

POWER ONE INC
Form DEF 14A
March 21, 2012

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

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))**
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material under §240.14a-12

Power-One, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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(3) Filing Party:

(4) Date Filed:

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740 CALLE PLANO
CAMARILLO, CALIFORNIA 93012

March 21, 2012

Dear Stockholders:

It is our pleasure to invite you to the 2012 annual meeting of stockholders of Power-One, Inc. ("**Power-One**" or the "**Company**") to be held on May 1, 2012 at the Courtyard Marriott, 4994 Verdugo Way, Camarillo, California 93012 at 8:00 a.m., Pacific daylight time. At the meeting we will discuss the items of business described in the enclosed Notice of Annual Meeting and will also report on the Company's business operations. A representative of Deloitte & Touche LLP, Power-One's independent registered public accounting firm, will also be present and will have the opportunity to make a statement to our stockholders and respond to their questions.

It is important that your interests be represented at the annual meeting, regardless of the number of shares you own, and we urge you to promptly cast your vote. This year, taking the environment into consideration, we are pleased to offer our stockholders notice and access to our electronic proxy statement and Annual Report on Form 10-K and the opportunity to vote on-line. We hope that you can personally attend the meeting, but if you are unable to do so, we urge you to take advantage of the notice and access opportunity to promptly vote your shares on-line or, if you prefer, telephonically. You may also request a copy of our proxy statement and Annual Report on Form 10-K, which will be sent to you along with a proxy and a postage-prepaid envelope if you prefer to submit your proxy by mail.

As indicated in the enclosed Notice of Annual Meeting, in addition to the customary actions of electing the members of the Board of Directors of Power-One (the "**Board of Directors**" or the "**Board**") and ratifying the appointment of our independent registered public accounting firm, at this year's annual meeting our stockholders will be asked to approve an advisory resolution on the compensation of our named executive officers. Each of the three matters that will be submitted to our stockholders for a vote is described in the enclosed Notice of Annual Meeting and is discussed in more detail in the enclosed proxy statement.

We look forward to receiving your vote.

Sincerely,

Tina D. McKnight
Secretary

Your vote is important whether or not you plan to attend the annual meeting. Please submit your proxy promptly via the Internet or by telephone, or if you have requested a copy of the proxy statement and Annual Report on Form 10-K, by executing and returning your proxy in the enclosed self-addressed, stamped envelope.

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**740 CALLE PLANO
CAMARILLO, CALIFORNIA 93012**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 1, 2012**

The 2012 annual meeting of the stockholders of Power-One, Inc., a Delaware corporation ("**Power-One**" or the "**Company**"), will be held at the Courtyard Marriott, 4994 Verdugo Way, Camarillo, California 93012, on May 1, 2012 at 8:00 a.m., Pacific daylight time. The following proposals will be submitted to a vote by our stockholders:

- (1) election of the eight directors named in the accompanying proxy statement, in each case to serve a one-year term ending upon the first to occur of: (a) the 2013 annual meeting of stockholders; (b) the election and qualification of such director's successor; or (c) such director's death, retirement, resignation or removal;
- (2) adoption of a resolution approving, on an advisory basis, the compensation of our named executive officers;
- (3) ratification of the appointment of Deloitte & Touche LLP as Power-One's independent registered public accounting firm for the 2012 fiscal year; and
- (4) transaction of other business properly presented at the 2012 annual meeting and any adjournment(s) or postponement(s) thereof.

The close of business on March 7, 2012 has been fixed as the record date for determination of stockholders entitled to notice of and to vote at the 2012 annual meeting and any adjournment(s) or postponement(s) thereof. You may access our proxy statement and the Company's Annual Report on Form 10-K electronically, or, if you prefer, you may request that a copy of the proxy statement and Annual Report on Form 10-K be mailed to you.

For a period of 10 days prior to the annual meeting, and during the meeting, a list of stockholders entitled to vote at the 2012 annual meeting will be open to the examination of any stockholder for purposes relevant to the meeting. The records will be available during normal business hours at the Company's principal executive offices located at 740 Calle Plano, Camarillo, California 93012.

Stockholders are cordially invited to attend the annual meeting. Each stockholder, whether or not he or she expects to be present in person at the meeting, is requested to promptly vote his or her shares. This year, votes can be cast via the Internet or by telephone, or stockholders who have requested copies of the proxy statement and Annual Report on Form 10-K may sign, date and return their proxies in the postage pre-paid envelope included with the materials.

BY ORDER OF THE BOARD OF DIRECTORS

Tina D. McKnight
Secretary

March 21, 2012

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO
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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Power-One, Inc. ("**Power-One**" or the "**Company**") of proxies for the matters to be voted on at the 2012 annual meeting of stockholders. The meeting will be held at the Courtyard Marriott, 4994 Verdugo Way, Camarillo, California 93012 on May 1, 2012 at 8:00 a.m., Pacific daylight time, and any adjournment(s) or postponement(s) thereof.

This proxy statement, the Notice of Annual Meeting to which it is attached and the form of proxy were first made available for access by our stockholders on or about March 22, 2012. Copies were available to be mailed to stockholders who requested them on or about the same date.

Proposals to be Considered

At the annual meeting, the Company will ask its stockholders to:

- (1) elect the eight directors nominated by the Board of Directors, in each case to serve a one-year term ending upon the first to occur of: (a) the 2013 annual meeting of stockholders; (b) the qualification and election of such director's successor; or (c) upon such director's death, retirement, resignation or removal;
- (2) adopt a resolution approving, on an advisory basis, the compensation of our named executive officers;
- (3) ratify the appointment of Deloitte & Touche LLP as Power-One's independent registered public accounting firm for the 2012 fiscal year; and
- (4) transact any other business that may be properly presented at the Annual Meeting and any adjournment(s) or postponement(s) thereof.

If any other matters should properly come before the annual meeting or any adjournment(s) or postponement(s) thereof, the persons named as proxies in the proxy card will vote the proxies in accordance with their best judgment regarding the best interests of the Company's stockholders. If it becomes necessary to solicit additional proxies, the persons named as proxies in the proxy card will vote the proxies in accordance with the recommendation of the Board of Directors to adjourn and postpone the annual meeting.

Recommendations of the Board of Directors

The Board of Directors recommends that the stockholders vote "**FOR**" the election of the nominees for membership on the Board of Directors, "**FOR**" the adoption of the resolution approving, on an advisory basis, the compensation of our named executive officers, and "**FOR**" the ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for the 2012 fiscal year.

This Proxy Solicitation

If you have questions about the 2012 annual meeting, including the procedures for voting your shares, you should contact Power-One's Corporate Secretary at 740 Calle Plano, Camarillo, California 93012, (805) 987-8741, ext. 201701.

The Company will bear all costs of soliciting proxies, including any mailing expenses incurred by brokers to obtain the votes of the beneficial owners of stock held in a broker's name or in the names of nominees. The Company has retained the services of Phoenix Advisory Partners for a fee of \$7,500, plus reimbursement of expenses, to assist in the solicitation process.

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Quorum

To establish a quorum necessary to conduct business at the annual meeting, a majority of the voting power of the outstanding shares of common stock, \$0.001 par value per share ("**Common Stock**") must be represented in person or by proxy at the annual meeting. Broker non-votes and abstentions will be counted as present for purposes of establishing a quorum. Broker non-votes refer to situations where shares are held in "street name" through a broker or similar market intermediary rather than in the stockholder's own name and the broker or market intermediary is not instructed by the stockholder on how to vote. If you hold shares in street name and do not provide your broker with specific voting instructions, under the rules of the New York Stock Exchange applicable to brokers and other market intermediaries, your broker may generally vote on routine matters but cannot vote on non-routine matters. Proposals 1 and 2 are considered non-routine matters. Therefore, if you do not instruct your broker how to vote on Proposals 1 and 2, your broker does not have the authority to vote on those proposals. Proposal 3 is considered a routine matter and your broker may vote on that matter without your instruction.

As of March 7, 2012, the record date for the identification of the Company's stockholders who are entitled to notice of and to vote at the 2012 annual meeting, the Company had 121,943,259 shares of Common Stock outstanding and entitled to vote. The Series C Junior Participating Convertible Preferred Stock held by Silver Lake Sumeru Fund L.P. and Silver Lake Technology Investors Sumeru L.P. (collectively "**Silver Lake Sumeru**") does not have voting rights. Each holder of Common Stock at the close of business on March 7, 2012 will be entitled to one vote for each share held of record.

Votes Required For the Proposals

Proposal 1 (Election of Directors). The election of director nominees is subject to the Company's Majority Voting Policy. To be elected as a director, a nominee in an uncontested election must receive the affirmative vote of a majority of the votes cast and a plurality of the votes cast in a contested election. Under the Company's Majority Voting Policy, a director nominee's eligibility for Board membership is contingent upon the nominee's submission of an irrevocable resignation letter to the Board in advance of the election. The resignation is conditioned upon the nominee's failure to receive, in an uncontested election, a greater number of votes cast in favor of such nominee's election than the number of votes withheld from such nominee's election ("**Majority Vote**"). Broker non-votes with respect to the election of one or more directors will not be counted as a vote cast and, therefore, will have no effect on the vote. Abstentions will similarly have no effect on the vote.

Proposal 2 (Advisory Vote on Named Executive Officer Compensation). The approval, on an advisory basis, of the compensation of our named executive officers ("**NEOs**") requires the affirmative vote of a majority of the voting power of the shares of Common Stock represented at the annual meeting in person or by proxy and eligible to vote. Abstentions will have the same effect as a negative vote, while broker non-votes will not be counted as a vote cast and will have no effect on the vote.

Proposal 3 (Ratification of Independent Registered Public Accounting Firm). The ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for fiscal 2012 requires a majority of the voting power of the shares of Common Stock represented in person or by proxy at the annual meeting and eligible to vote. Abstentions will have the same effect as a negative vote.

Other Matters

The Company is not aware of any business other than the matters described in this proxy statement and in the Notice of Annual Meeting that will be presented for consideration or action by the stockholders at the annual meeting.

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Submission of Stockholder Proposals for the 2013 Annual Meeting

Power-One anticipates that its 2013 annual stockholders' meeting will take place on April 30, 2013. Any stockholder that satisfies the requirements of the Securities and Exchange Commission ("**SEC**") for submission of a proposal and that wishes to submit a proposal, including a proposed director nominee, should do so in writing on or before November 15, 2012 if they wish the proposal to be considered timely for inclusion in the proxy statement and form of proxy for the 2013 annual meeting. The proposal must include the information required by the Company's Bylaws and must be submitted to the Corporate Secretary of Power-One, Inc. at:

Power-One, Inc.
Attn: Corporate Secretary
740 Calle Plano
Camarillo, California 93012

The Company's proxy holders reserve discretion to vote in the manner deemed appropriate by the Board of Directors with respect to timely filed proposals. Stockholder proposals to be presented at an annual meeting but not submitted for inclusion in the proxy statement for that meeting must be received by the Company's Corporate Secretary at the above address not less than 90, nor more than 120 days prior to the meeting. However, if less than 100 days' notice or public disclosure of the date of the meeting is given or made to stockholders, then notice by the stockholder of any proposal need only be received by the close of business on the 10th day following the day on which notice of the meeting was mailed or such public disclosure was made. Stockholder proposals must contain information required by Section 2.10 of the Company's Bylaws and comply with applicable legal requirements. Power-One's Bylaws are available via the "Corporate Governance" link found under the main "Investor Relations" link at www.power-one.com. The information on our website is not incorporated by reference into this proxy statement. Alternatively, any stockholder may obtain a copy of the Company's Bylaws by submitting a written request to the Corporate Secretary at the above address. Any proposals received prior to the annual meeting that are appropriate for consideration by the Board of Directors and business properly raised at the annual meeting of stockholders will be voted by the proxy holders in the manner deemed appropriate by the Board of Directors.

Stockholder Nomination of a Director

To nominate a candidate for membership on the Board of Directors, a holder of common stock must provide notice to Power-One's Corporate Secretary at the above address in accordance with the notice provisions for stockholder proposals set forth above. The notice shall contain (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Company which are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Schedule 14A under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"); and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder and beneficial holder, if any, and (ii) the class and number of shares of capital stock of the Company which are beneficially owned by the stockholder. The Company may require any proposed nominee to furnish such other information as may reasonably be required to determine the qualification of the proposed nominee to serve as a director of the Company. No person shall be eligible for election as a director unless nominated in accordance with the procedures set forth herein. The chairman of the meeting shall, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedure, and if he or she should so determine, shall so declare to the meeting and the defective nomination shall be disregarded. The director nominee will be required to submit to the Board in

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advance of the election an irrevocable resignation letter that shall be conditioned upon the nominee's failure to receive a majority vote in an uncontested election.

Delivery of Proxy Materials to Security Holders Sharing an Address.

If a stockholder requests a copy of the Company's Annual Report on Form 10-K and this proxy statement, only a single copy will be delivered to multiple stockholders sharing an address unless additional copies have been requested by the stockholder. Stockholders may notify the Company of their requests by calling or writing the Corporate Secretary at:

Power-One, Inc.
Attn: Corporate Secretary
740 Calle Plano
Camarillo, California 93012
Phone: (805) 987-8741, ext. 201701

**PROPOSAL ONE
ELECTION OF DIRECTORS**

Pursuant to our Certificate of Incorporation, the Board of Directors has the authority to set the size of the Board by resolution adopted by the affirmative vote of the entire Board of Directors, provided that the number of directors be not less than three nor more than nine. Our Board of Directors has set the size of the Board at eight members.

The nominees for Board membership all currently serve on our Board of Directors and they have each agreed to stand for re-election. Other than Richard Thompson, none of the nominees is a current employee of Power-One. If elected, each nominee will serve until the first to occur of: (i) the 2013 annual meeting of stockholders; (ii) qualification and election of such director's successor; or (iii) such director's death, retirement, resignation or removal.

Unless otherwise directed, the persons named in the proxy intend to vote all proxies "**FOR**" the election of each of the director nominees listed below. If any nominee is unable or declines to serve as a director at the time of the annual meeting, the discretionary authority provided in the enclosed proxy will be exercised to vote for a substitute candidate designated by the Board of Directors unless the Board of Directors passes a resolution to reduce the Board's size. The Board of Directors has no reason to believe any of the nominees will be unable or will decline to serve if elected.

Director Qualifications

The Board believes that its directors should satisfy a number of qualifications, including demonstrated integrity, a record of personal accomplishments, a commitment to participation in Board activities and other traits discussed below. While the Board has no formal policy with respect to diversity, it endeavors to have a diverse membership that represents a range of skills and depth of experience in areas that are relevant to and contribute to the Board's oversight of the Company's global activities. Following the biographical information for each director nominee, we describe the key experience, qualifications and skills that the director brings to the Board that are important in light of the Company's business and structure. The Board considered the experience, qualifications and skills of each director in reaching its decision to recommend each of the below nominees for re-election to the Board. Below are qualifications that the Board believes are essential for service on the Power-One Board of Directors:

the ability to devote sufficient time and attention to the responsibilities of serving on the Board of a publicly traded company;

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training and experience in a function or discipline relevant to the business and operations of the Company (e.g., technology, manufacturing, sales, finance, international operations, marketing), or in a market or business that represents a material portion of the Company's revenue (e.g., Renewable Energy or Power) or in other areas that would enhance the effectiveness of the Board of Directors;

awareness of and commitment to act in the best interests of the Company's stockholders; and

a demonstrated record of ethical conduct and sound business judgment established by service for a period of not less than five (5) years in an executive position with a corporation or as a practicing licensed professional, in each case involving substantial responsibility and leadership.

There are also specific skills and qualities that the Board believes one or more of its directors should have. It is not expected that any single candidate possess all of the listed skills but rather that the Board as a whole includes members who collectively possess the below listed skills and qualities:

Financial Acumen. Directors should have financial knowledge and at least one or more directors should have experience that qualifies such directors as a "financial expert" under the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC and NASDAQ.

Key Area Expertise. Directors should have a range of in-depth knowledge and experience as a senior executive within a key area of a for profit company (e.g., finance, operations, engineering, sales and marketing).

Industry Specific Experience. Given the Company's position as a leading high technology company and the world's second largest designer and manufacturer of inverters, our Board should include directors who have knowledge of and experience in technology, particularly in the renewable energy and power fields, and that have an understanding of Power-One's products, customers and markets.

International Operations, Sales or Marketing Experience. Power-One has a global presence with manufacturing operations on three continents and sales worldwide. Accordingly, it is important that our Board includes directors with international operations, sales and/or marketing experience, especially as we continue to expand globally and develop new channels of distribution.

Domestic and International Public Policy Experience. We believe that it is important for our directors to have domestic and international public policy experience in order to help us address significant public policy issues, adapt to different business and regulatory environments and facilitate our work with governments all over the world.

Public Company Board Experience. Directors who have served on other public company boards can offer advice and perspective with respect to board dynamics and operations, relations between the board and management and other matters, including corporate governance, executive compensation and oversight of strategic, operational and compliance matters. We believe that the director candidates nominated below collectively possess the described qualifications and that each of them contribute to a strong and cohesive Board of Directors.

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Independent Director Nominees¹

Jon Gacek

Age 51

First Elected to Board 2008

**Occupation: President and Chief
Operating Officer, Quantum
Corporation**

Mr. Gacek was appointed to the Board of Directors and as Chairman of the Audit Committee on November 17, 2008. Mr. Gacek currently serves as the President and Chief Operating Officer of Quantum Corporation, a global storage company specializing in backup, recovery and archive solutions. Prior to joining Quantum, Mr. Gacek served as the Chief Financial Officer of Advanced Digital Information Corporation ("ADIC"), a provider of Intelligent Storage solutions for the open systems marketplace, which was acquired by Quantum in 2006, from 1999 to 2006, and he also led ADIC's operations from 2004 to 2006. Before joining ADIC, Mr. Gacek was an audit partner at PricewaterhouseCoopers LLC. He received a B.A. from Western Washington University and is a Certified Public Accountant. The Board has determined that Mr. Gacek qualifies as an audit committee financial expert, as defined under SEC rules and regulations, and that he meets the NASDAQ listing requirement under Rule 5605(c)(3) of having the requisite financial sophistication based upon his employment experience. Mr. Gacek also serves on the board of directors of Market Leader, Inc. (NASDAQ: LEDR), which he joined in 2006, and he currently serves on its Audit Committee. He served as a director of Loud Technologies, Inc. from 2003 until September 2009.

During 2011, Mr. Gacek served as Chairman of the Audit Committee and as a member of the Compensation Committee.

Qualifications: Mr. Gacek's financial expertise and global operations background bring unique experience to the Board, as well as insight related to financial and operational strategies. His experience in serving as the Chief Financial Officer of a publicly listed technology company, as well as his experience with an independent public accounting firm, qualify him to serve as Chairman of the Audit Committee and as the committee's financial expert under the SEC rules and listing standards of NASDAQ, and enable him to provide important guidance to both management and the Board with respect to disclosure and reporting requirements. Mr. Gacek also has valuable knowledge of corporate governance and compensation and related public company experience from his service on the Boards of other companies.

¹

Independence as determined by the Board under the NASDAQ Listing Rules.

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Mr. Hooshmand was appointed to the Board of Directors on October 21, 2009. From March 2005 until May 2009, Mr. Hooshmand was the President and Chief Executive Officer of Applied Micro, Inc., a communications processor company that he transformed into a leading provider of communication processors and high speed connectivity solutions. Prior to joining Applied Micro, Mr. Hooshmand held several executive positions with Cisco Systems from 1996 until 2005. Mr. Hooshmand joined Cisco Systems as a result of the \$4.5 billion acquisition of Stratacom, where Mr. Hooshmand was instrumental in developing a broad array of telecommunications products. Mr. Hooshmand received his B.S.E.E./C.S. from California State University, Chico and his M.S. in Engineering Management from Stanford University. Mr. Hooshmand has served as a director of Infinera (NASDAQ: INFN) since December 2009 and currently serves as its Chairman and as a member of its Nominating and Governance Committee.

During 2011, Mr. Hooshmand served as Chairman of the Compensation Committee and as a member of the Audit Committee.

Kambiz Hooshmand

Age 51

First Elected to Board 2009

Occupation: Former President and Chief Executive Officer of Applied Micro, Inc.

Qualifications: Mr. Hooshmand has extensive experience in the technology and communications industries as well as an extensive engineering background, enabling him to provide the Board with unique insight regarding the Company's strategy and operations. Through his senior leadership positions, including his experience as President and Chief Executive Officer of Applied Micro, Mr. Hooshmand provides direction and advice to the Board and to senior management regarding the challenges inherent in managing a complex organization and leading a technology based business.

Dr. Melliar-Smith has served our Board of Directors since 2001. Since 2005, he has served as the Chief Executive Officer of Molecular Imprints, Inc., a high resolution nanoimprint lithography manufacturing solutions business based in Austin, Texas. From March 2003 to September 2005 he was Chief Operating Officer of Molecular Imprints, Inc. From January 2002 to October 2003, Dr. Melliar-Smith was a Venture Partner with Austin Ventures, a venture capital firm focusing on telecommunications, semiconductor and software businesses. From January 1997 to December 2001, Dr. Melliar-Smith was the President and Chief Executive Officer of International SEMATECH, a research and development consortium for the integrated circuit industry. He received his B.S. and Ph.D. in chemistry from Southampton University in England and his M.B.A. from Rockhurst College. Dr. Melliar-Smith also has served since 2001 as a director of Technitrol, Inc., which changed its name to Pulse Electronics Corp. (NYSE:PULS) in November 2010.

During 2011, Dr. Melliar-Smith served as Chairman of the Nominating and Corporate Governance Committee and as a member of the Audit Committee

Mark Melliar-Smith

Age 66

First Elected to Board 2001

Occupation: Chief Executive Officer, Molecular Imprints, Inc.

Qualifications: Dr. Melliar-Smith has more than 35 years of experience in high technology companies involved in research and development, manufacturing and business unit management. His leadership roles in these companies brings to the Board a strong background in managing issues unique to technology businesses. Dr. Melliar-Smith is also experienced with venture capital and has been involved with several start-up companies, which brings valuable insight to the Board with respect to financing activities.

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Dr. Swanson was appointed to the Board of Directors on October 29, 2010. He is the founder of SunPower Corporation, a provider of solar cells, panels, inverters and imaging detectors, and served as its President and Chief Technology Officer from 1992 until May 2010, when he became President Emeritus. Dr. Swanson received his Ph.D. in Electrical Engineering from Stanford University in 1974. In 1976, he joined the faculty at Stanford University where he and his group conceived and developed the point-contact solar cell. In 1991, Dr. Swanson resigned from his faculty position to devote himself full-time to SunPower Corporation.

In 2011, Dr. Swanson served on the Nominating and Corporate Governance Committee.

Qualifications: Dr. Swanson's significant experience in the field of solar technology provides unique insight to the Board regarding the Company's renewable energy business, and renewable energy markets, products and regulations, as well as issues unique to the renewable energy sector. His background in electrical engineering provides skills and knowledge directly related to the Company's power business as well. Dr. Swanson's leadership role at SunPower Corporation, and his success in founding and growing the business, provide unique insight and direction to the Company's senior management team.

Richard M. Swanson
Age 66
First Elected to Board 2010
Occupation: Founder and President
Emeritus of SunPower Corporation

Mr. Walters has served on the Board of Directors since 2000 and as Chairman of the Board of Directors since June 2007. Since 2007, Mr. Walters has been an owner and executive of Magnolia Enterprises, a company that restores and manages properties along the Gulf Coast. From March 2000 to June 2007, Mr. Walters was President of New Horizon Services, LLC, a technology consulting company. Prior to joining New Horizon Services, Mr. Walters held several executive positions with Lucent Technologies, Inc. until his retirement in 1999. Mr. Walters received his B.S. in nuclear engineering from the University of Wisconsin and his M.B.A. from Louisiana State University.

Qualifications: Mr. Walters' significant experience in leadership positions with technology companies provides insight to the Board on global and other issues unique to technology businesses.

Jay Walters
Age 64
First Elected to Board 2000
Chairman of the Board
Occupation: Owner and Executive of
Magnolia Enterprises

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Non-Independent Director Nominees

Mr. Thompson has served on the Board of Directors of Power-One, Inc. since 2007. He was appointed to serve as the Company's Chief Executive Officer in February 2008 and assumed responsibility as its President as well in September 2008. From May 2005 until March 2007, Mr. Thompson served as Senior Vice President, Finance and Chief Financial Officer of American Power Conversion Corporation (acquired by Schneider Electric in February 2007) and before that he served as Chief Financial Officer, Secretary and Treasurer of Artesyn Technologies for fifteen years. Mr. Thompson earned his B.B.A. from Lamar University in Beaumont, Texas.

Qualifications: Mr. Thompson's role as Power-One's President and Chief Executive Officer provides the Board with a channel for obtaining detailed and specific information about the Company and its operations. Mr. Thompson has demonstrated vision and leadership that returned the Company to profitability in the fourth quarter of fiscal 2009. His significant related business and financial expertise add further value to the Board.

Richard J. Thompson

Age 62

First Elected to Board 2007

**Occupation: Chief Executive Officer
and President of Power-One, Inc.**

Mr. Ryland joined the Power-One Board of Directors in May 2009 upon the closing of the transactions contemplated by the Securities Purchase Agreement dated April 23, 2009 between the Company and Silver Lake Sumeru Fund, L.P. and Silver Lake Technology Investors Sumeru, L.P., discussed in detail in the Company's Form 10-K filed on March 17, 2010. Mr. Ryland is a Managing Director of Silver Lake Sumeru, an investment company focused on middle market strategy. He joined Silver Lake Sumeru from Shah Capital Partners, an investment company focused on technology companies. Mr. Ryland has in-depth experience with investments, financings and mergers and acquisitions in the technology sector. Before joining Shah Capital, Mr. Ryland was a managing director at Lehman Brothers, where he was the head of Global Technology Investment Banking. Prior to joining Lehman Brothers, he worked in both investment banking and venture capital at Robertson Stephens. He holds a B.A. in Political Science and Public Policy Studies from Duke University and an M.B.A. from the Wharton School of Business.

Kyle Ryland

Age 46

First Elected to Board 2009

**Occupation: Managing Director of
Silver Lake Sumeru**

Qualifications: Mr. Ryland's significant experience with investing in technology businesses provides unique insight to the Board on the global trends and performance of similarly situated companies.

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Mr. Shah joined the Power-One Board of Directors in May 2009 upon the closing of the transactions contemplated by the Securities Purchase Agreement dated April 23, 2009 between the Company and Silver Lake Sumeru Fund, L.P. and Silver Lake Technology Investors Sumeru, L.P., discussed in detail in the Company's Form 10-K filed on March 17, 2010. Mr. Shah joined Silver Lake in 2007 as a Managing Director and founded the firm's middle market strategy, Silver Lake Sumeru. Prior to joining Silver Lake Sumeru, Mr. Shah founded Shah Capital Partners in 2004, and prior to that he founded and managed the Technology Solutions Business of Solelectron. Mr. Shah was the CEO of Smart Modular Technologies, a company he co-founded in 1989 and led through its public offering in 1995. Mr. Shah served on the board of Flextronics International Ltd. (NASDAQ: FLEX) from 2005 to 2009. He has a B.S. in Engineering from the University of Baroda and an M.S. in Engineering Management from Stanford University.

Qualifications: Mr. Shah's experience with founding and successfully leading technology businesses, and with investing in technology businesses provides a unique perspective to the Board regarding technology companies.

Ajay Shah

Age 52

First Elected to Board 2009

**Occupation: Managing Director of
Silver Lake Sumeru**

Under the Company's Majority Voting Policy, a director nominee's eligibility for election or re-election to the Board is contingent upon the nominee's delivery of an irrevocable resignation letter to the Board prior to the election. The resignation letter is conditioned upon the nominee's failure to receive, in an uncontested election, a greater number of votes cast in favor of such nominee's election than the number of votes withheld from such nominee's election. If the resignation is triggered by a nominee's failure to receive a majority vote, the Nominating and Corporate Governance Committee will promptly consider the resignation, evaluating all relevant factors concerning the director, including but not limited to: (i) the stated reasons, if any, why votes were withheld and whether the underlying issue has been or can be cured, (ii) the nominee's length of service, (iii) the nominee's qualifications and contributions, (iv) the potential impact on the Company's compliance with exchange listing standards for Board composition, including independence and financial expertise requirements, (v) whether accepting the resignation would trigger a payment under an employment agreement or a "change of control" under a credit or other agreement, and (vi) the best interests of the Company and its stockholders. The committee will make a recommendation to the Board regarding whether the resignation should be accepted and the Board will then act on the committee's recommendation at its first regularly scheduled meeting following certification of the stockholder vote, but in any case no later than 90 days following the certification of the stockholder vote. In considering the committee's recommendation, the Board will review the above-mentioned factors and any additional information the Board deems relevant to its decision to accept or reject the resignation. The Company will publicly disclose its decision with respect to any resignation in a periodic or current report filed with the SEC.

RECOMMENDATION

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE ELECTION OF ALL OF THE DIRECTORS NOMINEES NAMED HEREIN.

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CORPORATE GOVERNANCE

Power-One's Board of Directors and its executive officers are committed to operating the Company in accordance with established governance principles and sound business practices. This framework provides the fundamental foundation from which the Company's management team pursues long-term strategic objectives aligned with the interests of the Company's stockholders.

Board Composition and Independence

In accordance with the governance guidelines established by NASDAQ, a majority of our Board members are independent directors under the NASDAQ Listing Rules. Each year, the Nominating and Corporate Governance Committee reviews the qualifications and independence of each Board member and any proposed nominees for Board membership prior to making recommendations to the Board regarding the slate of proposed director nominees for the following year. In doing so, the Nominating and Corporate Governance Committee takes into account all relevant facts, circumstances and affiliations, direct or indirect, relationships, and related person transactions that might impact a member's independence from the Company and its management. The Nominating and Corporate Governance Committee has determined that the following directors, representing 62.5% of the Board, are independent under the NASDAQ Listing Rules: Jon Gacek, Kambiz Hooshmand, Mark Melliar-Smith, Richard Swanson and Jay Walters. Richard Thompson is not independent due to his current service as an executive of the Company, and Kyle Ryland and Ajay Shah are not independent due to their affiliation with Silver Lake Sumeru which (together with some of its affiliates) beneficially owns 32.4% of our Common Stock.

The Company believes that the composition of its Board represents a diverse range of industry, financial, operational and professional experience. In addition, in an effort to strengthen the effectiveness of the Board and ensure that its members keep abreast of governance and oversight trends and other issues of interest to directors of publicly traded companies, the Company encourages its directors to participate in continuing education programs. The Company purchases memberships in the National Association of Corporate Directors and encourages the directors to attend continuing education programs. The Company reimburses the reasonable expenses of continuing Board education courses for its Board members.

The Company's Governance Guidelines state that directors may not stand for re-election at the annual meeting of stockholders that follows (i) the director's 75th birthday or (ii) the director's seventh anniversary of retirement from active full-time employment unless, after consideration of the director's continuing contribution to the Board and other relevant factors, the Nominating and Corporate Governance Committee recommends that the director stand for re-election and at least two-thirds of the Board, with the director at issue abstaining, vote in favor of the director's nomination for re-election. The Company also requires its directors to offer their resignation whenever their principal employment changes. The Nominating and Corporate Governance Committee then evaluates the director's changed circumstance and its potential impact on the Board member's ability to continue to effectively contribute to the Board's performance of its functions. The Nominating and Corporate Governance Committee makes a recommendation to the Board on whether the member should continue to serve, but the final decision is made by the Board after taking into account the committee's recommendation. All of our Board member nominees have submitted letters of resignation conditioned upon their failure to receive a majority vote in favor of their election at the annual meeting.

Board Responsibilities

Members of the Company's Board are expected to devote sufficient time and attention to their duties and responsibilities and to ensure that their other responsibilities, including service on other boards, do not interfere with their responsibilities to Power-One. Directors are expected to prepare for

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and attend all Board meetings and meetings of committees to which they are assigned absent extenuating circumstances. Regular Board meetings are scheduled quarterly. Special meetings are called whenever necessary or appropriate. Last year, the Board held four quarterly meetings and one special meeting. Each director attended at least 75% of the Board meetings and meetings of Committees on which he served in fiscal 2011. It is also the Company's policy that Board members attend the annual meeting of stockholders if possible. All of our directors attended the 2011 annual meeting of stockholders in person or participated telephonically.

Executive sessions with independent directors typically occur during the regular quarterly meetings of the Board and at any other time that the Board, in its discretion, believes necessary or appropriate. Executive sessions are chaired by Jay Walters, the Chairman of the Board or by his designee. Mr. Walters qualifies as an independent director under the NASDAQ Listing Rules and the Sarbanes-Oxley Act of 2002.

The Board, and each committee, is authorized to engage independent outside financial, legal and other consultants as they deem necessary or appropriate. Directors also have full access to members of the Company's management team.

Board Structure

Currently the roles of Chief Executive Officer (the "CEO") and Chairman of the Board are separate, with Mr. Thompson serving as the CEO and Mr. Walters serving as Chairman. The Board has determined that having an independent director serve as Chairman is in the best interests of the Company at this time. It allows the CEO to focus on the strategic direction of the Company and managing the Company's day-to-day business while the Chairman focuses on Board matters and provides independent oversight and advice to management. Because our CEO does not also serve as the Chairman of the Board, we do not currently have a separate Lead Director; however, our independent directors regularly meet in executive sessions under the leadership of Mr. Walters.

Evaluation of Nominees

The Nominating and Corporate Governance Committee identifies potential candidates for Board membership through professional search firms and occasionally through personal referrals. All candidates (including those proposed by our stockholders) are evaluated by the Nominating and Corporate Governance Committee through resumes, personal interviews, reference and background checks, recommendations and other information deemed appropriate by the committee. Candidacy for Board membership requires a determination that the candidate meets the qualifications for Board membership. The full Board's final approval is required for nomination to serve as a director. Each year, the Board proposes a slate of nominees to the stockholders, who elect the directors at the annual meeting of stockholders. Stockholders may also propose nominees for consideration by the Nominating and Corporate Governance Committee by submitting the name and supporting information regarding the proposed candidate to the Corporate Secretary in accordance with the procedure set forth in the Company's Bylaws and in this proxy statement. (See Section 3.13 of the Company's Bylaws, which are posted in the "Investor Relations" link in the "Corporate Governance" section of the Company's website at www.power-one.com, and the section entitled "Information About the Annual Meeting and Voting Stockholder Nomination of a Director" on page 6 of this proxy statement for a description of the information and timing requirements for submission of a Board nominee to the Company's Corporate Secretary. The information on our website is not incorporated by reference into this proxy statement.

Candidates selected for nomination to serve as a director are expected to demonstrate the highest standards of personal and professional ethics, integrity and values, as well as a commitment to represent the long-term interests of the Company's stockholders. All director nominees, including those

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submitted by our stockholders, are required to comply with the Majority Voting Policy adopted by the Board of Directors.

Risk Management and Oversight

Our full Board of Directors oversees a Company-wide risk management process, carried out by the Company's senior executives. The full Board determines the appropriate level of risk for the Company and assesses specific risks faced by the Company, as identified by the senior executives. The Board also reviews the efforts of management to manage and mitigate identified risks.

While the full Board maintains the ultimate oversight responsibility for the risk management process, its committees oversee risks in specified areas. In particular, our Compensation Committee is responsible for overseeing the management of risks related to the Company's executive compensation plans and arrangements and the incentives created by the compensation awards it administers. In 2010 the Compensation Committee analyzed the risk profile of the Company's executive compensation programs. As part of this evaluation, the Compensation Committee reviewed the compensation structure of the Company and noted ways in which risks could be mitigated, including the inclusion of both fixed and variable compensation in the compensation program, the use of multiple performance metrics under the Company's incentive plans and the use of performance metrics associated with profitability (such as revenue and operating income), which encourages plan participants to focus on long-term profitability, as well as the use of stock ownership guidelines for executive officers and directors. Coupled with internal controls that the Compensation Committee views as strict and effective, the committee determined that its compensation policies and practices are not likely to create excessive risks that might adversely affect the Company. In 2011 the compensation programs remained sufficiently unchanged that the Compensation Committee determined that an updated analysis was not necessary. Our Audit Committee oversees management of enterprise risks as well as financial risks and potential conflicts of interests. This is carried out through ongoing internal audit processes and by regular meetings with employees responsible for our internal audit process. Our Nominating and Corporate Governance Committee is responsible for overseeing the management of risks associated with the independence of the Board of Directors and the governance of the Company. Pursuant to the Board's instruction, management regularly reports on applicable risks to the relevant committee or the full Board, as appropriate, with additional review and reports conducted as needed or as requested by the Board and its committees.

Stockholder Communications with the Board of Directors

Stockholders may communicate directly with the Company's Board of Directors or with individual directors by writing to:

Board of Directors
Power-One, Inc.
740 Calle Plano
Camarillo, CA 93012

A record of all stockholder communications is recorded by the Corporate Secretary, who then reviews the communication. Communications appropriate for Board consideration are promptly forwarded to the Chairman of the Board or the appropriate committee or individual director or directors, as applicable. Communications that relate to general surveys, solicitations of business, advertisements, unsolicited resumes, product inquiries or complaints, sales or other communications that are unrelated to the role and responsibilities of the Board are not considered appropriate for action by the Board and are not forwarded. Communications regarding the recommendation of a director nominee are sent to the Chairman of the Nominating and Corporate Governance Committee if the communication complies with our Bylaw requirements for the submission of a candidate for Board

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membership. Communications regarding accounting or internal controls are sent to the Audit Committee Chairman's attention. The director to whom the communication is forwarded will present the communication to the full Board for discussion at the next regularly scheduled meeting of the Board (or sooner if deemed appropriate by the director) and will make recommendations if appropriate.

STANDING COMMITTEES OF THE BOARD

The Board of Directors has established three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The charters of each committee can be found in the "Corporate Governance" link in the "Investor Relations" section of the Company's website at www.power-one.com and are available to any stockholder that requests a copy of the charter from the Corporate Secretary. The information on our website is not incorporated by reference into this proxy statement.

Audit Committee

Power-One's management is responsible for the Company's financial reporting process, including its system of internal controls, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles ("GAAP"). The Company's independent registered public accounting firm is responsible for auditing the financial statements prepared by management and confirming that they are in compliance with GAAP and with Section 404 of the Sarbanes Oxley Act of 2002 and applicable rules and regulations of the Exchange Act. The Audit Committee of the Board of Directors is responsible for monitoring the integrity of these processes and the independence and performance of the independent registered public accounting firm. The Committee also appoints the independent registered public accounting firm.

None of the Audit Committee members is currently engaged in the practice of public accounting or auditing and each relies upon the information provided to him, and upon the representations made by management and the independent registered public accounting firm, in performing his responsibilities. The Audit Committee is authorized to retain independent experts to advise and consult directly with it if members of the Audit Committee believe an independent opinion or review of any information provided to them or representations made to them by management or the independent registered public accounting firm is necessary or appropriate.

Composition:	The Audit Committee is a separately designated committee established in accordance with Section 3(a)(58)(A) of the Exchange Act.
Charter:	The Audit Committee operates under a written charter adopted by the Audit Committee and approved and ratified by the Board of Directors.
2011 Members:	The Audit Committee consisted of four independent directors during fiscal 2011: Jon Gacek, Chairman Kendall R. Bishop ² Mark Melliar-Smith Kambiz Hooshmand

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Mr. Bishop will retire from the Board on April 30, 2012, at the end of his term.

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Independence: Every member of the Audit Committee qualifies as independent under guidelines established by the NASDAQ Listing Rules for Audit Committee membership, the Exchange Act and the rules and regulations of the SEC.

Financial Expertise: The Board has determined that all of the Audit Committee members are financially literate under the NASDAQ Listing Rules and that Mr. Gacek qualifies as an Audit Committee financial expert within the meaning of the SEC regulations and that he has accounting or related financial management expertise as required by the NASDAQ Listing Rules under Rule 5605(c)(3). The determination of Mr. Gacek's qualifications is based upon his relevant education, his current and past employment experience in finance and accounting, and his current position as President and Chief Operating Officer of Quantum Corporation.

Meetings: Four regularly scheduled meetings
One telephonic meeting

Primary Responsibilities: The following are the primary responsibilities of the Audit Committee. A more complete description of the committee's functions is set forth in its charter.

engagement of the independent registered public accounting firm;

review and oversight of management's financial reporting process and the services performed by the independent registered public accounting firm;

review and oversight of the independence of the independent registered public accounting firm;

review and evaluation of the Company's accounting principles and system of internal accounting controls; and

review and evaluation of the Company's risk assessment, management and mitigation strategies.

Compensation Committee

Composition: The Compensation Committee is a separately designated committee of independent directors.

Charter: The Compensation Committee operates under a written charter adopted by the committee and approved and ratified by the Board of Directors.

2011 Members: The Compensation Committee consisted of three independent directors during fiscal 2011:

Kambiz Hooshmand, Chairman
Kendall R. Bishop
Jon Gacek

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Independence:	Every member of the Compensation Committee qualifies as independent under guidelines established by the NASDAQ Listing Rules and under the rules and regulations of the SEC. All members of the Compensation Committee are also "non-employee directors" as that term is defined under Rule 16b-3 promulgated by the SEC under the Exchange Act and "outside directors" as that term is defined under Section 162(m) of the Internal Revenue Code of 1986, as amended (the " Code ").
Meetings:	Four regularly scheduled meetings Three telephonic meetings
Primary Responsibilities:	<p>The following are the primary responsibilities of the Compensation Committee. A more complete description of the Committee's functions is set forth in the Committee charter.</p> <p>evaluate the performance of the CEO and set the compensation of the CEO based upon such evaluation and the evaluation of the Board;</p> <p>approve the compensation of the Company's NEOs based upon the evaluation of their performance by the CEO and upon his recommendations;</p> <p>administer the Company's stock incentive plans;</p> <p>approve the Company's non-equity incentive plans and establish criteria for bonus awards;</p> <p>set the compensation for the members of the Board of Directors, taking into consideration the level of director compensation at comparable companies; and</p> <p>make recommendations to the Board of Directors regarding the overall compensation program and adoption of other compensation plans as may from time-to-time be deemed appropriate.</p>
Delegation of Authority:	The Compensation Committee is not authorized to delegate its authority with respect to the compensation of Directors and NEOs. The NEOs do not have any role in formally setting or establishing the form or amount of compensation they are paid, except to the extent that the CEO makes recommendations to and consults with the Compensation Committee regarding the compensation of the NEOs who are his direct reports.

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Pursuant to its charter, the Compensation Committee is authorized to retain independent consultants and other outside experts or advisors as necessary or appropriate to carry out its duties. During the fourth quarter of fiscal 2010, the Compensation Committee engaged Compensia, Inc., a national compensation consulting firm, to provide advice to the Committee on various compensation issues throughout 2011, including recommendations with respect to 2011 compensation of the NEOs. Details with respect to Compensia's engagement during 2011 are set forth below in the section entitled "Director Compensation 2011" on page 23 of this proxy statement and in the section entitled "Executive Officers" on page 40 of this proxy statement.

Nominating and Corporate Governance Committee

Structure:	Separately designated committee of independent directors.
Charter:	The Nominating and Corporate Governance Committee operates under a written charter adopted by the Committee and approved and ratified by the Board of Directors, which is reviewed annually.
2011 Members:	<p>The Committee consisted of three independent directors during fiscal 2011:</p> <p>Mark Melliar-Smith, Chairman Kendall R. Bishop Richard M. Swanson</p>
Independence:	Every member the Nominating and Corporate Governance Committee qualifies as independent under guidelines established by the NASDAQ Listing Rules.
Meetings:	<p>Four regularly scheduled meetings One telephonic meeting</p>
Primary Responsibilities:	<p>The following are the primary responsibilities of the Nominating and Corporate Governance Committee. A more complete description of the Committee's functions is set forth in the charter.</p> <p>establish qualifications for Board membership;</p> <p>evaluate stockholder nominees for Board membership who are properly presented to the Company. See above under the section entitled "Stockholder Nomination of a Director" on page 6 of this proxy statement for information on the process for stockholders to present director candidates;</p> <p>recommend director nominees to the Board both for the annual meeting of stockholders and to fill vacancies that occur between the annual meetings;</p>

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assist the Board in devising a methodology for annually evaluating the Board's performance and effectiveness and review and report on the annual evaluations;

evaluate the independence of Board members and nominees, as defined in the NASDAQ Listing Rules and under the rules and regulations of the SEC;

make recommendations regarding the size of the Board, committee structure and committee assignments and frequency of regular Board meetings; and

discuss and make recommendations to the full Board regarding the Company's Corporate Governance Guidelines.

Compensation of Directors

Power-One compensates its independent directors for their service on the Board. The compensation program includes both cash and equity components. In May 2011 the independent director compensation program was adjusted based upon the recommendation of the Compensation Committee following a review of our compensation program by the independent consulting company, Compensia, Inc. In 2011 Compensia provided advice to the Compensation Committee on various executive and director compensation issues and reviewed our independent director compensation in light of market practices and recent trends and developments. Compensia presented a summary of its findings and preliminary observations to the Compensation Committee, along with a detailed analysis of the director compensation programs of our peer group of companies (the "**Peer Group**")³. Compensia recommended that the Company adopt a retainer-based fee structure competitive with the market median for our peer group and further recommended that individual meeting fees be discontinued, except as needed to compensate for extraordinary meetings requiring unusual time commitments.

The following table describes the compensation structure adopted by the Board of Directors on May 3, 2011

	Chair Retainer(1)	Member Retainer	Meetings Covered by Retainer(2)	Per Meeting Fee Thereafter (at Chair's Discretion)
Board	\$ 30,000	\$ 50,000	8	\$ 1,500
Audit Committee	\$ 22,500	\$ 10,000	12	\$ 1,000
Compensation Committee	\$ 15,000	\$ 7,500	8	\$ 1,000
Nominating & Corporate Governance Committee	\$ 10,000	\$ 4,500	6	\$ 1,000

(1) The retainer paid to the Chairman of the Board and to Committee Chairs is in addition to the retainer paid to them as Board or committee members.

(2) The retainer provides fair compensation for a specified number of meetings, after which a per meeting fee may be paid at the discretion of the committee or Board Chairman. Directors may also receive additional compensation for service on special committees created by the Board from time-to-time. Non-employee directors are reimbursed for reasonable out-of-pocket expenses incurred in connection with Board membership. None of the independent directors receive compensation from the Company other than for their service to the Board.

³

The Peer companies included Arris Group, Atmel, Brocade Communications, Cree, Cypress Semiconductor, F5 Networks, First Solar, FLIR Systems, GrafTech, GT Solar, Hexcel, Lam Research, Linear Technology, Maxim Integrated Products, MEMC Electronic Materials, National Semiconductor, Skyworks Solutions, SunPower, Tellabs and Woodward Governor.

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We believe a significant portion of our independent directors' compensation should be in the form of equity to align their interests with those of our stockholders. Following its review of our independent director compensation program, Compensia recommended that the Board shift to the target grant value approach for equity awards that is used by a majority of the Peer Group reviewed by Compensia. Under the target grant value approach, each year the independent directors receive a grant of restricted stock units ("RSUs"). The number of shares they receive is determined by dividing the target grant value by the 10-day average stock price immediately prior to the grant date. In May 2011, the Board approved the following target grant value amounts for the annual equity awards to the independent directors.

Annual Grant for Continuing Directors	\$ 115,000
Initial Grant for New Directors	\$ 175,000
Non-Executive Board	
Chairman of the Board	\$ 20,000 ⁴

Grants made to the independent directors upon their initial appointment to the Board vest in equal installments over a period of three years on the first to occur in each year of (i) the anniversary of the grant or (ii) one day before the annual meeting of stockholders. Independent directors are eligible to receive an annual equity award if they served on the Board for at least 180 days prior to the date of the annual meeting of stockholders. Annual grants of equity awards to our continuing directors vest in full on the earlier to occur of (i) the first anniversary of the grant or (ii) one day before the annual meeting of stockholders. Awards available under the target grant value approach are capped at 37,500 shares for annual grants to Board members other than the Chairman of the Board, at 50,000 shares for annual grants to the Chairman of the Board and at 62,500 shares for initial grants to new Board members.

Upon election to the Board of Directors at the annual meeting of stockholders held on May 3, 2011, each independent director received an annual equity grant valued at \$115,000, based upon the 10-day average stock price immediately prior to the grant date. The 10-day average share price was \$7.84, which translated into awards of 14,668 shares for the independent directors. The Chairman received an additional equity grant valued at \$20,000, which translated into an award of an additional 2,551 shares.

Stock Ownership Guidelines

In February 2010, the Board of Directors amended the stock ownership guidelines adopted for directors in July 2008 to increase the value of common stock required to be held by the independent directors from \$100,000 to three times the value of the stock component of a director's annual compensation. Under the current compensation plan, independent directors are required to own stock valued at \$345,000. The Chairman is required to own additional stock valued at \$60,000, for a total of \$405,000 worth of stock. Directors have five years after the later of (i) February 2010, or (ii) the date upon which a director is appointed to the Board, to satisfy these stock ownership requirements. As of January 2012, each of the independent directors has either satisfied the stock ownership requirement or is on track to meet his stock ownership target within the required timeframe.

Other Compensation, Plans or Benefits

The Company does not provide the directors with any other compensation, benefits, compensation deferral arrangements, perquisites, severance, or other consideration for service to the Company as a director. Directors are entitled to participate at their own expense in the medical benefit programs

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The target grant value of equity awards for the Chairman of the Board is in addition to the target grant value of equity awards the Chairman receives as a continuing director.

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offered to the Company's employees. The following table presents information regarding the total compensation paid to each independent director in fiscal 2011. Messrs. Thompson, Ryland and Shah are not independent and they did not receive any compensation for their service to the Board in fiscal 2011.

DIRECTOR COMPENSATION 2011

Name(a)	Fees Earned Or Paid in Cash (\$) (b)	Stock Awards (\$)(1) (c)	Total (\$) (d)
Kendall R. Bishop	\$ 72,000	\$ 118,517	\$ 190,517
Jon Gacek	80,000	118,517	198,517
Kambiz Hooshmand	75,000	118,517	195,517
Mark Melliar-Smith	70,000	118,517	188,517
Richard M. Swanson	54,500	118,517	173,017
Jay Walters	80,000	139,130	219,130

(1)

At the time of the awards, the directors received stock valued at the annual grant amount based on the average stock price for the 10 days preceding the award (\$115,000 for all independent directors and an additional \$20,000 for the Chairman). The amounts reported in the stock awards column of the above table reflect the aggregate grant date fair value of the stock awards granted during fiscal 2011 computed, in accordance with FASB ASC Topic 718 for financial statement reporting purposes (disregarding any estimate of forfeitures related to service-based vesting conditions), rather than the 10-day average, and are therefore slightly higher.

Mr. Walters received 17,219 RSUs, Messrs. Bishop, Gacek, Hooshmand and Drs. Melliar-Smith and Swanson each received 14,668 RSUs. For a discussion of the assumptions and methodologies used to calculate the amounts reported in the table above, please see the discussion of stock awards and option awards contained in Note 14 to the Company's Consolidated Financial Statements, included as part of the Company's 2012 Annual Report on Form 10-K and incorporated herein by reference.

The following table presents the number of outstanding and unexercised option awards (both vested and unvested) and the number of unvested stock awards held by each of our independent directors as of January 1, 2012. Mr. Thompson's equity is reported in the Grants of Plan Based Awards Fiscal 2011 table on page 42 of this proxy statement, and in the Outstanding Equity Awards table on page 44 of this proxy statement. Messrs. Ryland and Shah are Managing Directors of the General Partners of Silver Lake Sumeru Fund, L.P. and Silver Lake Technology Investors Sumeru, L.P., whose holdings are reflected in the beneficial ownership table on page 55 of this proxy statement.

Director	(1996 Stock Incentive Plan) Number of Shares Subject to Outstanding Options as of 01/02/12	(2004 Stock Incentive Plan) Number of Shares Subject to Outstanding Options as of 01/02/12	(2004 Stock Incentive Plan) Number of Unvested Shares of Restricted Stock as of 01/02/12
Kendall R. Bishop	10,000	30,000	14,668
Jon Gacek		10,000	14,668
Kambiz Hooshmand		30,000	14,668
Mark Melliar-Smith	12,500	20,000	14,668
Richard M. Swanson			22,533
Jay Walters	22,500	35,000	17,219

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PROPOSAL TWO
ADVISORY RESOLUTION ON NAMED EXECUTIVE OFFICER COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "**Dodd-Frank Act**") entitles the Company's stockholders to an advisory (non-binding) vote regarding the compensation of the Company's NEOs (commonly referred to as a "say on pay" vote). As discussed in the "Compensation Discussion and Analysis" beginning on page 25 of this proxy statement, the Compensation Committee of the Board of Directors believes that our current compensation program for our NEOs directly links executive compensation to the Company's performance and aligns the interests of our executives with those of our stockholders. We urge our stockholders to read the "Compensation Discussion and Analysis" which describes in more detail how our executive compensation program is designed to achieve the key objectives outlined below, and the Summary Compensation Table and other related compensation tables and narratives, appearing on pages 41 through 43 of this proxy statement, which provide detailed information on the compensation of our NEOs. The Compensation Committee and the Board of Directors believes that the policies and practices discussed in the "Compensation Discussion and Analysis" are effective in achieving our goals and that the compensation of our NEOs reported in this proxy statement is commensurate with each of their contribution to the Company's recent and long-term success.

The Company's executive compensation program is structured to achieve the following key objectives, which we believe serve the best long-term interests of the Company and its stockholders:

Objective	How Our Executive Compensation Program Achieves This Objective
Pay For Performance	Aligns executive compensation with short-term and long-term Company, business unit and individual performance
Stay True to Our Values	Sets a significant portion of each NEOs target total direct compensation in the form of variable compensation
Attract and Retain Top Talent	Provides limited executive perquisites Requires our executives to own a specified amount of Company stock Targets base compensation competitive with the market median based on our Peer Companies. The Committee reserves discretion to set base salaries above median to reward extraordinary leadership and Company performance that exceeds market and that of our peer companies. Total compensation is structured to allow the executives to be in the top quartile compared to our peer companies based upon the performance of the Company and the individual

Competes effectively for the highest quality people who will determine our long-term success

A majority of the voting power of the shares of Common Stock represented at the annual meeting and eligible to vote is required to approve the advisory resolution regarding the compensation of the NEOs. For purposes of this proposal, abstentions will have the same effect as a negative vote, while broker non-votes will not be counted as a vote cast and, therefore, will have no effect on the vote. Although the vote is non-binding, the Compensation Committee values the opinion of the Company's stockholders and to the extent there is any significant vote against the compensation of the NEOs as disclosed in this proxy statement, the Compensation Committee will take that into account in evaluating whether any actions are necessary or appropriate.

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RECOMMENDATION

IN ACCORDANCE WITH SECTION 14A OF THE EXCHANGE ACT THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE FOLLOWING ADVISORY RESOLUTION ON THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS AT THE 2012 ANNUAL MEETING:

"RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of the Company's Named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the Summary Compensation Table, and the related compensation tables, notes and narrative in the proxy statement for the Company's 2012 annual meeting of stockholders."

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The Compensation Committee of the Board of Directors (the "Committee") is responsible for overseeing the compensation of our CEO and the executives who directly report to our CEO, including all of the executives identified below (the "NEOs"). The Committee ensures that our executive compensation program meets the objectives of attracting and retaining strong and talented leaders, motivating and fairly compensating them for their own and the Company's performance and closely aligning the interests of our executives with those of our stockholders.

This Compensation Discussion and Analysis is intended to assist our stockholders in fully understanding the objectives of our executive compensation strategy. It details the various components of the compensation paid to or earned by our NEOs in fiscal 2011, explains how the various components make up the executive's overall compensation package, and discusses the Committee's decisions regarding such compensation. The 2011 compensation of the following executives is reported in this proxy statement:

Richard Thompson, President and CEO;

Gary Larsen, Senior Vice President, Finance, and Chief Financial Officer (the "**CFO**");

Alex Levran, President, Renewable Energy Solutions (the "**President RES**");

Steven Hogge, President, Power Solutions (the "**President Power**"); and

Neil Dial, Senior Vice President, Operations (the "**SVP Operations**").

Our executive compensation program is based on an overarching pay-for-performance philosophy. We focus on providing a competitive total compensation package that is aligned with our stockholders' interests and includes sound compensation and governance practices, as demonstrated by the following:

Our core program consists of three elements: base salary, annual incentives and long-term incentives. For each element we pay our executives at the 50th percentile of a peer group of companies, with an opportunity for our executives to earn compensation in the 75th percentile based on achievement of performance metrics aligned with stockholder returns.

We do not provide any significant perquisites, fringe benefits or supplemental retirement benefits to our executives;

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A significant portion of the core program is delivered through variable compensation elements that are tied to the Company's key performance objectives and stock price performance over the long term. In 2011:

We continued to emphasize the long-term incentive awards, so that the interests of our NEOs and our stockholders are fully aligned. As a result, in fiscal 2011, 86% of our CEOs actual compensation was provided in long-term incentives;

We introduced performance stock units ("PSUs") that measure our total shareholder return ("TSR") against that of a representative market index over a three year period. With respect to PSUs awarded in 2011, we selected the MAC Global Solar Energy Index ("SUNIDX") as the representative index for comparison. For our executives to vest in any of the PSUs, our TSR must exceed that of the SUNIDX during the measurement period;

We delivered 72% of our CEO's actual compensation either in PSUs or stock options in order to closely align his rewards with the interests of our stockholders;

Despite recording the second best revenue and operating income in the Company's history, we fell short of our internal targets and, as a result, four of our five NEOs did not receive cash bonuses;

We continue to monitor best practices and the feedback of our investors and shareholder advisory groups and made the following adjustments to our program during 2011:

We no longer provide excise tax gross-up provisions as part of any future change-in-control agreement entered into with any of our executive officers;

We discontinued the housing allowance that had been provided to our CEO and SVP of Operations;

We continue to maintain and monitor compliance with our stock ownership guidelines that require our executives to achieve significant ownership requirements.

Executive Compensation Program Objectives and Philosophy

The Committee's compensation objectives include:

providing a competitive total compensation package that enables the Company to attract and retain key executives with the requisite skills, experience and vision to manage our business;

motivating achievement of annual target performance goals by providing short-term compensation opportunities linked to performance;

providing long-term compensation incentives, primarily through equity awards, that align executive compensation with the interests of our stockholders; and

promoting ownership of our Common Stock by our executives to align their interests with those of our stockholders.

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The Committee believes that bonuses, incentive payments and other performance based awards must be linked to measurable performance goals associated with key financial and operational objectives and that incentive compensation should reflect the scope of an individual's responsibilities, their ability to impact the Company's performance and their actual contribution to the Company's success. The Committee also believes that equity awards should represent a meaningful portion of an executive's total compensation in order to closely align their interests with those of our stockholders and to ensure that stockholder value remains a primary objective for our executives. The Committee also strives to maintain a level of flexibility in the program and seeks to balance current results with future expectations. In doing so, the Committee believes that in certain circumstances, it may be

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appropriate to award a base salary increase, discretionary bonus or other form of compensation as a reward for outstanding performance or as a tool for retaining key executives responsible for the performance of mission critical tasks that may not necessarily result in immediate financial performance improvement for the Company.

Market competitiveness and equitable principles are central elements of the Committee's compensation policies. The aggregate compensation of each NEO is evaluated by comparison to that of executives at similar companies in related industries who hold the same positions or have substantially similar levels of responsibility, as well as by comparison to other executives within the Company who have comparable levels of responsibility. The Committee conducted such an analysis in the fourth quarter of 2010 with the assistance of Compensia, Inc., a national executive compensation consulting firm. The Committee asked Compensia to review the Company's total target cash compensation, including non-equity incentives, and its long-term incentives to determine whether target total direct compensation was competitive in light of the Company's 2010 performance against its peers. A peer group was developed for purposes of understanding market competitive pay levels and practices. In selecting peer companies, the Company, assisted by Compensia, used the following targeted selection criteria:

Ownership and Location: U.S.-based publicly-traded companies;

Industry Focus: Companies in the renewable energy and power conversion industries and other high-technology companies focusing on enabling technologies; and

Size characteristics: 0.5x to 2.0x of the Company's projected revenues and number of employees and within 0.33x to 3.0x of the Company's projected market capitalization.

In light of the limited number of direct competitors of similar size to the Company, the targeted ranges above were expanded in some cases to capture companies that more closely fit with our business focus. Consequently not all of the companies selected met all of the targeted selection criteria. At the time the peer group was developed, the Company's projected revenues and fiscal year end number of employees, as well as its projected market capitalization, were at approximately the median of the peer group. The Peer Group consisted of the following 20 companies:

Arris Group	FLIR Systems	MEMC Electronic Materials
Atmel	GrafTech	National Semiconductor
Brocade Communications	GT Solar	Skyworks Solutions
Cree	Hexcel	SunPower
Cypress Semiconductor	Lam Research	Tellabs
F5 Networks	Linear Technology	Woodward Governor
First Solar	Maxim Integrated Products	

Following its analysis, Compensia provided a report and recommendations to the Committee for consideration with respect to the fiscal 2011 compensation of our NEOs. In addition to retaining the services of a compensation consultant, from time-to-time the Committee may review publicly disclosed compensation information of the named executive officers of other companies in related industries within comparative geographical regions and of companies with whom we compete for executives.

In making its compensation decisions, the Committee places significant weight upon an individual executive's role within the Company, his leadership responsibilities, performance during the last year, ability to impact the overall performance of the Company and contribution to the Company's recent performance.

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Executive Compensation Decisions

The Board of Directors makes all compensation decisions for our NEOs, including the CEO, based upon the recommendations of the Compensation Committee. The CEO makes recommendations to the Compensation Committee regarding the compensation of his direct reports (including the NEOs) based upon market data from the Peer Group and a review of each executive's performance. The CEO does not make recommendations to the Committee regarding his own compensation. The Committee determines for the CEO and the other NEOs, after consideration of the CEO's recommendations, the aggregate compensation opportunities available to each NEO for that fiscal year based upon a number of factors, including the executive's position, experience and performance over the past year, as well as competitive market data, if available, and retention concerns.

Elements of Executive Compensation

The Committee's compensation objectives are implemented through our executive compensation program, which is comprised of three primary elements: base salary, annual incentive compensation and long-term incentive compensation. The table below lists each material element of executive compensation, the objective(s) that it is designed to achieve, and the characteristics of each compensation element.

Key Elements of Compensation

Element	Objective(s)	Characteristics
Base Salary	Attract and retain qualified executives	Not at risk
	Set compensation at a competitive median level compared to the Peer Companies and based upon an individual executive's skills, experience and performance	Commensurate with position, level of responsibility and leadership role
		Intended to be within range of the median of the Peer Group executives with similar roles and responsibilities
		In addition to market data, the Committee places significant weight upon an executive's role within the Company, leadership responsibilities, performance during the last year, ability to impact the overall performance of the Company and contribution to the Company's recent performance
Annual Incentives		

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Attract and retain qualified
executives

At risk

Motivate and reward
achievement of Company-wide
and individual annual goals and
objectives

This element includes
performance-based cash awards.

The amount an executive is
eligible to receive is based upon
job function, level of
responsibility and ability to impact
the Company's performance

The amount paid is determined by
the achievement of the
pre-determined financial and
personal objectives established at
the beginning of the fiscal year.

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Element	Objective(s)	Characteristics
Long-Term Incentives		
	Attract and retain qualified executives	At risk
	Align the interests of executives with those of our stockholders	The level of reward realized depends upon the Company's stock price performance and/or attainment of additional performance metrics
	Provide long-term rewards for executives based upon stock price appreciation	Awards typically vest over three to four years, encouraging continued employment and supporting our retention objectives

Secondary elements of executive compensation include the health and welfare benefits and perquisites described below; however, the Committee's philosophy is that executive benefits and perquisites should represent an insignificant portion of the executive's overall compensation. To the extent that benefits and perquisites are provided, such elements are typically not at risk and involve costs that are generally fixed.

The Committee believes that both annual and long-term incentive compensation should reflect the performance of the Company as well as the individual contribution of each executive and further believes that a significant portion of executive compensation should be linked to stockholder value. Accordingly, the aggregate compensation paid to each NEO is significantly weighted toward annual and long-term incentive compensation, both of which are "at risk" if the Company does not achieve its operating goals and strategic objectives and/or are tied directly to the Company's stock price performance. The emphasis placed on "at risk" compensation reflects the Committee's belief that our executives and key employees should be paid for performance.

The actual pay mix for our CEO and the other NEOs is shown below:

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Base Salary

Although we view base salary as an important component of each NEO's overall compensation package, it represents only 13% of our CEO's total compensation and 25%, on average, of the total compensation for our other NEOs. Base salaries are reviewed annually and at the time of promotion or other significant changes in responsibilities. The Committee sets the base salary of our CEO and considers the recommendations of our CEO for the base salaries of the NEOs, with a goal toward setting base salary to be generally competitive with the market median of the Peer Group but also taking into account the level of responsibility, experience and tenure of the individual, and the amount of performance-based incentive compensation received or granted each year. The Committee uses the market median of the Peer Group as a general reference point for its deliberations and may set the base salaries of our NEOs above the market median due to individual recruitment situations, to recognize sustained exemplary performance and contribution and for certain key executives who are critical to our business.

In recognition of the Company's 143% growth and record profitability in fiscal 2010, effective February 1, 2011, each of our NEOs received annual base salary increases as follows: Mr. Thompson received an increase of 27.27%, raising his base salary to \$700,000 in order to reward him for his strong performance in 2010 and to position his salary at approximately the market median; Gary Larsen received an increase of 15.38%, raising his base salary to \$375,000 and bringing his salary slightly below the 50th percentile for his position as CFO; Dr. Levran received an increase of 6.25%, raising his base salary to \$425,000 and bringing his salary slightly below the 75th percentile for his position as President, Renewable Energy Solutions, in recognition of his strong leadership of the Renewable Energy Solutions business in 2010 when we became the second largest inverter company worldwide and which accounted for approximately 70% of the Company's revenue; Mr. Hogge received an increase of 2.99%, raising his base salary to \$345,000 and bringing his salary slightly above the 60th percentile for his position as President, Power Solutions; and Mr. Dial received an increase of 2.74%, raising his base salary to \$375,000 and bringing his salary slightly above the 75th percentile for the top operations executive of the Peer Companies.

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The total of all percentages equals 101% due to rounding.

Table of Contents**Annual Incentive Compensation Cash Bonus Plans**

The Committee uses the Management Incentive Plan (the "**MIP**") as the key means for implementing our "pay for performance" philosophy. The MIP is an annual bonus plan that rewards eligible participants for achievement of pre-established corporate and individual performance objectives. In fiscal 2011 there were approximately 80 plan participants in the MIP, including each of our NEOs.

Target Bonus Opportunities

For purposes of the fiscal 2011 MIP, the Committee determined that the target bonus opportunities for each participant should be determined as a percentage of such participant's base salary. The target bonus opportunities for our NEOs in fiscal 2011 were as follows:

Named Executive Officers	Target Annual Incentive Award Opportunity (as a percentage of base salary)
Mr. Thompson	100%
Dr. Levran	80%
Mr. Dial	60%
Mr. Larsen	60%
Mr. Hogge	60%

Under the fiscal 2011 MIP, participants could earn up to 200% of their target bonus opportunity based on the achievement of pre-established corporate and individual performance objectives. The dollar range of the potential payouts for our NEOs, including threshold, target, and maximum award levels, is presented in the "Grants of Plan-Based Awards Table" below on page 42 of this proxy statement.

Target Bonus Weighting

In view of the impact that each NEO has on the Company's overall performance, the Committee determined that it was appropriate that a significant portion of each NEO's target bonus opportunity be contingent upon financial performance and that a measurable, but smaller, portion be contingent on his individual performance. Consequently, each NEO's target bonus opportunity was weighted 80% on the Company's fiscal 2011 financial performance and 20% on both the level of overall bonus pool funding (based on the Company's financial performance) and his individual performance as measured by one or more pre-established quantitative or qualitative objectives ("**MBOs**").

In addition, under the fiscal 2011 MIP, no bonus payments would be made for the achievement of the MBOs if the Company's threshold financial performance objectives required for funding the plan were not met.

Corporate-Level Executives

Under the fiscal 2011 MIP, the bonus opportunities for our corporate-level NEOs, Messrs. Thompson, Larsen, and Dial, were determined as follows:

Corporate Performance Measures

For purposes of the fiscal 2011 MIP, the Committee selected revenue and operating income as the two corporate performance measures that best supported the Company's annual operating plan and enhanced long-term value creation for our stockholders. For purposes of funding the bonus pool for the corporate-level executives, these measures were equally weighted.

For each measure, the Committee established a threshold, target, and maximum performance level. If our fiscal 2011 performance for a measure was below the threshold performance level, there would

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be no bonus pool funding with respect to that corporate performance measure. Similarly, the potential funding for each measure was capped at the maximum performance level. For performance achievement between the specified threshold, target, and maximum performance levels, funding would be interpolated on a straight-line basis.

For fiscal 2011, the threshold, target, and maximum performance levels for these two measures were as follows:

Performance Measure	Threshold Performance Level	Target Performance Level	Maximum Performance Level
Revenue	\$ 1.135 billion	\$ 1.335 billion	\$ 1.600 billion
Operating Income	\$ 300 million	\$ 372 million	\$ 450 million

The Committee believed that the target levels for these two performance measures for fiscal 2011 would require a focused effort by our NEOs to generate the target funding for the bonus pool, as they represented unprecedented performance results for the Company.

The fiscal 2011 MIP provided that the Company's actual performance against these financial measures could result in bonus pool funding of up to 175% of the target level. Specifically, the bonus pool would receive minimum funding at 50% of the target level if the Company achieved the threshold performance level for the two financial performance measures, funding at 100% if the Company achieved the target performance level for the two financial performance levels, and funding at 175% of the target level if the Company achieved the maximum performance level for the two financial performance measures.

Potential Market Share Adjustment

The fiscal 2011 MIP also provided that, if either the Company's revenue or operating income for fiscal 2011 exceeded the threshold level set forth above, bonus pool funding was subject to an adjustment of up to plus or minus 25% (which could result in a total maximum bonus payment of 200% of the target level) based on the Company's growth rate in fiscal 2011 as measured by gigawatts shipped, as compared to the industry growth rate in gigawatts shipped for the same period as shown below. An illustration of this potential adjustment is set forth below:

Since the fiscal 2011 MIP specified that this adjustment would be made only if the Company exceeded the threshold performance level for at least one of the two financial performance measures, as described below, no market share adjustment was made for purposes of fiscal 2011.

Individual Performance Measures

Once bonus pool funding had been determined based on the Company's financial performance, 80% of the bonus payments for the corporate-level NEOs was to be determined directly based on the overall level of funding. The remaining 20% of each corporate-level NEO's bonus payment was subject to an assessment of his performance against his fiscal 2011 MBOs. The specific MBOs, and the relative weighting of each, for each NEO was recommended by our CEO (except with respect to his own MBOs) and approved by the Committee. In the case of Mr. Thompson, his MBOs were determined by the Committee.

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For purposes of the fiscal 2011 MIP, the MBOs for the corporate-level NEOs for fiscal 2011 were as follows:

Mr. Thompson's goals focused on (i) succession planning; and (ii) driving the growth of the strategic business units to achieve targeted revenue;

Mr. Larsen's goals focused on (i) reducing the Company's 2011 effective tax rate; (ii) development, implementation and integration of a cohesive financial process automation program; and (iii) improvement of working capital; and

Mr. Dial's goals focused on operational measures that included customer lead time reduction and reduction of defective parts per million.

President Renewable Energy Solutions Business

Under the fiscal 2011 MIP, the bonus opportunity for Dr. Levran, the President of our Renewable Energy Solutions business, was determined as follows:

Business Unit Performance Measures

For purposes of the fiscal 2011 MIP, the Committee selected revenue and operating income for the Renewable Energy Solutions business as the two performance measures that best supported the Company's annual operating plan. For purposes of funding the bonus pool for Dr. Levran, these measures were equally weighted.

Other than focusing solely on revenue and operating income for the Renewable Energy Solutions business, the design and operation of these performance measures was similar to that of the corporate performance measures described above, including the potential for a market share adjustment. The Committee believed that the target levels for these two performance measures for fiscal 2011 would be challenging and aggressive. It also believed that the achievement of the target levels for these measures would require strong leadership, effective leveraging of our competencies and a clear focus on driving and achieving results throughout the year. The Committee further noted that these target levels represented an increase over fiscal 2010 performance, when the Renewable Energy Solutions business enjoyed its most successful year ever and grew by 143%.

Potential Market Share Adjustment

As stated above, the target bonus opportunity for Dr. Levran was subject to a potential market share adjustment as described above if either the Renewable Energy Solutions business revenue or operating income results for fiscal 2011 exceeded the threshold level set for those financial measures. However, since the fiscal 2011 MIP specified that this adjustment would be made only if the Renewable Energy Solutions business exceeded the threshold performance level for at least one of the two financial performance measures, as described below, no market share adjustment was made for purposes of fiscal 2011.

Individual Performance Measures

Once bonus pool funding had been determined based on the Renewable Energy Solutions business financial performance, 80% of the bonus payment for Dr. Levran was to be determined directly based on the overall level of funding. The remaining 20% of his bonus payment was subject to an assessment of his performance against his fiscal 2011 MBOs. Dr. Levran's specific MBOs, and the relative weighting of each, were recommended by our CEO and approved by the Committee.

For purposes of the fiscal 2011 MIP, the MBOs for Dr. Levran's goals focused on achievement of geographic revenue targets.

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President Power Solutions Business

Under the fiscal 2011 MIP, the bonus opportunity for Mr. Hogge, the President of our Power Solutions business, was determined as follows:

Business Unit Performance Measures

For purposes of the fiscal 2011 MIP, the Committee selected revenue and operating income for the Power Solutions business as the two performance measures that best supported the Company's annual operating plan. For purposes of funding the bonus pool for Mr. Hogge, these measures were equally weighted.

Other than focusing solely on revenue and operating income for the Power Solutions business, the design and operation of these performance measures was similar to that of the corporate performance measures described above, except that Mr. Hogge's target maximum bonus opportunity would be funded at 200% of the target level if the Power Solutions business achieved the maximum performance level for the two financial performance measures. Given the nature of the Power Solutions business, the 200% maximum payment level was intended to account for the fact that Mr. Hogge was not eligible to receive a market share adjustment.

The Committee believed that the target levels for these two performance measures for fiscal 2011 would be challenging and aggressive. It also believed that the achievement of the target levels for these measures would require strong leadership, effective leveraging of our competencies and a clear focus on driving and achieving results throughout the year. The Committee further noted that these target levels represented an increase over fiscal 2010 performance, when the Power Solutions business returned to profitability.

Individual Performance Measures

Once bonus pool funding had been determined based on the Power Solutions business financial performance, 80% of the bonus payments for Mr. Hogge was to be determined directly based on the overall level of funding. The remaining 20% of his bonus payment was subject to an assessment of his performance against his fiscal 2011 MBOs. Mr. Hogge's specific MBOs, and the relative weighting of each, were recommended by our CEO and approved by the Committee.

For purposes of the fiscal 2011 MIP, the MBOs for Mr. Hogge focused on achievement of revenue targets in identified market segments.

Fiscal 2011 Bonus Decisions

In January 2012, the Committee reviewed the Company's financial performance against the corporate performance measures and determined that we had not achieved the threshold performance levels for funding of the bonus pool. Thus, although the Company outperformed its solar index (the index used to evaluate the Company's performance for purposes of its market stock units) in fiscal 2011 and significantly outperformed its solar and inverter peers for each of the last two fiscal years, the Renewal Energy Solutions business, and the Company as a whole, failed to meet the funding requirements of the fiscal 2011 MIP. Consequently, Messrs. Thompson, Larsen, and Dial and Dr. Levran did not receive a bonus for fiscal 2011.