SUNPOWER CORP
Form 424B5
April 28, 2009
Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 27, 2009

Filed Pursuant to Rule 424(b)(5)
File Number 333-140272

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated January 29, 2007)

$175,000,000

% Senior Convertible Debentures due 2014

This is an offering by SunPower Corporation of $175,000,000 aggregate principal amount of its % senior convertible debentures due 2014.

The debentures will be convertible, at your option, into shares of our class A common stock initially at a conversion rate of shares per $1,000 principal amount of debentures (equivalent to an initial conversion price of approximately $ per share), subject to adjustment as described in this prospectus supplement, at any time on or prior to the close of business on the business day immediately preceding the maturity date of the debentures. If a holder elects to convert its debentures in connection with a non-stock change in control (as defined in this prospectus supplement), we will, in certain circumstances, increase the conversion rate for debentures converted in connection with such non-stock change in control.

Upon conversion, we will deliver shares of our class A common stock based on the conversion rate in effect on the conversion date.

The debentures will bear interest at a rate of % per year, payable on April 15 and October 15 of each year, commencing October 15, 2009. The debentures will mature on April 15, 2014.

You may require us to repurchase all or a portion of your debentures upon a fundamental change (as defined in this prospectus supplement) at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest.

The debentures will be our senior unsecured obligations. As of March 29, 2009, we and our subsidiaries had $103.9 million of senior bank debt outstanding which is secured, $423.6 million of senior indebtedness outstanding which was not secured and which will rank pari passu with the debentures, and approximately $554.5 million of other liabilities outstanding (excluding any purchase obligations for long-term supply agreements, which amounted to $3,992.2 million as of March 29, 2009).

Concurrently with this offering of debentures, we are offering, by means of a separate prospectus supplement and accompanying prospectus, 9,000,000 shares of our class A common stock to the public at a price of $ per share, which offering is being underwritten by the underwriters of this offering. We refer to the concurrent class A common stock offering as the concurrent equity offering. We estimate that the net proceeds from the sale of shares by us in the concurrent equity offering, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, will be $219.9 million, based upon the closing price of our class A common stock on The Nasdaq Global Select Market on April 24, 2009, assuming the underwriters overallotment option in that offering is not exercised. Neither offering is conditioned upon the completion of the other offering.

Our class A common stock is listed on The Nasdaq Global Select Market under the symbol SPWRA. The last reported sale price of our class A common stock on April 24, 2009 was $25.41 per share.

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

Investing in the debentures involves risks. See "Risk Factors" beginning on page S-16 of this prospectus supplement, on page 4 of the accompanying prospectus and in our periodic reports filed with the Securities and Exchange Commission and incorporated by reference herein.

	Per Debenture	Total
Public offering price(1)	100%	$
Underwriting discounts and commissions	%	$
Proceeds to SunPower (before expenses)	%	$

(1) Plus accrued interest, if any, from May 4, 2009.

We have granted the underwriters a 30-day option to purchase up to an additional $26,250,000 aggregate principal amount of debentures on the same terms and conditions set forth above if the underwriters sell more than $175,000,000 aggregate principal amount of debentures.

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

Deutsche Bank Securities, Inc., on behalf of the underwriters, expects to deliver the debentures on or about May 4, 2009.

Joint Book-Running Managers

Deutsche Bank Securities **Credit Suisse**

The date of this prospectus supplement is April , 2009

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and risks related to an investment in the debentures. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering, including a discussion of risks our business faced as of January 29, 2007, the date of such prospectus. If the description of this offering of debentures varies between this prospectus supplement and the accompanying prospectus, you should rely only on the information contained or incorporated by reference in this prospectus supplement.

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

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

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

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, and the documents incorporated by reference herein and therein, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). Forward-looking statements are statements that do no represent historical facts. We use words such as may, will, should, could, would, expect, anticipa believe, estimate, predict, potential, continue and similar expressions to identify forward-looking statements. Forward-looking statements in this prospectus supplement and the accompanying prospectus, and the documents incorporated by reference herein and therein include, but are not limited to, statements relating to our plans and expectations regarding our ability to obtain any future financing, future financial and operating results, business strategies, projected costs, products, competitive positions, management s plans and objectives for future operations, industry trends, projected purchase volume from existing, future customers and our preliminary unaudited financial results for the three months ended March 29, 2009 and the effects of the derivative transactions to be entered into in connection with the offering described herein on our stock price. These forward-looking statements are based on information available to us as of the date of this prospectus supplement and current expectations, forecasts and assumptions and involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks and uncertainties include a variety of factors, some of which are beyond our control. Please see Risk Factors in this prospectus supplement and Item 1A: Risk Factors in our annual report on Form 10-K for the fiscal year ended December 28, 2008, which is incorporated in this prospectus supplement by reference, as well as our other filings with the Securities and Exchange Commission from time to time, for additional information on risks and uncertainties that could cause actual results to differ. These forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we are under no obligation to, and expressly disclaim any responsibility to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. This summary does not contain all of the information that you should consider before deciding whether to invest in our debentures. You should read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully, including the Risk Factors sections beginning on page S-16 of this prospectus supplement, page 4 of the accompanying prospectus and in our periodic reports filed with the Securities and Exchange Commission, or the SEC, (in particular our annual report on Form 10-K for the fiscal year ended December 28, 2008, including our consolidated financial statements and the related notes).

Unless otherwise specified or unless the context requires otherwise, all references in this prospectus supplement to SunPower, we, us, our or similar references mean SunPower Corporation and its subsidiaries. SunPower s fiscal year consists of 52 or 53 weeks ending the Sunday closest to December 31, with quarters of 13 or 14 weeks ending the Sunday closest to March 31, June 30, September 30 and December 31 of each year.

Our Company

Business

We are a vertically integrated solar products and services company that designs, manufactures and markets high-performance solar electric power technologies. Our solar cells and solar panels are manufactured using proprietary processes, and our technologies are based on more than 15 years of research and development. Of all the solar cells available for the mass market, we believe our solar cells have the highest conversion efficiency, a measurement of the amount of sunlight converted by the solar cell into electricity. Our solar power products are sold through our components business segment, or Components Segment. Through our systems business segment, or our Systems Segment, we develop, engineer, manufacture and deliver large-scale solar power systems. Our solar power systems, which generate electricity, integrate solar cells and panels manufactured by us as well as other suppliers.

Business Segments Overview

Components Segment: Our Components Segment sells solar power products, including solar cells, solar panels and inverters, which convert sunlight to electricity compatible with the utility network. We believe our solar cells provide the following benefits compared with conventional solar cells:

- superior performance, including the ability to generate up to 50% more power per unit area;
- superior aesthetics, with our uniformly black surface design that eliminates highly visible reflective grid lines and metal interconnect ribbons; and
- more efficient use of silicon, a key raw material used in the manufacture of solar cells.

We sell our solar components products to installers and resellers, including our global dealer network, for use in residential and commercial applications where the high efficiency and superior aesthetics of our solar power products provide compelling customer benefits. We also

Table of Contents

sell products for use in multi-megawatt solar power plant applications. In many situations, we offer a materially lower area-related cost structure for our customers because our solar panels require a substantially smaller roof or land area than conventional solar technology and half or less of the roof or land area of commercial solar thin film technologies. We sell our products primarily in North America, Europe and Asia, principally in regions where public policy has accelerated solar power adoption. In fiscal 2008, 2007 and 2006, components revenue represented approximately 43%, 40% and 100%, respectively, of total revenue.

We manufacture our solar cells at our two facilities in the Philippines, and are developing a third solar cell manufacturing facility in Malaysia. Almost all of our solar cells are then combined into solar panels at our solar panel assembly facility located in the Philippines. Our solar panels are also manufactured for us by a third-party subcontractor in China.

Systems Segment: Our Systems Segment generally sells solar power systems directly to system owners and developers. When we sell a solar power system, it may include services such as development, engineering, procurement of permits and equipment, construction management, access to financing, monitoring and maintenance. We believe our solar systems provide the following benefits compared with competitors systems:

- superior performance delivered by maximizing energy delivery and financial return through systems technology design;
- superior systems design to meet customer needs and reduce cost, including non-penetrating, fast roof installation technologies; and
- superior channel breadth and delivery capability including turnkey systems.

Our Systems Segment is comprised primarily of the PowerLight (now known as SP Systems) business we acquired in January 2007. Our customers include commercial and governmental entities, investors, utilities, production home builders and home owners. We work with development, construction, system integration and financing companies to deliver our solar power systems to customers. Our solar power systems are designed to generate electricity over a system life typically exceeding 25 years and are principally designed to be used in large-scale applications with system ratings of typically more than 500 kilowatts. Worldwide, more than 500 SunPower solar power systems have been constructed or are under contract, rated in the aggregate at more than 400 megawatts of peak capacity. In fiscal 2008 and 2007, systems revenue represented approximately 57% and 60%, respectively, of total revenue.

We have solar power system projects completed or in the process of being completed in various countries including Germany, Italy, Portugal, South Korea, Spain and the United States. We sell distributed rooftop and ground-mounted solar power systems as well as central-station power plants. In the United States, distributed solar power systems are typically rated at more than 500 kilowatts of capacity to provide a supplemental, distributed source of electricity for a customer s facility. Many customers choose to purchase solar electricity under a power purchase agreement with a financing company which buys the system from us. In Europe and South Korea, our products and systems are typically purchased by a financing company and operated as a central-station solar power plant. These power plants are rated with capacities of approximately one to twenty megawatts, and generate electricity for sale under tariff to private and public utilities. In 2008, we began serving the utility market in the United States, as regulated utilities began seeking cost-effective renewable energy to meet governmental renewable portfolio standard requirements. Examples include an agreement with Florida Power & Light Company to design and build two solar photovoltaic power plants totaling

Table of Contents

35 megawatts in Florida, and another with Pacific Gas and Electric Company to design and build a 210 megawatt (MW_{AC}) solar power plant in California.

We manufacture certain of our solar power system products at our manufacturing facilities in Richmond, California and at other facilities located close to our customers. Some of our solar power system products are also manufactured for us by third-party suppliers.

Recent Developments

Financial Results for the Three Months Ended March 29, 2009

On April 23, 2009, we announced our first quarter 2009 results. Revenue for the first quarter ended March 29, 2009 was $213.8 million, compared to the prior quarter s revenue of $401.0 million, and first quarter 2008 revenue of $273.7 million. Net loss for the first quarter ended March 29, 2009 was $4.8 million, or $0.06 diluted loss per share.

All financial data for the three months ended March 29, 2009 set forth above are preliminary and unaudited and subject to revision based upon completion of our financial reporting process and a review by our independent registered public accounting firm of our financial condition and results of operations as of such date and for such period.

Accounting for Convertible Debt

On December 29, 2008, we adopted Financial Accounting Standards Board (FASB) Staff Position (FSP) Accounting Principles Board (APB) 14-1 Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1), which clarifies the accounting for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement. In February 2007, we issued $200.0 million in principal amount of our 1.25% senior convertible debentures, or the 1.25% debentures. In the fourth quarter of fiscal 2008, we received notices for the conversion of approximately $1.4 million of the 1.25% debentures. In July 2007, we issued $225.0 million in principal amount of our 0.75% senior convertible debentures, or the 0.75% debentures. Our 1.25% debentures and our 0.75% debentures contain such settlement features and are therefore subject to FSP APB 14-1. Under FSP APB 14-1, we will separately account for the liability and equity components of our convertible debt in a manner that reflects interest expense equal to our non-convertible debt borrowing rate. The new guidance will be applied retrospectively to our historical results of operations, financial condition and cash flows disclosed in our annual report on Form 10-K for the year ended December 28, 2008. Therefore, our future financial statements will reflect a retroactive application of FSP APB 14-1 to previous periods to reflect this guidance.

We recognized non-cash interest expense within interest and other income (expense), net and amortization of capitalized non-cash interest expense within cost of revenue related to the adoption of FSP APB 14-1 as follows:

	Non-cash interest expense	Impact on diluted earnings per share
	(unaudited) (in thousands, other than per share data)	
First quarter 2009	$ 5,021	$ 0.06
First quarter 2008	$ 4,384	$ 0.05

Table of Contents

On a cumulative basis from the respective issuance dates of the 1.25% debentures and 0.75% debentures through March 29, 2009, we will have retroactively recognized $27.7 million in non-cash interest expense related to the adoption of FSP APB 14-1. None of the historical financial statements incorporated by reference herein reflect the adoption of FSP APB 14-1. Our earnings per share in future periods will be reduced by this non-cash interest expense.

Description of Concurrent Equity Offering

Concurrently with this offering of debentures, we are offering an aggregate of 9,000,000 shares of our class A common stock by means of a separate prospectus supplement and accompanying prospectus. The shares of class A common stock being offered by that prospectus supplement and accompanying prospectus are being underwritten by the underwriters of this offering and are being offered to the public at a price of $ per share. We often refer to this concurrent class A common stock offering as the concurrent equity offering. We have also granted a 30-day option to the underwriters of the concurrent equity offering to purchase up to an additional 1,350,000 shares of class A common stock. We cannot give any assurance that the concurrent equity offering will be completed. Neither offering is conditioned on the completion of the other.

Assuming no exercise of the underwriters overallotment option with respect to the concurrent equity offering, we estimate that the net proceeds of the concurrent equity offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $219.9 million, based on an assumed offering price of $25.41 per share, the last reported sale price of our class A common stock on The Nasdaq Global Select Market on April 24, 2009. See Use of Proceeds.

Corporate Information

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

Our class A common stock is traded on The Nasdaq Global Select Market under the symbol SPWRA. Our class B common stock is also traded on The Nasdaq Global Select Market, under the symbol SPWRB. Our class A common stock is entitled to one vote per share, and except in certain limited circumstances, our class B common stock is entitled to eight votes per share, on all matters submitted to stockholders for vote.

Table of Contents

THE OFFERING

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

Issuer	SunPower Corporation.
Securities Offered	$175.0 million aggregate principal amount of % senior convertible debentures due 2014, which we often refer to as the debentures. We have also granted the underwriters a 30-day option to purchase up to an additional $26.25 million aggregate principal amount of debentures.
Offering Price	Each debenture will be issued at a price of 100% of its principal amount plus accrued interest, if any, from May 4, 2009.
Maturity	April 15, 2014, unless earlier converted, redeemed or repurchased.
Interest Rate	% per year. Interest will be payable in cash on April 15 and October 15 of each year, beginning October 15, 2009.
Ranking	The debentures will be our senior unsecured obligations and will rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The debentures will be effectively subordinated to our secured indebtedness to the extent of the value of the related collateral and structurally subordinated to indebtedness and other liabilities of our subsidiaries.

As of March 29, 2009, we and our subsidiaries had $103.9 million of senior bank debt outstanding which is secured, $423.6 million of senior indebtedness outstanding (including $198.6 million in outstanding principal amount of 1.25% debentures and $225.0 million in outstanding principal amount of 0.75% debentures), which was not secured and which will rank *pari passu* with the debentures, and approximately $554.5 million of other liabilities outstanding (excluding any purchase obligations for long-term supply agreements, which amounted to $3,992.2 million as of March 29, 2009).

Conversion Rights	You may convert your debentures into shares of our class A common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date.

Table of Contents

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

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

Adjustment to Conversion Rate upon a Non-Stock Change of Control	Prior to April 15, 2014, if and only to the extent holders elect to convert the debentures in connection with a fundamental change described under the first or fourth clauses of the definition of that term in Description of the Debentures Repurchase at the Option of the Holder upon a Fundamental Change pursuant to which 10% or more of the consideration for our class A common stock (other than cash payments for fractional shares and cash payments made in respect of dissenters appraisal rights) consists of cash or securities (or other property) that are not common equity interests or depository receipts traded or scheduled to be traded immediately following such transaction on a U.S. national securities exchange, which we refer to as a non-stock change of control, we will increase the conversion rate by a number of additional shares. The number of additional shares will be determined by reference to the table in Description of the Debentures Conversion Rights Adjustment to Conversion Rate Upon a Non-Stock Change of Control, based on the effective date and the price paid per share of our class A common stock in such non-stock change of control.

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

Redemption by SunPower	We may not redeem the debentures prior to the maturity date.

S-8

Table of Contents

Fundamental Change Repurchase Right of Holders	If we undergo a fundamental change (as defined in this prospectus supplement) prior to the maturity date of the debentures, you will have the right, at your option, to require us to repurchase for cash some or all of your debentures at a repurchase price equal to 100% of the principal amount of the debentures being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date. See Description of the Debentures Repurchase at the Option of the Holder upon a Fundamental Change.
Events of Default	If an event of default on the debentures occurs, the principal amount of the debentures, plus accrued and unpaid interest, may be declared immediately due and payable, subject to certain conditions set forth in the indenture. These amounts will automatically become due and payable in the case of certain types of bankruptcy or insolvency events of default involving SunPower or certain of its subsidiaries.
Absence of a Public Market for the Debentures	The debentures will be a new issue of securities. We cannot assure you that any active or liquid market will develop for the debentures.
Trading	We do not intend to apply for listing of the debentures on any securities exchange or for inclusion of the debentures on any automated quotation system.
Nasdaq Symbol for Our Class A Common Stock	Our class A common stock is listed on The Nasdaq Global Select Market under the symbol SPWRA.
Use of Proceeds	We intend to use the net proceeds from this offering of approximately $170.7 million (or approximately $196.3 million if the underwriters exercise their over-allotment option in full) for general corporate purposes, including working capital and capital expenditures. From time to time, we evaluate potential acquisitions and strategic transactions of business, technologies or products, and we may use a portion of the net proceeds for such acquisitions or transactions. Currently, however, we do not have any agreements with respect to any such material acquisitions or strategic transactions. We may also use a portion of the net proceeds from this offering and from the concurrent equity offering to repurchase some of our presently outstanding 1.25% debentures or 0.75% debentures. We expect that holders of our outstanding 1.25% debentures and 0.75% debentures from whom we

Table of Contents

	may repurchase such debentures (which holders may include one or more of the underwriters) may have outstanding short, or hedge, positions in our class A common stock relating to such outstanding debentures. Upon repurchase, we expect that such holders will unwind or offset those hedge positions by purchasing class A common stock in secondary market transactions, including through purchases in the open market, and/or by entering into various derivative transactions with respect to our class A common stock at the time of the pricing of this offering or shortly thereafter. These activities could have the effect of increasing, or preventing a decline in, the market price of our class A common stock concurrently with or shortly after the pricing of this offering. Deutsche Bank Securities Inc. and Credit Suisse Securities (USA) LLC, the underwriters of this offering, may act as our agents in connection with our repurchase of outstanding senior convertible debentures. We also expect to use approximately $20.0 million to $22.0 million of the net proceeds from this offering to pay the cost of certain purchased options and certain sold warrants described under Entry Into Convertible Debenture Hedge and Sale of Warrants below.
Concurrent Equity Offering	Concurrently with this offering of debentures, we are offering 9,000,000 shares of our class A common stock by means of a separate prospectus supplement and accompanying prospectus. These shares of class A common stock are being underwritten by the underwriters of this offering and are being offered to the public at a price of $ per share.
Convertible Debenture Hedge and Warrant Transactions	In connection with this offering of debentures, we intend to enter into convertible debenture hedge transactions with affiliates of certain of the underwriters, which affiliates we refer to as the option counterparties. We also intend to sell warrants to the option counterparties. The convertible debenture hedge transactions are intended to reduce potential dilution with respect to our class A common stock upon conversion of the debentures. However, the warrant transactions could have a dilutive effect on our earnings per share to the extent that the market price of our class A common stock exceeds the strike price of the warrants. We intend to use a portion of the net proceeds of this offering to pay the cost of the convertible debenture hedge and warrant transactions. If the underwriters exercise their overallotment option to purchase additional debentures, we expect to use a portion of the net proceeds from the sale of the additional debentures to increase the size of the convertible debenture hedge transactions. The purchased

Table of Contents

options which are part of these hedge transactions will be settled on a net share basis. In connection with such exercise, we may also sell additional warrants to the option counterparties.

In connection with establishing its initial hedge of these transactions, we expect each option counterparty or affiliates thereof to enter into various derivative transactions with respect to our class A common stock. These activities could have the effect of increasing, or preventing a decline in, the market price of our class A common stock concurrently with or shortly after the issuance of the debentures.

In addition, we expect each option counterparty, or affiliates thereof, to modify such option counterparty s hedge positions by entering into or unwinding various derivative transactions with respect to our class A common stock and/or by purchasing or selling our class A common stock in secondary market transactions during the time that the debentures are outstanding. In particular, such hedge modification transactions are likely to occur during any settlement period for a conversion of debentures, which may have a negative effect on the amount or value of the consideration received in relation to the conversion of those debentures. In addition, we will exercise options we hold under the convertible debenture hedge transactions whenever debentures are converted. In order to unwind its hedge positions with respect to those exercised options, we expect each option counterparty or its affiliates will sell our class A common stock in secondary market transactions or unwind various derivative transactions with respect to our class A common stock during any settlement period for the converted debentures.

In addition, if the convertible debenture hedge and warrant transactions fail to become effective when this offering of debentures is completed, or if the offering is not completed, each option counterparty or its affiliates may unwind such option counterparty s hedge positions with respect to our class A common stock, which could adversely affect the market price of our class A common stock and, as a result, the value of any issued debentures.

The effect, if any, of any of these transactions and activities on the market price of our class A common stock or the debentures will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could adversely affect the market price of our class A common stock and the value of the debentures and, as a result, the number of shares of our class A common stock as well as the value of such class A common stock

Table of Contents

	that you may receive upon the conversion of the debentures.
	The convertible debenture hedge and warrant transactions are separate transactions, entered into by us with each option counterparty, and are not part of the terms of the debentures. As a holder of the debentures, you will not have any rights with respect to the convertible debenture hedge or warrant transactions. For a discussion of the impact of any market or other activity by the option counterparties or their affiliates in connection with these convertible debenture hedge and warrant transactions, see Risk Factors Risks Relating to the Debentures and the Class A Common Stock The convertible debenture hedge and warrant transactions may affect the value of the debentures and our class A common stock, Entry Into Convertible Debenture Hedge, Sale of Warrants and Underwriting.
Risk Factors	You should carefully consider the information set forth in the sections of this prospectus supplement and the accompanying prospectus entitled Risk Factors, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, in particular the risk factors included in our annual report on Form 10-K for the year ended December 28, 2008, before deciding whether to invest in our debentures.
U. S. Federal Income Tax Considerations	Holders are urged consult their own tax advisors. See Material United States Federal Income Tax Considerations.

Table of Contents

Summary Consolidated Financial Data

SunPower s fiscal year consists of 52 or 53 weeks ending the Sunday closest to December 31, with quarters of 13 or 14 weeks ending the Sunday closest to March 31, June 30, September 30 and December 31 of each year. The following summary consolidated financial data reflects the retroactive application of FSP APB 14-1 for all periods presented. Under FSP APB 14-1, we are required to separately account for the liability and equity components of our convertible debt in a manner that reflects interest expense equal to our non-convertible debt borrowing rate.

In addition, on December 29, 2008, we adopted FSP Emerging Issues Task Force Issue (EITF) 03-6-1 Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1), which clarifies that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. In fiscal 2007 and 2006, we granted restricted stock awards with the same dividend rights as applicable to our other stockholders, therefore, any unvested restricted stock awards are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied. The new guidance will be applied retroactively to our historical results of operations and, as a result, our consolidated financial data has been retroactively adjusted to reflect this as well.

The following summary consolidated financial data is only a summary and should be read in conjunction with SunPower s consolidated financial statements, the accompanying notes and management s discussion and analysis of financial condition and results of operations, each of which is incorporated herein by reference. However, since FSP APB 14-1 and FSP EITF 03-6-1 were effective at the start of our current fiscal year, we have not yet issued financial statements to reflect the adoption of these standards. As such, the financial data presented below does not agree with our annual report on Form 10-K for the fiscal year ended December 28, 2008.

Figures in the tables below are in thousands, except share and per share data.

Table of Contents

	December 28, 2008	Year Ended December 30, 2007	December 31, 2006
Consolidated Statements of Operations Data:			
Revenue:			
Systems	$ 820,632	$ 464,178	$
Components	614,287	310,612	236,510
	1,434,919	774,790	236,510
Costs and expenses:			
Cost of systems revenue(2)	$ 653,907	$ 386,532	
Cost of components revenue(2)	418,333	240,507	186,042
Research and development	21,474	13,563	9,684
Sales, general and administrative	173,740	108,256	21,677
Purchased in-process research and development		9,575	
Impairment of acquisition-related intangible assets		14,068	
Total costs and expenses(2)	1,267,454	772,501	217,403
Operating income(2)	167,465	2,289	19,107
Interest income	10,789	13,882	10,086
Interest expense(2)	(20,501)	(10,762)	(1,809)
Other income (expense), net(2)	(28,626)	1,103	1,077
Income before income taxes and equity in earnings of unconsolidated investees(2)	129,127	6,512	28,461
Income tax provision (benefit)(2)	44,017	(22,084)	1,945
Income before equity in earnings of unconsolidated investees(2)	85,610	28,596	26,510
Equity in earnings of unconsolidated investees, net of taxes	14,077	(278)	
Net income(2)	$ 99,187	$ 28,318	$ 26,516
Net income per share:			
Basic(1)(2)(3)	$ 1.22	$ 0.37	$ 0.40
Diluted(1)(2)(3)	$ 1.17	$ 0.35	$ 0.37
Weighted-average shares:			
Basic(1)(2)(3)	81,518	76,986	65,940
Diluted(1)(2)(3)	84,943	82,012	71,087

(1) As of September 15, 2008, the date on which Lehman Brothers Holdings, Inc., or Lehman, filed a petition for protection under Chapter 11 of the U.S. bankruptcy code and Lehman Brothers International (Europe) Limited, or LBIE, an affiliate of Lehman and one of the underwriters of the 1.25% debentures, commenced administrative proceedings (analogous to bankruptcy) in the United Kingdom, approximately 2.9 million shares of class A common stock lent to LBIE in connection with the 1.25% debentures are included in basic weighted-average common shares. Basic weighted-average common shares exclude approximately 1.8 million shares of class A common stock lent to Credit Suisse International, or CSI, an affiliate of Credit Suisse Securities (USA) LLC, one of the underwriters in this offering, in connection with the 0.75% debentures. See note 15 of the notes to our consolidated financial statements in our annual report on Form 10-K for the fiscal year ended December 28, 2008, which is incorporated herein by reference, for a detailed explanation of the determination of the shares used in computing basic and diluted net income per share.

Table of Contents

(2) As reflected above under Recent Developments Accounting for Convertible Debt , on December 29, 2008 we adopted FSP APB 14-1. As a result of this adoption, we have retroactively applied this staff position to our historical financial statements to reflect an additional $22.0 million and $5.7 million in non-cash interest expense for the fiscal years ended December 28, 2008 and December 30, 2007, respectively. Without considering the adoption of FSP APB 14-1, our basic net income per share would have been $1.15 and $0.12 for the fiscal years ended December 28, 2008 and December 30, 2007, respectively, and our diluted net income per share would have been $1.09 and $0.11 for the fiscal years ended December 28, 2008 and December 30, 2007, respectively.

(3) As reflected above, on December 29, 2008 we adopted FSP EITF 03-6-1. As a result of this adoption, we have retroactively applied this staff position to our historical financial statements to reflect additional shares of our unvested restricted stock awards in the calculation of basic and diluted weighted-average shares. Without considering the adoption of FSP EITF 03-6-1, we would have had: (a) 80,522, 75,413, and 65,864 basic weighted-average shares outstanding as of December 28, 2008, December 30, 2007 and December 31, 2006, respectively; (b) 84,446, 81,227, and 71,087 diluted weighted-average shares as of December 28, 2008, December 30, 2007 and December 31, 2006, respectively; and (c) after giving effect to the adoption of FSP APB 14-1, our basic net income per share would have been $1.23 and $0.38 for the years ended December 28, 2008 and December 30, 2007, respectively.

	December 28, 2008	December 30, 2007	December 31, 2006
Consolidated Balance Sheet Data:			
Cash, cash equivalents restricted cash (current portion) and short term investments	$ 232,750	$ 390,667	$ 182,092
Working capital	435,187	205,549	228,269
Total assets	2,120,158	1,671,193	576,836
Long-term debt	54,598		
Convertible debt	357,173	333,210	
Deferred tax liabilities	44,175	45,512	46