulted in zero payouts to an individual for a given period. The table entitled *2013 Total Non-Equity Incentive Plan Compensation* above in *Compensation Discussion and Analysis* details the actual payouts awarded under the two bonus plans to each named executive officer for fiscal 2013.

Estimated Possible Payouts Under Non-Equity Incentive Plan Awards Table

Name	2013 Quarterly Bonus Program Target Each Quarter ($)	2013 Quarterly Bonus Program Maximum Each Quarter ($)	2013 Annual Bonus Program Target ($)	2013 Annual Bonus Program Maximum ($)
Thomas H. Werner	56,250	70,313	675,000	1,012,500
Charles D. Boynton	21,250	26,563	255,000	382,500
Howard J. Wenger	25,313	31,641	303,750	455,625
Marty T. Neese	22,500	28,125	270,000	405,000
Douglas J. Richards	15,313	19,141	183,750	275,625

2013 Annual Bonus Program. Awards under the 2013 Annual Bonus Program were formula-driven. At the beginning of fiscal 2013, the Compensation Committee established and approved target levels in respect of three performance criteria: (1) an annual revenue metric, (2) an annual profitability metric, and (3) an annual free cash flow metric. Our annual revenue metric is based on our annual revenue, with certain adjustments such as amounts related to utility and power plant projects. Our annual profitability metric is based on our annual net income, adjusted for taxes and other items such as amounts related to utility and power plant projects and certain payments made to Total. Our annual free cash flow metric is based on our annual operating cash flow, adjusted for items such as amounts relating to investing activities and certain amounts relating to lease financing. Each named executive officer would earn 27% of his target bonus under the 2013 Annual Bonus Program upon the achievement of the revenue target, 33% upon the achievement of the profitability target, and the remaining 40% of his target bonus upon the achievement of the free cash flow target. Maximum payment under the program was 150% of target because we wanted to encourage our named executive officers to exceed the performance targets. Payment for each target is determined based on the percentage of performance target that was achieved, as follows:

Percentage of Performance Target Achieved	Payment of Bonus as Percentage of Target Bonus
Under 80%	No bonus paid
80%	80% of target bonus (minimum payment for minimum achievement)
Over 80% 100%	Add 1% to payment for every 1% of performance target achieved, to 100% payment
Over 100% 150%	Add an additional 1% to payment for every 1% of performance target achieved over 100% payment, to a 150% payment
Over 150%	150% of target bonus (maximum payment)

The annual performance targets, set at the beginning of fiscal 2013, were assessed at the end of the year. Based on our actual results in fiscal 2013, bonuses were earned and paid to our named executive officers for the annual revenue target, the annual profitability target, and the annual free cash flow target, as presented below in the aggregate.

Performance Criterion	Target	Achievement	Payment as % of Target Payment
Annual revenue metric	$2,535 million	$2,610 million	103%
Annual profitability metric	$40 million	$240 million	150%
Annual free cash flow metric	$100 million	$270 million	150%

2013 Quarterly Bonus Program. Awards under the 2013 Quarterly Bonus Program were also formula-driven. At the beginning of each fiscal quarter during 2013, the Compensation Committee approved targets in respect of a quarterly profitability metric and corporate performance metrics, consisting of a set of corporate milestones representing key initiatives that would support our corporate business plan. The quarterly profitability metric is based on our quarterly net income, adjusted for amounts related to utility and power plant projects, non-cash interest expense, stock-based compensation expense and other items. Also at the beginning of each fiscal quarter, each named executive officer was responsible for establishing personal metrics, subject to approval by the Chief Executive Officer, representing personal Key Initiatives that would support the corporate milestones. These three metrics were then incorporated into the plan s formula. An individual s personal Key Initiative score could result in no award being payable even if we achieved our quarterly profitability metric and corporate milestones targets in the event that the Key Initiative score was determined to be zero. The Chief Executive Officer s Key Initiatives consisted solely of the corporate milestones that our Board established after discussion with the Chief Executive Officer. If threshold corporate milestones were achieved and we exceeded our quarterly profitability metric target, bonus payments could exceed 100% of target, up to a maximum payment of 125% (based on the quarterly profitability metric), depending on achievement of personal Key Initiatives.

Payments under the 2013 Quarterly Bonus Program were made as follows:

Achievement of Quarterly Profitability Metric Target	**Achievement of Corporate Milestones**	**Payment**
Under minimum	Under 60%	No payment
Over minimum but under target	Under 60%	No payment
Over minimum but under target	Over 60% but equal to or under 80%	50% payment Payment = Sum of each quarter (2013 quarterly salary multiplied by target bonus (%) multiplied by personal Key Initiative score) multiplied by 50%
Over minimum but under target	80% or over	100% payment Payment = Sum of each quarter (2013 quarterly salary multiplied by target bonus (%) multiplied by personal Key Initiative score)
Between target and maximum	80% or over	Greater than 100% payment Payment = Sum for each quarter (2013 quarterly salary multiplied by target bonus (%) multiplied by personal Key Initiative score) multiplied by quarterly profitability metric target achievement (up to a maximum of 125%)
Under minimum	80% or over	No payment

The quarterly profitability metric target was assessed at the end of each fiscal quarter (see above under the 2013 Quarterly Bonus Program). Our 2013 corporate milestones are kept confidential for competitive harm reasons, but they generally consisted of milestones relating to cost targets, major customer transactions, new product development, manufacturing plans, process enhancements, and inventory turns. The quarterly corporate milestone scores were 81%, 88%, 81% and 83% for each quarter in fiscal 2013, respectively. The combined personal Key Initiative scores for the named executive officers ranged from 81% to 89%, and averaged 85% for the four quarters of fiscal 2013.

Equity Incentive Plan Compensation

In addition to time-based restricted stock awards, to further align executive compensation with maximizing stockholder value, our Compensation Committee granted to our named executive officers certain performance-based equity awards, consisting of restricted stock units, or RSUs, that would be released and begin time-based vesting only upon achievement of certain corporate objectives. Our Compensation Committee met at the beginning of 2013 and established and approved target levels in respect of three performance criteria: (1) an annual revenue metric, (2) an annual profitability metric, and (3) an annual free cash flow metric. Each eligible named executive officer would earn 27% of his target performance-based RSUs upon the achievement of the annual revenue metric target, 33% upon the achievement of the annual profitability metric target, and the remaining 40% of his target performance-based RSUs upon the achievement of the annual free cash flow metric target. The three metrics and their corresponding targets are the same as those for our 2013 Annual Bonus Program, described above in *Executive Compensation Non-Equity Incentive Plan Compensation*. Payment for each target was determined based on the percentage of performance metric target that was achieved, as follows:

Percentage of Performance Target Achieved	**Grant of RSUs as Percentage of Target RSUs**
Below minimum	No RSUs earned
At minimum	90% of target RSUs (minimum award for minimum achievement)
Between minimum and target	Prorated on a straight-line basis, between 90% and 100%
At target	100% of target
Between target and maximum	Prorated on a straight-line basis, between 100% and 150%
At or above maximum	150% of target

Performance-based restricted stock units vest, if at all, in three equal annual installments, subject to continued service after achievement of the performance measures, starting March 1, 2014. In connection with our 2013 performance-based equity awards, we achieved 103% of our annual revenue metric target, and exceeded the maximum of our annual profitability and annual free cash flow metric targets. Based on our actual results in fiscal 2013, performance-based RSUs were earned by our named executive officers for achievement of the annual revenue, annual profitability and annual free cash flow metric targets. See *Equity Awards* above in *Compensation Discussion and Analysis* detailing the actual performance-based restricted stock units earned in fiscal 2013.

In August 2010, our Compensation Committee granted additional performance-based RSUs to Mr. Neese and approved performance measures based on solar module cost per-watt targets to be achieved by us and measured at the end of each of fiscal 2010, 2011, 2012 and 2013. The maximum award that may be earned is 120% of target because we wanted to encourage Mr. Neese to exceed the cost reduction targets. The award is determined based on the percentage of performance target that is achieved, as follows:

Percentage of Performance Target Achieved	**Grant of RSUs as Percentage of Target RSUs**
Over 105%	No RSUs earned
105%	80% of target RSUs (minimum award for minimum achievement)
104% to 96%	Pro rated grant of target RSUs (100% achievement will earn 100% of target RSUs)
95% or under	120% of target RSUs (maximum award)

If Mr. Neese achieved the target module cost per watt for 2013, 30,000 shares would vest on March 1, 2014. In 2013, our target module cost per-watt was $0.90, and because less than 105% of the performance target was achieved, Mr. Neese earned 26,100 shares, which was between the minimum and target award.

The named executive officers targets and earned performance-based RSUs are described above in *Compensation Discussion and Analysis Analysis of Fiscal 2013 Compensation Decisions Equity Awards*.

Retention Program

In connection with the Total tender offer, in 2011, we implemented a retention program under which we granted an aggregate of approximately 1.9 million Retention RSUs to our eligible officers and employees, including certain of our named executive officers. The following named executive officers received the following Retention RSUs under the retention program as consideration for having executed the retention agreements described below: Mr. Werner, 300,000 Retention RSUs; Mr. Wenger, 120,000 Retention RSUs; Mr. Neese, 120,000 Retention RSUs; and Mr. Richards, 100,000 Retention RSUs. Mr. Boynton was not an executive officer at the time the retention agreements were entered into, but signed a retention agreement with us. As a part of Retention RSUs granted to other eligible officers and employees, Mr. Boynton received 20,000 Retention RSUs. The Retention RSUs vest in equal one-third installments on each of June 1, 2012, June 1, 2013 and June 1, 2014, subject to the recipient remaining employed by us on each applicable vesting date. See *Compensation Discussion and Analysis Analysis of Fiscal 2013 Compensation Decisions Equity Awards* for a description of the Retention RSUs.

Employment Agreements

We have entered into employment agreements and award agreements under our equity plans with certain of our executive officers, including our named executive officers. In April 2013, we adopted a severance policy entitled the 2014 Management Career Transition Plan. Unless otherwise provided by our plan administrator, the award agreement, the employment agreement or the 2014 Management Career Transition Plan, upon termination of a participant s employment or service with us, the participant will forfeit any outstanding equity awards except that a participant will have 90 days following termination of employment or service to exercise any then-vested options or stock appreciation rights (one year if termination of employment or service is a result of the participant s disability or death). Additionally, certain of our executive officers are entitled to receive certain payments from us or our affiliates in the event of certain change of control or termination events.

Employment Agreements. We are party to employment agreements with several executive officers, including the named executive officers. Mr Werner and Mr. Boynton s employment agreements were amended in 2013 to align their terms and provisions more closely with those of our other named executive officers, as described in greater detail in *Amended Employment Agreements* below. We entered into retention agreements (Retention Agreements) with certain of our executive officers following the Total tender offer that amended certain terms of the employment agreements, as further described below. Each employment agreement provides that the executive s employment is at-will and may be terminated at any time by either party. Each employment agreement generally provides for a three-year term that will automatically renew unless we provide notice of our intent not to renew at least 120 days before the renewal date. The agreements do not specify salary, bonus or other basic compensation terms, but instead provide that each executive s base salary, annual bonus and equity compensation will be determined in accordance with our normal practices. The primary purpose of the agreements is to provide certain severance benefits for employment terminations in connection with a change of control (as defined in the agreement). In the event an executive s employment is terminated by us without cause (as defined in the agreement), or if the executive resigns for good reason (as defined in the agreement), and if such termination or resignation is in connection with a change of control, then the agreements also provide that the executive is entitled to the following benefits:

- a lump-sum payment equivalent to 24 months (or 36 months in Mr. Werner s case, until August 28, 2014) of such executive s base salary;

- a lump-sum payment equal to any earned but unpaid annual bonus for a completed fiscal year;

- a lump-sum payment equal to the product of (a) such executive s target bonus for the then current fiscal year, multiplied by (b) two (or three in Mr. Werner s case, until August 28, 2012);

- continuation of such executive s and such executive s eligible dependents coverage under our benefit plans for up to 24 months (or 36 months in Mr. Werner s case, until August 28, 2014), at our expense;

- a lump-sum payment equal to such executive s accrued and unpaid base salary and paid time off;

reimbursement of up to $15,000 for services of an outplacement firm mutually acceptable to us and the executive; and

annual make-up payments for taxes incurred by the executive in connection with benefit plans coverage.

In addition, if we terminate an executive s employment without cause or if the executive resigns for good reason, and if such termination or resignation is in connection with a change of control, then the agreements also provide the following benefits to the individual:

all of such executive s unvested options, shares of restricted stock and restricted stock units (including performance-based restricted stock units) will become fully vested and (as applicable) exercisable as of the termination date and remain exercisable for the time period otherwise applicable to such equity awards following such termination date, other than the RSUs granted to Mr. Boynton in March 2012, which do not accelerate vesting under such circumstances; and

all provisions regarding forfeiture, restrictions on transfer, and our rights of repurchase, in each case otherwise applicable to shares of restricted stock or restricted stock units will lapse as of the termination date.

In addition, Mr. Werner s agreement provides for such accelerated vesting and lapsing of provisions regarding forfeiture, restrictions on transfer and our rights of repurchase upon termination of employment without cause or resignation for good reason, regardless of whether such termination is in connection with a change of control; provided, however, that absent a change of control, no such accelerated vesting or lapsing shall apply to Mr. Werner s performance-based equity awards.

Under the employment agreements, cause means the occurrence of any of the following, as determined by us in good faith:

acts or omissions constituting gross negligence or willful misconduct on the part of the executive with respect to the executive s obligations or otherwise relating to our business,

the executive s conviction of, or plea of guilty or nolo contendere to, crimes involving fraud, misappropriation or embezzlement, or a felony crime of moral turpitude,

the executive s violation or breach of any fiduciary duty (whether or not involving personal profit) to us, except to the extent that his violation or breach was reasonably based on the advice of our outside counsel, or willful violation of any of our published policies governing the conduct of it executives or other employees, or

the executive s violation or breach of any contractual duty to us which duty is material to the performance of the executive s duties or results in material damage to us or our business;

provided that if any of the foregoing events is capable of being cured, we will provide notice to the executive describing the nature of such event and the executive will thereafter have 30 days to cure such event.

In addition, under the employment agreements, good reason means the occurrence of any of the following without the executive s express prior written consent:

a material reduction in the executive s position or duties,

a material breach of the employment agreement, a material reduction in the executive s aggregate target compensation, including the executive s base salary and target bonus on a combined basis, excluding a reduction that is applied to substantially all of our other senior executives; provided, however, that for purposes of this clause, whether a reduction in target bonus has occurred shall be determined without any regard to any actual bonus payments made to the executive, or a relocation of the executive s primary place of business for the performance of his duties to us to a location that is more than 45 miles from our current business location.

The executive shall be considered to have good reason under the employment agreement only if, no later than 90 days following an event otherwise constituting good reason under the employment agreement, the executive gives notice to us of the occurrence of such event and we fail to cure the event within 30 days following its receipt of such notice from the executive, and the executive terminates service within 24 months following a change of control.

Although consummation of the Total tender offer technically constituted a change of control under the definition of change of control in the employment agreements, it did not, in and of itself, constitute grounds for triggering change of control payments pursuant to the terms of the employment agreements. Rather, to trigger change of control payments, there also needed to be a material reduction in the terms and conditions of an executive s employment. No such changes occurred with respect to the named executive officers as a result of the consummation of the Total tender offer. If any of the severance payments, accelerated vesting and lapsing of restrictions would constitute a parachute payment within the meaning of Section 280G of the Code and be subject to excise tax or any interest or penalties payable with respect to such excise tax, then the executive s benefits will be either delivered in full or delivered as to such lesser extent which would result in no portion of such benefits being subject to such taxes, interest or penalties, whichever results in the executive receiving, on an after-tax basis, the greatest amount of benefits.

Before receiving the benefits described in the employment agreements, the executive will be required to sign a separation agreement and release of claims. In addition, the benefits will be conditioned upon the executive not soliciting employees or customers for one year following the termination date. Mr. Werner s agreement also provides that, if his termination without cause or resignation for good reason is not in connection with a change of control, his severance benefits will be conditioned upon a non-competition arrangement lasting one year following employment termination.

These arrangements were adopted to reinforce and encourage the continued attention and dedication of members of management to their assigned duties without the distraction arising from the possibility of a change of control, and to enable and encourage management to focus attention on obtaining the best possible outcome for our stockholders without being influenced by personal concerns regarding the possible impact of various transactions on job security and benefits.

Retention Agreements. In connection with the Total tender offer, the Compensation Committee approved Retention Agreements with our named executive officers in May 2011. Under the employment agreements, a termination following a change of control, either without cause or by the employee for good reason are qualifying terminations for purposes of receiving severance, and the named executive officer would receive severance protection if the qualifying termination were to occur during the period commencing three months before a change of control and ending 24 months following a change of control. The Retention Agreements, among other things, amended certain provisions of the employment agreements, including extending the 24-month period described in the prior sentence to a 36-month period following the change of control. Under the Retention Agreements, the executives agreed that the consummation of the Total tender offer and the subsequent continuation of their employment without any material reduction in the terms and conditions of their employment did not, in and of itself, constitute grounds for a termination due to good reason as defined in their employment agreements, even though the Total tender offer technically constituted a change of control under the employment agreements. As consideration for executing the Retention Agreements, the named executive officers received the Retention RSUs. Under the Retention Agreements, the Retention RSUs were not subject to any accelerated vesting on account of any termination of executive s employment without cause or executive s voluntary resignation for good reason, which occurred during the 36-month period after the Total tender offer. If the Retention RSUs were characterized as an excess parachute payment within the meaning of Section 280G of the Code and subject to an excise tax, then the Retention RSUs would either be delivered in full or delivered as to such lesser extent that would result in no portion of such award being subject to such taxes, whichever results in each named executive officer receiving, on an after-tax basis, the greatest amount of the award. Under no circumstances would we expect to pay any excise taxes on the awards.

Amended Employment Agreements. On May 1, 2013, we entered into a First Amendment to Employment Agreement with Mr. Boynton, our Executive Vice President and Chief Financial Officer, to amend Mr. Boynton s employment agreement, dated June 28, 2010. The amendment provides that: (1) the expiration of the term of Mr. Boynton s employment agreement will be shortened from June 27, 2016 to August 27, 2014, with the employment agreement automatically renewing on August 28, 2014 for successive three-year terms unless we provide advance notice of non-renewal before the end of a term; and (2) Mr. Boynton will receive enhanced severance benefits under his employment agreement in the event of a qualifying termination, with his lump-sum cash severance benefit increased to reflect 24 months of his then-current base salary (increased from 12 months of his then-current base salary) and two times his target annual bonus (increased from one times his target annual bonus) and his period of subsidized COBRA benefits increased from a period of up to 12 months to a period of up to 24 months.

On October 24, 2013, at the request of Mr. Werner, we entered into a First Amendment to the Employment Agreement with Mr. Werner, our Chief Executive Officer, to amend Mr. Werner s employment agreement, dated August 28, 2008. The amendment provides that, effective August 28, 2014 (the date on which the employment agreement would be due to renew in accordance with its terms), the amount of severance benefits that Mr. Werner is entitled to receive under the employment agreement in the event of a qualifying termination will be reduced, with his lump-sum cash severance benefit decreased to reflect 24 months of his then-current base salary (decreased from 36 months of his then-current base salary) and two times his target annual bonus (decreased from three times his target annual bonus) and his period of subsidized COBRA benefits decreased from a period of up to 36 months to a period of up to 24 months.

The amendments to Mr. Boynton and Mr. Werner s employment agreements were intended to align the terms and provisions of such agreements more closely with those of our other named executive officers.

2014 Management Career Transition Plan. In April 2013, we adopted the 2014 Management Career Transition Plan (the Plan), effective April 30, 2013, which replaces a similar plan that expired in 2011. The Plan generally terminates on the third anniversary of the effective date. The Plan addresses severance for certain employment terminations, and payments are only made if the executive or employee is not already entitled to severance benefits under a separate employment agreement. Participants in the Plan include our Chief Executive Officer, Thomas H. Werner, and those employees who have been employed by the Company for at least six months and report directly to him (including our other named executive officers), as well as other key employees of the Company who are provided with written notice from the Chief Executive Officer that they are Plan participants. Under the terms of the Plan, Mr. Werner and the named executive officers will be eligible for benefits following a termination of employment because of death or disability (as defined in the Plan), or a termination without cause (as defined in the Plan). Such benefits include, except in the case of death or disability:

- a lump-sum payment equivalent to 12 months (or 24 months in Mr. Werner s case) of such executive s base salary;

- a lump-sum payment equal to any earned but unpaid annual bonus for a completed fiscal year;

- a lump-sum payment equal to the pro rata portion of such executive s actual bonus for the then current fiscal year, based on the number of whole calendar months between the start of the fiscal year and the termination date;

- continuation of such executive s and such executive s eligible dependents coverage under the Company s health benefit plans for up to 12 months (or 24 months in Mr. Werner s case), at the Company s expense;

- a lump-sum payment equal to such executive s accrued and unpaid base salary and paid time off;

- annual make-up payments for taxes incurred by the executive in connection with such health benefit plans coverage; and

- reimbursement of up to $15,000 for services of an outplacement firm mutually acceptable to the Company and the executive.

In the case of death or disability, such benefits include a lump-sum payment equal to such executive s accrued and unpaid base salary and paid time off.

If any of the severance plan s severance payments would constitute a parachute payment within the meaning of Section 280G of the Internal Revenue Code and be subject to excise tax or any interest or penalties payable with respect to such excise tax, then the executive s benefits will either be delivered in full or delivered as to such lesser extent which would result in no portion of such benefits being subject to such taxes, interest or penalties, whichever results in the executive receiving, on an after-tax basis, the greatest amount of benefits.

Businesses in our industry face a number of risks, including the risk of being acquired in the future. We believe that entering into change of control and severance arrangements with certain of our executives has helped us attract and retain excellent executive talent. Without these provisions, these executives may not have chosen to accept employment with us or remain employed by us. The severance arrangements also promote stability and continuity in our senior management team.

Outstanding Equity Awards

The following table sets forth information regarding the outstanding equity awards held by our named executive officers as of December 29, 2013.

Outstanding Equity Awards At 2013 Fiscal Year-End Table

		Option Awards				Stock Awards			
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (1)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (1)**
Thomas H. Werner	01/31/11(2)					33,334	963,686		
	01/31/11(3)					15,100	436,541		
	12/21/11(4)					100,000	2,891,000		
	03/19/12(5)					150,000	4,336,500		
	03/28/12(6)					184,463	5,332,825		
	02/19/2013(7)					263,500	7,617,785		
	02/19/2013(8)							395,250	11,426,678
Charles D. Boynton	04/15/11(2)					3,454	99,855		
	12/09/11(4)					6,667	192,743		
	03/19/12(5)					83,334	2,409,186		
	03/28/12(6)					40,992	1,185,079		
	02/19/2013(7)					70,000	2,023,700		
	02/19/2013(8)							105,000	3,035,550
Howard J. Wenger	01/31/11(2)					11,667	337,293		
	01/31/11(3)					5,285	152,789		
	12/21/11(4)					40,000	1,156,400		
	03/19/12(5)					50,000	1,445,500		
	03/28/12(6)					61,488	1,777,618		
	02/19/2013(7)					76,667	2,216,443		
	02/19/2013(8)							105,000	3,035,550
Marty T. Neese	07/02/08(9)	100,000		62.82	07/02/2018				
	08/05/10(10)							30,000	867,300
	01/31/11(2)					10,000	289,100		
	01/31/11(3)					4,530	130,962		
	12/21/11(4)					40,000	1,156,400		
	03/19/12(5)					50,000	1,445,500		
	03/28/12(6)					61,488	1,777,618		
	02/19/2013(7)					70,000	2,023,700		
	02/19/2013(8)							105,000	3,035,550
Douglas J. Richards	01/31/11(2)					10,000	289,100		
	01/31/11(3)					4,530	130,962		
	12/21/11(4)					33,334	963,686		
	03/19/12(5)					41,667	1,204,593		
	03/28/12(6)					51,240	1,481,348		
	02/19/2013(7)					55,000	1,590,050		
	02/19/2013(8)							82,500	2,385,075

(1) The closing price of our common stock on December 27, 2013 (last business day of fiscal 2013) was $28.91.
(2) Each of these awards of restricted stock units vested in three equal installments on each of March 1, 2012, March 1, 2013 and March 1, 2014, subject to the recipient s continued employment with us.

(3) On January 31, 2011, the named executive officer was awarded a number of performance-based restricted stock units within a pre-set range, with the actual number contingent on the achievement of certain performance criteria. The actual award was determined in the first quarter of 2012. The award earned vested ratably on March 1, 2012, March 1, 2013 and March 1, 2014, subject to the recipient s continued employment with us.
(4) Each of these awards of restricted stock units vests in three equal installments on each of June 1, 2012, June 1, 2013 and June 1, 2014 subject to the recipient s continued employment with us.
(5) Each of these awards of restricted stock units vests in three equal installments on each of March 1, 2013, March 1, 2014 and March 1, 2015, subject to the recipient s continued employment with us.
(6) On March 28, 2012, the named executive officer was awarded a number of performance-based restricted stock units within a pre-set range, with the actual number contingent on the achievement of certain performance criteria. The actual award was determined in the first quarter of 2013. The award earned vests ratably on March 1, 2013, March 1, 2014 and March 1, 2015, subject to the recipient s continued employment with us.
(7) Each of these awards of restricted stock units vests in three equal installments on each of March 1, 2014, March 1, 2015 and March 1, 2016, subject to the recipient s continued employment with us.
(8) On February 19, 2013, the named executive officer was awarded a number of performance-based restricted stock units within a pre-set range, with the actual number contingent on the achievement of certain performance criteria. The actual award was determined in the first quarter of 2014 and is described in *Equity Incentive Plan Compensation* above. The award earned vests ratably on March 1, 2014, March 1, 2015 and March 1, 2016, subject to the recipient s continued employment with us.
(9) This option has a 10-year term and vested in equal annual installments over a four-year period on each of July 2, 2009, July 2, 2010, July 2, 2011 and July 2, 2012.
(10) On August 5, 2010, the named executive officer was awarded a number of performance-based restricted stock units within a pre-set range, with the actual number contingent on the achievement of certain performance criteria. Performance was measured in four tranches as of each fiscal year end from 2010 to 2013. If earned at target, each applicable tranche vested on each of March 1, 2011 (10,000 shares), March 1, 2012 (30,000 shares), March 1, 2013 (30,000 shares) and March 1, 2014 (30,000 shares). The actual award for the third tranche was determined in the first quarter of 2014 and described in *Equity Incentive Plan Compensation* above.

The following table sets forth the number of shares acquired pursuant to the exercise of options or the vesting of stock awards by our named executive officers during fiscal 2013 and the aggregate dollar amount realized by our named executive officers upon such events. Because there were no shares acquired by our named executive officers pursuant to the exercise of options during fiscal 2013, we have not included columns pertaining to option awards in the table below.

2013 Option Exercises and Stock Vested Table

	Stock Awards	
Name	**Number of Shares Acquired on Vesting**	**Value Realized on Vesting ($) (1)**
Thomas H. Werner	389,915	5,363,594
Charles D. Boynton	82,283	1,151,546
Howard J. Wenger	149,592	2,069,969
Marty T. Neese	175,975	2,382,344
Douglas J. Richards	109,166	1,541,523

(1) The aggregate dollar value realized upon the vesting of a stock award represents the fair market value of the underlying shares on the vesting date multiplied by the number of shares vested.

Potential Payments Upon Termination or Change of Control

Termination Payments Made in Fiscal 2013. We made no termination payments to any of our named executive officers during fiscal 2013.

Tabular Disclosure of Termination Payments. Our employment agreements and retention agreements with our named executive officers contain provisions that provide for payments upon certain events of termination and change of control. See *Employment Agreements* above for a detailed description of these agreements. The following tables summarize the estimated payments that would have been made on December 27, 2013 to our named executive officers upon certain termination events consisting of:

termination with cause or voluntary resignation;

involuntary termination without cause or voluntary resignation for good reason in connection with a change of control;

involuntary termination without cause or voluntarily resignation for good reason not in connection with a change of control;

retirement; or

discontinued service due to death or disability,

as described in their respective employment agreements (as amended by any amendments or Retention Agreements), assuming each such event had occurred on December 27, 2013. The dollar value identified with respect to each type of equity award is based on each officer s holdings as of December 27, 2013 and the $28.91 per share closing price for our common stock on December 27, 2013, the last trading day of our fiscal year ended December 29, 2013. For more information on each officer s outstanding equity awards as of December 29, 2013, please see the Outstanding Equity Awards At 2013 Fiscal-Year End Table above. Such figures do not reflect unpaid regular salary, nor the impact of certain provisions of the employment agreements that provide that, in the event any payments under the employment agreements would constitute parachute payments under Section 280G of the Code or be subject to the excise tax of Section 4999 of the Code, then such payments should be either delivered in full or reduced to result in no portion being subject to such tax provisions and still yield the greatest payment to the individual on an after tax basis.

Termination Payments Table

Name	Termination Scenario	Continued Salary ($)	Bonus and Accelerated Non-Equity Incentive Plan ($)	Accelerated Restricted Stock Units ($) (1)	Continued Medical Benefits and Gross Up ($)	Outplace-ment Services ($)	Accrued Paid Time Off and Sabbatical ($)	Total ($)
Thomas H. Werner	Termination with cause or voluntary resignation without good reason						80,769	80,769
	Involuntary termination without cause or voluntary resignation for good reason in connection with change of control	1,800,000	2,700,000	33,005,015	133,363	15,000	80,769	37,734,147
	Involuntary termination without cause or voluntary resignation for good reason not in connection with change of control			21,578,337			80,769	21,659,106
	Retirement						80,769	80,769
	Death or disability						80,769	80,769
Charles D. Boynton	Termination with cause or voluntary resignation without good reason							
	Involuntary termination without cause or voluntary resignation for good reason in connection with change of control	850,000	680,000	8,946,113	92,114	15,000		10,583,227
	Involuntary termination without cause or voluntary resignation for good reason not in connection with change of control							
	Retirement							
	Death or disability							

Howard J. Wenger	Termination with cause or voluntary resignation without good reason						
	Involuntary termination without cause or voluntary resignation for good reason in connection with change of control	900,000	810,000	10,121,593	103	15,000	11,846,696
	Involuntary termination without cause or voluntary resignation for good reason not in connection with change of control						
	Retirement						
	Death or disability						

Name	Termination Scenario	Continued Salary ($)	Bonus and Accelerated Non-Equity Incentive Plan ($)	Accelerated Restricted Stock Units ($) (1)	Continued Medical Benefits and Gross Up ($)	Outplace-ment Services ($)	Accrued Paid Time Off and Sabbatical ($)	Total ($)
Marty T. Neese	Termination with cause or voluntary resignation without good reason							
	Involuntary termination without cause or voluntary resignation for good reason in connection with change of control	900,000	720,000	10,726,730	63,284	15,000		12,425,014
	Involuntary termination without cause or voluntary resignation for good reason not in connection with change of control							
	Retirement							
	Death or disability							
Douglas J. Richards	Termination with cause or voluntary resignation without good reason							
	Involuntary termination without cause or voluntary resignation for good reason in connection with change of control	700,000	490,000	8,044,815	70,754	15,000		9,320,569
	Involuntary termination without cause or voluntary resignation for good reason not in connection with change of control							
	Retirement							
	Death or disability							

(1) In connection with a change of control, accelerated restricted stock units calculation assumes that the change of control does not involve Total or one of its affiliates.

COMPENSATION COMMITTEE REPORT

The following report has been submitted by the Compensation Committee of the Board of Directors:

The Compensation Committee of the Board of Directors has reviewed and discussed our Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2013 and definitive proxy statement on Schedule 14A for our 2014 Annual Meeting, each as filed with the SEC. The foregoing report was submitted by the Compensation Committee of the Board and shall not be deemed to be soliciting material or to be filed with the SEC or subject to Regulation 14A promulgated by the SEC or Section 18 of the Exchange Act, and shall not be deemed incorporated by reference into any prior or subsequent filing by us under the Securities Act of 1933 or the Exchange Act.

COMPENSATION COMMITTEE OF

THE BOARD OF DIRECTORS

Thomas R. McDaniel

Jean-Marc Otero del Val

Humbert de Wendel

Pat Wood III, *Chair*

March 7, 2014

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of February 24, 2014 (except as described below) by:

- each of our directors;
- our Chief Executive Officer, Chief Financial Officer, and each of the three other most highly compensated individuals who served as our executive officers at the end of our fiscal year 2013, whom we collectively refer to as our named executive officers ;
- our directors, director nominees and executive officers as a group; and
- each person (including any group as that term is used in Section 13(d)(3) of the Exchange Act) who is known by us to beneficially own more than 5% of any class of our common stock.

Applicable beneficial ownership percentages listed below are based on 121,637,984 shares of common stock outstanding as of February 24, 2014. The business address for each of our directors and executive officers is our corporate headquarters at 77 Rio Robles, San Jose, California 95134.

	Common Stock Beneficially Owned (1)	
	Number of Shares	**%**
Directors and Named Executive Officers		
Charles D. Boynton (2)	135,429	*
Arnaud Chaperon		
Bernard Clement		
Denis Giorno		
Catherine Lesjak		
Thomas R. McDaniel (3)	83,928	*
Marty T. Neese (4)	419,272	*
Douglas J. Richards (5)	104,489	*
Jean-Marc Otero del Val		
Humbert de Wendel		
Howard J. Wenger (6)	209,853	*
Thomas H. Werner (7)	559,180	*
Pat Wood III (8)	68,046	*
All Directors and Executive Officers as a Group (15 persons) (9)	1,646,005	1.4%
Other Persons		
Total S.A. Total Energies Nouvelles Activités USA, SAS (10) 2, place Jean Millier La Défense 6 92400 Courbevoie France	96,125,779	69.1%

* Less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares underlying restricted stock units and options held by that person that will vest and be exercisable within 60 days of February 24, 2014 are deemed to be outstanding. Such shares, however, are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(2) Includes 14,443 shares of common stock held indirectly in the Boynton Living Trust dtd May 7, 2000 (the Trust) of which Mr. Boynton and his wife are co-trustees. Also includes 68,454 RSUs and 52,532 PSUs vesting within 60 days of February 24, 2014.

(3) Includes 83,812 shares of common stock held indirectly in the McDaniel Trust dtd 7/26/2000 of which Mr. McDaniel and his spouse are co-trustees.
(4) Includes 58,333 RSUs and 93,410 PSUs vesting within 60 days of February 24, 2014, and 100,000 shares of common stock issuable upon exercise of options exercisable within 60 days of February 24, 2014.
(5) Includes 49,166 RSUs and 55,322 PSUs vesting within 60 days of February 24, 2014.
(6) Includes 5,072 shares of common stock held indirectly in the H&L Wenger 2002 Family Trust UAD 6-21-02. Also includes 63,333 RSUs and 68,065 PSUs vesting within 60 days of February 24, 2014.
(7) Includes (a) 609 shares of common stock held by The Thomas H. Werner 2010 Grantor Retained Annuity Trust, of which Mr. Werner and his wife are co-trustees and Mr. Werner is the beneficiary, and (b) 609 shares of common stock held by The Suzanne M. Werner 2010 Grantor Retained Annuity Trust, of which Mr. Werner and his wife are co-trustees and his wife is the beneficiary. Also includes 196,167 RSUs and 227,924 PSUs vesting within 60 days of February 24, 2014.
(8) Includes 48,000 shares of common stock issuable upon exercise of options exercisable within 60 days of February 24, 2014.
(9) Includes the shares described in footnotes 2-8 plus 12,806 shares of common stock plus 30,119 RSUs and 22,883 PSUs vesting within 60 days of February 24, 2014 held by two additional executive officers.
(10) The ownership information set forth in the table is based on information contained in a statement on Schedule 13D/A, filed with the SEC on June 6, 2013 by Total Energies Nouvelles Activités USA, SAS (formerly known as Total Gas & Power USA, SAS) and its parent Total S.A., which indicated that the parties have shared voting and shared dispositive power with respect to said shares. Includes 9,531,677 shares of common stock issuable pursuant to a warrant issued by us to Total Gas & Power USA, SAS on February 28, 2012 and 8,017,420 shares of common stock issuable upon conversion of the convertible debentures issued by us to Total Gas & Power USA, SAS on May 29, 2013.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires certain of our executive officers and our directors, and persons who own more than 10% of a registered class of our equity securities, to file an initial report of ownership on Form 3 and reports of changes in ownership on Forms 4 or 5 with the SEC and the Nasdaq Global Select Market. Such executive officers, directors and greater than 10% stockholders are also required by SEC regulations to furnish us with copies of all Section 16 forms that they file. We periodically remind our directors and executive officers of their reporting obligations and assist in making the required disclosures once we have been notified that a reportable event has occurred. We are required to report in this proxy statement any failure by any of the above-mentioned persons to make timely Section 16 reports.

Based solely on our review of the copies of such forms received by us, and written representations from our directors and executive officers, we are unaware of any instances of noncompliance, or late compliance, with Section 16(a) filing requirements by our directors, executive officers or greater than 10% stockholders during fiscal 2013.

Company Stock Price Performance

The following graph compares the performance of an investment in our common stock from December 28, 2008 through December 29, 2013, with the NASDAQ Market Index and with four comparable issuers: First Solar, Inc., Suntech Power Holdings Co., Ltd., Trina Solar Ltd. and Yingli Green Energy Holding Co. Ltd. The graph assumes $100 was invested on December 28, 2008 in our former class A common stock at the closing price of $35.38 per share, at the closing prices of the common stock for First Solar, Inc., Suntech Power Holdings Co., Ltd., Trina Solar Ltd., Yingli Green Energy Holding Co. Ltd., and at the closing price for the NASDAQ Market Index. In addition, the graph also assumes that any dividends were reinvested on the date of payment without payment of any commissions. The performance shown in the graph represents past performance and should not be considered an indication of future performance. The following graph is not, and shall not be deemed to be, filed as part of our Annual Report on Form 10-K. Such graph should not be deemed filed or incorporated by reference into any of our filings under the Securities Act of 1933, or the Securities Exchange Act of 1934, except to the extent specifically incorporated by reference therein by us.

ASSUMES $100 INVESTED ON DECEMBER 28, 2008

(ASSUMES DIVIDEND REINVESTED)

UNTIL FISCAL YEAR ENDED DECEMBER 29, 2013

	January 3, 2010	January 2, 2011	January 1, 2012	December 30, 2012	December 29, 2013
SunPower Corporation	$ 66.93	$ 36.26	$ 17.61	$ 15.52	$ 81.71
Nasdaq Market Index	$ 148.29	$ 173.36	$ 170.24	$ 193.45	$ 271.63
First Solar, Inc.	$ 100.29	$ 96.39	$ 25.01	$ 22.07	$ 40.93
Suntech Power Holdings Co., Ltd.	$ 161.61	$ 77.84	$ 21.48	$ 13.61	$ 5.15
Trina Solar Ltd.	$ 775.43	$ 336.49	$ 95.98	$ 60.63	$ 188.94
Yingli Green Energy Holding Co. Ltd.	$ 297.18	$ 185.71	$ 71.43	$ 42.67	$ 89.85

EQUITY COMPENSATION PLAN INFORMATION

The following table provides certain information as of December 29, 2013 with respect to our equity compensation plans under which our equity securities are authorized for issuance (in thousands, except dollar figures).

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)**
Equity compensation plans approved by security holders	285	$ 31.06	3,963
Total (1)	285		3,963

(1) This table excludes options to purchase an aggregate of approximately 34,773 shares of common stock, at a weighted average exercise price of $29.33 per share, that we assumed in connection with the acquisition of PowerLight Corporation, now known as SunPower Corporation, Systems, in January 2007. Under the terms of our three equity incentive plans, we may issue incentive or non-statutory stock options, restricted stock awards, restricted stock units, or stock purchase rights to directors, employees and consultants to purchase common stock. Our Third Amended and Restated SunPower Corporation 2005 Stock Incentive Plan includes an automatic share reserve increase feature effective for fiscal 2009 through fiscal 2015. This share reserve increase feature will cause an annual and automatic increase in the number of shares of our common stock reserved for issuance under the Stock Incentive Plan in an amount each year equal to the least of: 3% of the outstanding shares of our common stock measured on the last day of the immediately preceding fiscal year; 6,000,000 shares; and such other number of shares as determined by our Board.

PROPOSAL THREE

RATIFICATION OF THE APPOINTMENT OF

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2014

The Board of Directors, upon recommendation of the Audit Committee, has reappointed the firm of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 28, 2014, subject to ratification by our stockholders.

Ernst & Young LLP has served as our auditor since May 3, 2012. A representative of Ernst & Young LLP is expected to be present at the Annual Meeting and will have an opportunity to make a statement if he or she desires to do so, and is expected to be available to respond to appropriate questions.

Stockholder ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm is not required by our By-Laws or other applicable legal requirements. However, the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate governance.

If the stockholders fail to ratify the selection of our independent registered accounting firm, the Audit Committee and the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Board, at its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our and our stockholders best interests.

PricewaterhouseCoopers LLP

On May 3, 2012, we dismissed PricewaterhouseCoopers LLP as our independent registered public accounting firm effective upon the filing of our quarterly report on Form 10-Q for the three months ended April 1, 2012, which was filed on May 8, 2012. For further information related to the dismissal of PricewaterhouseCoopers LLP, please see the Current Report on Form 8-K filed with the SEC on May 9, 2012.

Fees billed to us by PricewaterhouseCoopers LLP during fiscal year 2012 were as follows:

Services	**2012 ($)**
Audit Fees	1,721,388
Audit-Related Fees	7,785
Tax Fees	2,273,705
All Other Fees	660,958
Total	4,663,836

Audit Fees: Audit fees for 2012 were for professional services rendered in connection with audits of our consolidated financial statements, statutory audits of our subsidiary companies, quarterly reviews and assistance with documents that we filed with the SEC (including our Forms 10-Q, 10-K and 8-K).

Audit-Related Fees: Audit-related fees for 2012 were for professional services rendered in connection with consultations with management on various accounting matters.

Tax Fees: Tax fees for 2012 were for tax return preparation assistance and expatriate tax services, general tax planning and international tax consulting.

All Other Fees: Other fees in 2012 were for accounting close acceleration assessment services and software license billed by PricewaterhouseCoopers LLP to SunPower.

Ernst & Young LLP

Immediately following the dismissal of PricewaterhouseCoopers LLP as our independent registered public accounting firm, we retained Ernst & Young LLP as our independent registered public accounting firm.

Fees billed to us by Ernst & Young LLP for fiscal years 2012 (subsequent to their appointment as our independent registered public accounting firm) and 2013 were as follows:

Services	**2012 ($)**	**2013 ($)**
Audit Fees	2,449,560	2,123,600
Audit-Related Fees	87,850	398,800
Tax Fees	93,236	329,973
All Other Fees	35,260	1,995
Total	2,665,906	2,854,368

Audit Fees: Audit fees for 2012 and 2013 were for professional services rendered in connection with audits of our consolidated financial statements, statutory audits of our subsidiary companies, quarterly reviews and assistance with documents that we filed with the SEC (including our Forms 10-Q and 8-K) for periods covering fiscal 2011, 2012, and 2013.

Audit-Related Fees: Audit-related fees for 2012 and 2013 were for professional services rendered in connection with debt offerings and consultations with management on various accounting matters.

Tax Fees: Tax fees for 2012 and 2013 were for tax consulting services.

All Other Fees: Other fees in 2012 and 2013 included advice and recommendations on a financial model, permitted advisory services, and access to technical accounting services.

Audit Committee Pre-Approval

As required by Section 10A(i)(1) of the Exchange Act, our Audit Committee has adopted a pre-approval policy requiring that the Audit Committee pre-approve all audit and permissible non-audit services to be performed by our independent registered public accounting firm. Any proposed service that has received pre-approval but which will exceed pre-approved cost limits will require additional pre-approval by the Audit Committee. In addition, pursuant to Section 10A(i)(3) of the Exchange Act, the Audit Committee has established procedures by which the Audit Committee may from time to time delegate pre-approval authority to the Chairman of the Audit Committee. If the Chairman exercises this authority, he must report any pre-approval decisions to the full Audit Committee at its next meeting. The independent registered public accounting firm and our management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with the committee s pre-approval, and the fees for the services performed to date.

During fiscal years 2012 and 2013 all services provided to us by PricewaterhouseCoopers LLP and Ernst & Young LLP were pre-approved by the Audit Committee in accordance with the pre-approval policy described above; however, in fiscal 2012 we paid approximately $30,000 to EY Israel for services related to a model review in connection with a project financing in Israel. These services were not pre-approved by our Audit Committee. The scope and services was reviewed and approved by the Audit Committee after the services were rendered. Ernst & Young LLP and our Audit Committee have each concluded that Ernst & Young LLP s objectivity and ability to exercise impartial judgment on all issues encompassed with the audit engagement has not been impaired because (i) the services did not include prohibited non-audit related services; (ii) no members of the audit engagement team were aware of or involved with the provision of the services until after such services were provided; and (iii) the fees we paid were insignificant both to Ernst & Young LLP and to SunPower.

PROPOSAL FOUR

APPROVAL OF THE SUNPOWER CORPORATION

ANNUAL EXECUTIVE BONUS PLAN

General

The Board is submitting for stockholder approval the amended and restated SunPower Corporation Annual Executive Bonus Plan (the New Plan), which is an amendment and restatement of the SunPower Corporation Annual Executive Bonus Plan (which itself was an amendment and restatement in February 2010 on substantially similar terms of the SunPower Corporation Key Employee Bonus Plan, which was approved by our stockholders in 2008) (the Old Plan). The Compensation Committee of the Board of Directors approved the New Plan on March 7, 2014. If approved by our stockholders, the New Plan will continue as our short-term cash incentive plan available to certain of our employees, including our named executive officers.

The Old Plan served in past years as our short-term cash incentive program. The Old Plan and New Plan both permit performance periods ranging from one fiscal quarter to three fiscal years. The potential and actual payments under the New Plan will be determined in accordance with the terms and conditions of the New Plan and as approved by our Compensation Committee.

Our principal reason for submitting the New Plan to stockholders for approval is to enable us to structure certain awards under the New Plan so that they may qualify as qualified performance-based compensation under Section 162(m) of the Code. If short-term incentive awards under the New Plan qualify as qualified performance-based compensation for purposes of Section 162(m) of the Code, then we may be able to receive a federal income tax deduction for certain compensation paid to our Chief Executive Officer and the other three most highly compensated executive officers (other than our Chief Financial Officer) in excess of $1 million for any year. While we believe it is in our and our stockholders best interests to have the ability to grant qualified performance-based compensation under Section 162(m) of the Code, we may decide to grant compensation that will not qualify as qualified performance-based compensation for purposes of Section 162(m) of the Code. Moreover, even if we intend to grant compensation that qualifies as qualified performance-based compensation for purposes of Section 162(m) of the Code, we cannot guarantee that such compensation ultimately will be deductible by us.

With respect to short-term incentive awards, in order to satisfy the qualified performance-based compensation exception to the deduction limitation of Section 162(m) of the Code, the payout of the award must be contingent solely on the attainment of one or more performance goals determined by a committee of two or more outside directors. The award must also be granted pursuant to a stockholder approved plan containing (1) the material terms of the performance criteria pursuant to which the performance goals may be established, (2) the individuals eligible to receive awards under the plan, and (3) a specified limit on the maximum awards that a participant may receive within a certain time period or periods. Stockholder approval of this proposal is intended to satisfy the stockholder approval requirements under Section 162(m) of the Code. If the New Plan is not approved by our stockholders, the specific awards described below under New Plan Benefits will not be made under the New Plan, and we will grant no further awards under the Old Plan.

The New Plan limits participants to our employees designated by the Compensation Committee as members of our executive leadership team, including our named executive officers. The New Plan also includes non-substantive clarifications regarding the timing for payout for earned awards. A summary description of the entire New Plan is set forth below. The summary of the New Plan is not intended to be exhaustive and is qualified in its entirety by the terms of the New Plan. A complete copy of the New Plan, as proposed for adoption, is attached to this proxy statement as Appendix A.

Summary Description of the New Plan

Awards Available Under the New Plan. The New Plan will allow us to provide annual cash incentive award opportunities and performance-based payouts for those award opportunities for our executive leaders, including our named executive officers. Annual cash incentive awards help us align executive compensation with business objectives and performance, as further described above in *Compensation Discussion and Analysis.* One of the primary objectives of the New Plan is to help permit annual cash incentive payouts to potentially qualify as performance-based compensation under Section 162(m) of the Code.

Eligibility. Any of our employees who is designated by our Compensation Committee as a member of our executive leadership team is eligible to participate in the New Plan and may be selected by our Compensation Committee to participate in the New Plan for a particular performance period. Participation in the New Plan will be determined on a performance- period-by-performance-period basis. Currently, approximately 12 individuals, including our named executive officers, are eligible to participate in the New Plan.

Operation of the New Plan. The New Plan will generally operate as follows:

Each year, the Compensation Committee will establish a performance period, which will consist of a particular fiscal year for our company, or a longer or shorter period determined by our Compensation Committee.

For each performance period, the Compensation Committee will approve one or more performance goals (which are listed below), as well as target amounts for each performance goal, for the performance period.

The Compensation Committee will also establish in writing an annual cash incentive award opportunity for each participant, which award opportunity will be expressed as either a percentage of the participant s base salary or a specific dollar amount. We refer to this annual cash incentive award opportunity as the participant s target award. The Compensation Committee will select participants, the performance goals and the target awards not later than the 90th day of the performance period.

In order to determine the amount of the target award each participant will earn as a payout amount based on actual performance compared to the pre-established performance goals, the Compensation Committee will approve within the first 90 days of the performance period, a formula or payout matrix, which we refer to as the payout formula. The payout formula may differ from participant to participant. The Compensation Committee may determine that if actual performance falls below a specific percentage of the target amount for a performance goal, no payout amount will be earned for that particular performance goal. In no event will a participant s actual award payout exceed, during any period of three consecutive fiscal years, $9.0 million.

After the end of each performance period, the Compensation Committee will determine initial payout amounts for each participant by applying the payout formula. The Compensation Committee must also certify the extent to which the performance goals were actually achieved during the performance period. The Compensation Committee may adjust any evaluation of performance against the performance goals to exclude objective and measurable events, as further explained below. The Compensation Committee may also eliminate or reduce the payout amount for a participant below the initial payout amount based on the Compensation Committee s discretion.

Participants must be employed by us at the time payouts are made, except where the participant has either died or suffered a permanent disability in accordance with any of our disability policies. Payouts will be made as soon as possible, but no later than two and one-half months after the end of the performance period; provided, that if the performance period is less than one year, payment must be made within two and one-half months of the end of the calendar year that includes the last day of the performance period. Payouts will be made in a single lump sum in cash or a cash equivalent. If the participant dies after the payout amount has been earned, but before the payout is made, the payout will be made to the participant s designated beneficiary or to the participant s estate (as further explained below).

Administration. The New Plan will be administered by our Compensation Committee. The Compensation Committee will consist of two or more directors appointed by the Board of Directors. In addition, the composition of the Compensation Committee shall satisfy such requirements as the Internal Revenue Service may establish for outside directors acting under plans intended to qualify for exemption under Section 162(m) of the Code.

In administering the New Plan, our Compensation Committee may, among other things (1) determine which employees will be granted awards, (2) establish the terms and conditions of awards, (3) interpret the New Plan and awards made under the New Plan, (4) adopt procedures and subplans that are necessary or appropriate to permit participation in the New Plan by eligible foreign nationals or persons employed outside of the United States, (5) adopt rules for the administration, interpretation and application of the New Plan and (6) interpret, amend or revoke any such rules. The Compensation Committee, in its sole discretion, may delegate all or part of its authority and powers under the New Plan to one or more of our directors and/or officers, but the Compensation Committee may not delegate its authority or powers with respect to awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code. All determinations and decisions made by our Compensation Committee, the Board of Directors, and any delegate of the Compensation Committee pursuant to the provisions of the New Plan are final, conclusive, and binding on all persons.

Performance Goals. As determined by our Compensation Committee, awards will be made subject to the achievement of performance goals for a specified period of time relating to one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either our company as a whole or to a business unit or a subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years results or to a designated comparison group or index, in each case as specified by our Compensation Committee:

- cash flow;
- earnings per share;
- earnings before interest, taxes and amortization;
- return on equity;
- total stockholder return;
- share price performance;
- return on capital;
- return on assets or net assets;
- revenue;
- income or net income;
- operating income or net operating income;

- operating profit or net operating profit;
- operating margin or profit margin;
- return on operating revenue;
- return on invested capital; or
- market segment shares.

The Compensation Committee may adjust any evaluation of performance against the performance goals to exclude any objective and measurable events specified at the time the performance goals are established, including but not limited to any of the following events that occurs during a performance period:

- asset write-downs;
- litigation or claim judgments or settlements;

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- the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results;
- accruals for reorganization and restructuring programs;
- acceleration of amortization of debt issuance costs;
- stock-based compensation charges;
- purchase-accounting related charges, including amortization of intangible purchased assets, acquired in-process research and development charges, and similar charges associated with purchase accounting;
- any extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30; and
- the related tax effects associated with each of the adjustments listed in the preceding bullets.

Any such adjustments shall be prescribed at a time and in a manner for awards that are intended to qualify as qualified performance-based compensation under Section 162(m) of the Code. The Compensation Committee will determine the performance goals not later than the 90th day of the performance period, and shall determine and certify, for each participant, the extent to which the performance goals have been met. The Compensation Committee may not in any event increase the amount of compensation payable under the New Plan upon the attainment of a performance goal to a participant who is a covered employee within the meaning of Section 162(m) of the Code. However, the Compensation Committee may (1) eliminate or reduce the payout amount payable to any participant below the amount that otherwise would be payable under the payout formula described above, and (2) determine whether a participant will receive a payout in the event the participant s employment terminates before the date the payout is to be actually paid.

Withholding of Taxes. We or our affiliates, as determined by our Compensation Committee, will withhold all applicable taxes, including federal, state, local and other taxes, from any award payout.

Effect on Employment. Nothing in the New Plan interferes with or limits in any way our right or the right of any of our affiliates to terminate any participant s employment or service at any time, with or without cause, or to deal with a participant without regard to the effect upon him or her as a participant in the New Plan.

Beneficiary Designations. For as long as permitted by our Compensation Committee, New Plan participants may designate one or more beneficiaries to receive any payout amount that is payable to the participant at the time of his or her death. If beneficiaries may be designated, a participant may designate different beneficiaries (or revoke a prior beneficiary designation) at any time by delivering a new designation (or a revocation of a prior designation) to our Compensation Committee. The designation or revocation will be effective as of the date the designation or revocation is executed (whether or not the participant still is living) if it is received by our Compensation Committee, but not affect any payout made before the change is recorded. The last effective designation received by our Compensation Committee will supersede all prior designations. If beneficiaries may no longer be designated, or if a participant dies without designating a beneficiary, the participant s payouts will be paid to the participant s general beneficiary shown on our records. If the beneficiary dies before the participant, the participant s payouts will be paid to his or her estate.

Nontransferability of Awards. No award granted under the New Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will, by the laws of descent and distribution, or as described regarding the designation of beneficiaries above.

Deferrals. Our Compensation Committee may allow a participant to defer receipt of cash that the participant would otherwise receive under the New Plan. Deferral elections will be subject to rules and procedures as determined by our Compensation Committee.

Termination and Amendment. If approved, the New Plan will remain in effect indefinitely unless terminated earlier by the Board or our Compensation Committee. Either the Board or our Compensation Committee may

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amend or terminate the New Plan, or any part of the New Plan, at any time for any reason. The amendment, suspension or termination of the New Plan will not alter or impair any rights or obligations under any award granted to a New Plan participant unless the participant consents to such action. No award may be granted during any period of suspension or after termination of the New Plan.

New Plan Benefits

The following table sets forth certain information as of March 13, 2014 regarding awards approved by the Compensation Committee under the New Plan in respect of fiscal 2014, subject to stockholder approval of the New Plan.

NEW PLAN BENEFITS

SunPower Corporation Annual Executive Bonus Plan

Name and Position	**Dollar Value ($) (1)**	**Number of Units**
Thomas H. Werner, *President, Chief Executive Officer and Chairman of the Board*	900,000	
Charles D. Boynton, *Executive Vice President and Chief Financial Officer*	286,875	
Howard J. Wenger, *President, Regions*	337,500	
Marty T. Neese, *Chief Operating Officer*	303,750	
Douglas J. Richards, *Executive Vice President, Administration*	216,000	
Executive Group (2)	2,190,375	
Non-Executive Director Group (3)		
Non-Executive Officer Employee Group (4)	821,625	

(1) Represents the target award for each plan participant or group thereof. In each case, the maximum attainable award is 150% of the target award disclosed in this column. Achievement of certain performance metrics could reduce actual payouts to zero when the applicable formula is applied; therefore, threshold payouts are inapplicable for each recipient or group thereof.
(2) This group includes all of our current executive officers.
(3) This group includes all of our current non-employee directors.
(4) This group includes all of our employees, including our officers who are not executive officers.

With respect to other grants under the New Plan, it is not possible to determine the specific amounts of awards that may be awarded in the future under the New Plan because the grant and actual pay-out of awards under the New Plan are subject to the discretion of the Compensation Committee.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE SUNPOWER CORPORATION ANNUAL EXECUTIVE BONUS PLAN.

APPENDIX A

SUNPOWER CORPORATION

ANNUAL EXECUTIVE BONUS PLAN

(Amended February 8, 2010; amended March 7, 2014)

SECTION 1: BACKGROUND, PURPOSE AND DURATION

1.1 Effective Date. The amendment and restatement of this Plan is effective as of March 7, 2014, subject to ratification by an affirmative vote of the holders of a majority of the shares of common stock that are present in person or by proxy and entitled to vote at the 2014 Annual Meeting of Stockholders of the Company.

1.2 Purpose of the Plan. The Plan is intended to increase stockholder value and the success of the Company by motivating Participants (1) to perform to the best of their abilities, and (2) to achieve the Company s objectives. The Plan s goals are to be achieved by providing Participants with the opportunity to earn incentive awards for the achievement of goals relating to the performance of the Company. The Plan is intended to permit the payment of bonuses that qualify as performance-based compensation under Section 162(m) of the Code.

SECTION 2: DEFINITIONS

The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

2.1 Actual Award . Means as to any Performance Period, the actual award (if any) payable to a Participant for the Performance Period. Each Actual Award is determined by the Payout Formula for the Performance Period, subject to the Committee s authority under Section 3.6 to eliminate or reduce the award otherwise determined by the Payout Formula.

2.2 Affiliate . Means any corporation or other entity (including, but not limited to, partnerships and joint ventures) controlled by the Company.

2.3 Base Salary . Means as to any Performance Period, the Participant s earned salary during the Performance Period. Such Base Salary shall be before both (a) deductions for taxes or benefits, and (b) deferrals of compensation pursuant to Company-sponsored plans and Affiliate-sponsored plans.

2.4 Board . Means the Board of Directors of the Company.

2.5 Code . Means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder shall include such section or regulation, any valid regulation promulgated thereunder, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.6 Committee . Means the committee appointed by the Board (pursuant to Section 5.1) to administer the Plan.

2.7 Company . Means SunPower Corporation, a Delaware corporation, or any successor thereto.

2.8 Determination Date . Means the latest possible date that will not jeopardize a Target Award or Actual Award s qualification as performance-based compensation under Section 162(m) of the Code.

2.9 Disability . Means a permanent disability in accordance with a policy or policies established by the Committee (in its discretion) from time to time.

2.10 Employee . Means any employee of the Company or of an Affiliate, whether such employee is so employed at the time the Plan is adopted or becomes so employed subsequent to the adoption of the Plan, who the Committee in its discretion designates as a member of the Company s executive leadership team.

2.11 Fiscal Quarter . Means a fiscal quarter within a Fiscal Year of the Company.

2.12 Fiscal Year . Means the fiscal year of the Company.

2.13 Maximum Award . Means as to any Participant during any period of three (3) consecutive Fiscal Years, $9 million.

2.14 Participant . Means as to any Performance Period, an Employee who has been selected by the Committee for participation in the Plan for that Performance Period.

2.15 Payout Formula . Means as to any Performance Period, the formula or payout matrix established by the Committee pursuant to Section 3.4 in order to determine the Actual Awards (if any) to be paid to Participants. The formula or matrix may differ from Participant to Participant.

2.16 Performance Period . Means any Fiscal Year or such other period longer or shorter than a Fiscal Year but not shorter than a Fiscal Quarter or longer than three Fiscal Years, as determined by the Committee in its sole discretion.

2.17 Performance Goals . Means the goal(s) (or combined goal(s)) determined by the Committee (in its discretion) to be applicable to a Participant for a Target Award for a Performance Period. As determined by the Committee, the Performance Goals for any Target Award applicable to a Participant may be made subject to the attainment of performance goals for a specified period of time relating to one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years results or to a designated comparison group or index, in each case as specified by the Committee: (a) cash flow, (b) earnings per share, (c) earnings before interest, taxes and amortization, (d) return on equity, (e) total stockholder return, (f) share price performance, (g) return on capital, (h) return on assets or net assets, (i) revenue, (j) income or net income, (k) operating income or net operating income, (l) operating profit or net operating profit, (m) operating margin or profit margin, (n) return on operating revenue, (o) return on invested capital, or (p) market segment shares. The Committee may provide for the adjustment of any evaluation of performance against the Performance Goals to exclude any objective and measurable events specified at the time the Performance Goals are established, including but not limited to any of the following events that occurs during a Performance Period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs, (v) acceleration of amortization of debt issuance costs, (vi) stock-based compensation charges, (vii) purchase-accounting related charges, including amortization of intangible purchased assets, acquired in-process research and development charges, and similar charges associated with purchase accounting, (viii) any extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30, and (ix) the related tax effects associated with each of the adjustments listed in clauses (i) through (viii) above.

2.18 Plan . Means the SunPower Corporation Annual Executive Bonus Plan, as set forth in this instrument and as hereafter amended from time to time.

2.19 Progress Payment . Means a portion of the Target Award or Actual Award for which the Committee has determined in accordance with Section 3.6 has been earned by the Participant as of the end of the Progress Period based on achievement of the applicable Performance Goals and thereby may be paid to the Participant during the Performance Period.

2.20 Progress Period . Means a period shorter than and within the Performance Period for which a Progress Payment may be made.

2.22

Target Award. Means the target award payable under the Plan to a Participant for the Performance Period, expressed as a percentage of his or her Base Salary or a specific dollar amount, as determined by the Committee in accordance with Section 3.3.

2.23 Termination of Employment . Means a cessation of the employee-employer relationship between an Employee and the Company or an Affiliate for any reason, including, but not by way of limitation, a termination by resignation, discharge, death, Disability, retirement (occurring in accordance with the policies established by the Committee (in its discretion) from time to time, or the disaffiliation of an Affiliate, but excluding any such termination where there is a simultaneous reemployment by the Company or an Affiliate.

SECTION 3: SELECTION OF PARTICIPANTS AND DETERMINATION OF AWARDS

3.1 Selection of Participants. The Committee, in its sole discretion, shall select the Employees who shall be Participants for any Performance Period. The Committee, in its sole discretion, also may designate as Participants one or more individuals (by name or position) who are expected to become Employees during a Performance Period. Participation in the Plan is in the sole discretion of the Committee, and shall be determined on a Performance Period by Performance Period basis. Accordingly, an Employee who is a Participant for a given Performance Period in no way is guaranteed or assured of being selected for participation in any subsequent Performance Period.

3.2 Determination of Performance Goals. The Committee (or its designee described in Section 5.4), in its sole discretion, shall establish the Performance Goals for each Participant for the Performance Period. Such Performance Goals shall be set forth in writing.

3.3 Determination of Target Awards. The Committee, in its sole discretion, shall establish a Target Award for each Participant. Each Participant s Target Award shall be determined by the Committee in its sole discretion, and each Target Award shall be set forth in writing.

3.4 Determination of Payout Formula or Formulae. On or prior to the Determination Date, the Committee, in its sole discretion, shall establish a Payout Formula or Formulae for purposes of determining the Actual Award (if any) payable to each Participant. Each Payout Formula shall (a) be in writing, (b) be based on a comparison of actual performance to the Performance Goals, (c) provide for the payment of a Participant s Target Award if the Performance Goals for the Performance Period are achieved at the predetermined level, and (d) provide for the payment of an Actual Award greater than or less than the Participant s Target Award, depending upon the extent to which actual performance exceeds or falls below the Performance Goals. Notwithstanding the preceding, in no event shall a Participant s Actual Award for any Performance Period exceed the Maximum Award.

3.5 Date for Determinations. The Committee shall make all determinations under Sections 3.1 through 3.4 on or before the Determination Date.

3.6 Determination of Actual Awards. After the end of each Performance Period or, to the extent Progress Payments will be made, after the end of the Progress Period, the Committee (or its designee described in 5.4) shall certify in writing the extent to which the Performance Goals applicable to each Participant for the Performance Period or Progress Period, as applicable, were achieved or exceeded, as determined by the Committee. The Actual Award for each Participant shall be determined by applying the Payout Formula to the level of actual performance that has been certified in writing by the Committee. Notwithstanding any contrary provision of the Plan, the Committee, in its sole discretion, may (a) eliminate or reduce the Actual Award payable to any Participant below that which otherwise would be payable under the Payout Formula, and (b) determine whether or not any Participant will receive an Actual Award in the event the Participant incurs a Termination of Employment prior to the date the Actual Award is to be paid pursuant Section 4.2 below.

SECTION 4: PAYMENT OF AWARDS

4.1 Right to Receive Payment. Each Actual Award that may become payable under the Plan shall be paid solely from the general assets of the Company or the Affiliate that employs the Participant (as the case may be), as determined by the Committee. Nothing in this Plan shall be construed to create a trust or to establish or evidence any Participant s claim of any right to payment of an Actual Award other than as an unsecured general creditor with respect to any payment to which he or she may be entitled. A Participant must be employed by the Company at the time of the payment to receive such payment, unless the Participant has died or become Disabled.

4.2 Timing of Payment. Subject to Section 3.6, payment of each Actual Award shall be made as soon as administratively practicable, but in no event later than two and one-half months after the end of the applicable Performance Period or Progress Period; provided, however, that that, in the case of a Performance Period or Progress Period of less than one year payment must occur within two and one-half months of the end of the calendar year that includes the last day of such Performance Period or Progress Period.

4.3 Form of Payment. Each Actual Award shall be paid in cash (or its equivalent) in a single lump sum.

4.4 Payment in the Event of Death. If a Participant dies prior to the payment of an Actual Award (determined under Section 3.6) that was scheduled to be paid to him or her prior to death for a prior Performance Period, the Award shall be paid to his or her designated beneficiary or, if no beneficiary has been designated, to his or her estate.

SECTION 5: ADMINISTRATION

5.1 Committee is the Administrator. The Plan shall be administered by the Committee. The Committee shall consist of not less than two (2) members of the Board. The members of the Committee shall be appointed from time to time by, and serve at the pleasure of, the Board. Each member of the Committee shall qualify as an outside director under Section 162(m) of the Code. If it is later determined that one or more members of the Committee do not so qualify, actions taken by the Committee prior to such determination shall be valid despite such failure to qualify. Any member of the Committee may resign at any time by notice in writing mailed or delivered to the Secretary of the Company. As of the Effective Date of the Plan, the Plan shall be administered by the Compensation Committee of the Board.

5.2 Committee Authority. It shall be the duty of the Committee to administer the Plan in accordance with the Plan s provisions. The Committee shall have all powers and discretion necessary or appropriate to administer the Plan and to control its operation, including, but not limited to, the power to (a) determine which Employees shall be granted awards, (b) prescribe the terms and conditions of awards, (c) interpret the Plan and the awards, (d) adopt such procedures and subplans as are necessary or appropriate to permit participation in the Plan by Employees who are foreign nationals or employed outside of the United States, (e) adopt rules for the administration, interpretation and application of the Plan as are consistent therewith, and (f) interpret, amend or revoke any such rules.

5.3 Decisions Binding. All determinations and decisions made by the Committee, the Board, and any delegate of the Committee pursuant to the provisions of the Plan shall be final, conclusive, and binding on all persons, and shall be given the maximum deference permitted by law.

5.4 Delegation by the Committee. The Committee, in its sole discretion and on such terms and conditions as it may provide, may delegate all or part of its authority and powers under the Plan to one or more directors and/or officers of the Company; provided, however, that the Committee may not delegate its authority and/or powers with respect to awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code.

SECTION 6: GENERAL PROVISIONS

6.1 Tax Withholding. The Company or an Affiliate, as determined by the Committee, shall withhold all applicable taxes from any Actual Award, including any federal, state, local and other taxes.

6.2 No Effect on Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Company or an Affiliate, as applicable, to terminate any Participant s employment or service at any time, with or without cause. For purposes of the Plan, transfer of employment of a Participant between the Company and any one of its Affiliates (or between Affiliates) shall not be deemed a Termination of Employment. Employment with the Company and its Affiliates is on an at-will basis only. The Company expressly reserves the right, which may be exercised at any time and without regard to when during or after a Performance Period such exercise occurs, to terminate any individual s employment with or without cause, and to treat him or her without regard to the effect which such treatment might have upon him or her as a Participant.

6.3 Participation. No Employee shall have the right to be selected to receive an award under this Plan, or, having been so selected, to be selected to receive a future award.

6.4 Indemnification. Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from (a) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any award, and (b) from any and all amounts paid by him or her in settlement thereof, with the Company s approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company s Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

6.5 Successors. All obligations of the Company and any Affiliate under the Plan, with respect to awards granted hereunder, shall be binding on any successor to the Company and/or such Affiliate, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business or assets of the Company or such Affiliate.

6.6 Beneficiary Designations.

a. Designation. Each Participant may, pursuant to such uniform and nondiscriminatory procedures as the Committee may specify from time to time, designate one or more Beneficiaries to receive any Actual Award payable to the Participant at the time of his or her death. Notwithstanding any contrary provision of this Section 6.6 shall be operative only after (and for so long as) the Committee determines (on a uniform and nondiscriminatory basis) to permit the designation of Beneficiaries.

b. Changes. A Participant may designate different Beneficiaries (or may revoke a prior Beneficiary designation) at any time by delivering a new designation (or revocation of a prior designation) in like manner. Any designation or revocation shall be effective only if it is received by the Committee. However, when so received, the designation or revocation shall be effective as of the date the designation or revocation is executed (whether or not the Participant still is living), but without prejudice to the Committee on account of any payment made before the change is recorded. The last effective designation received by the Committee shall supersede all prior designations.

c. Failed Designation. If the Committee does not make this Section 6.6 operative or if Participant dies without having effectively designated a Beneficiary, the Participant s Account shall be payable to the general beneficiary shown on the records of the Employer. If no Beneficiary survives the Participant, the Participant s Account shall be payable to his or her estate.

6.7 Nontransferability of Awards. No award granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will, by the laws of descent and distribution, or to the limited extent provided in Section 6.6. All rights with respect to an award granted to a Participant shall be available during his or her lifetime only to the Participant.

6.8 Deferrals. The Committee, in its sole discretion, may permit a Participant to defer receipt of the payment of cash that would otherwise be delivered to a Participant under the Plan. Any such deferral elections shall be subject to such rules and procedures as shall be determined by the Committee in its sole discretion.

SECTION 7: AMENDMENT, TERMINATION AND DURATION

7.1 Amendment, Suspension or Termination. The Board or the Committee, each in its sole discretion, may amend or terminate the Plan, or any part thereof, at any time and for any reason. The amendment, suspension or termination of the Plan shall not, without the consent of the Participant, alter or impair any rights or obligations under any Target Award theretofore granted to such Participant. No award may be granted during any period of suspension or after termination of the Plan.

7.2 Duration of the Plan. The Plan shall commence on the date specified herein, and subject to Section 7.1 (regarding the Board or the Committee s right to amend or terminate the Plan), shall remain in effect thereafter.

SECTION 8: LEGAL CONSTRUCTION

8.1 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

8.2 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

8.3 Requirements of Law. The granting of awards under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

8.4 Governing Law. The Plan and all awards shall be construed in accordance with and governed by the laws of the State of California, but without regard to its conflict of law provisions.

8.5 Captions. Captions are provided herein for convenience only, and shall not serve as a basis for interpretation or construction of the Plan.