



Per Share	\$18.00	\$1.26	\$16.74
Total	\$138,600,000	\$9,702,000	\$128,898,000

Delivery of the shares of class A common stock will be made on or about November 22, 2005.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

## Credit Suisse First Boston

## Lehman Brothers

## SG Cowen & Co.

Net cash used in investing activities	(5,371)	(14,802)	(15,275)	(17,231)	(9,691)	(47,971)
<b>Cash flows from financing activities</b>						
Proceeds from issuance of related party notes payable	844					12,500
Proceeds from debt obligations to Cypress		29,191	24,825	30,100	9,000	12,500
Proceeds from issuance of preferred stock, net of issuance costs	8,095					7,000
Proceeds from issuance of common stock to Cypress						27,372
Principal payments of debt	(565)					
Principal payments of notes payable to Cypress	(32)	(359)	(341)	(495)	(99)	(248)
Proceeds from exercise of warrants and stock options	9	8	34	224	1	37
Net cash provided by financing activities	8,351	28,840	24,518	29,829	8,902	46,661
Net increase (decrease) in cash and cash equivalents	275	5,243	(2,930)	(1,423)	(389)	16,546
Cash and cash equivalents at beginning of period	70	345	5,588	5,588	4,165	3,776
Cash and cash equivalents at end of period	\$ 345	\$ 5,588	\$ 2,658	\$ 4,165	\$ 3,776	\$ 20,322
<b>Non-cash transactions</b>						
Relative fair value of warrants issued (reduction related to debt conversion)	\$ 971	\$ 80	\$ 9,800	\$ 11,023	\$	\$ (7,706)
Conversion of Series A-E Preferred Stock to common	7,365					
Conversion of bridge loan to long term notes	1,950					

**First  
Albany  
Capital**

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The date of this prospectus is November 16, 2005

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

**Dealer Prospectus Delivery Obligation**

Through and including December 11, 2005 (25 days after commencement of the offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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### **PROSPECTUS SUMMARY**

*You should read the following summary together with the entire prospectus, including the more detailed information regarding us and the class A common stock being sold in this offering and our consolidated financial statements and the related notes appearing elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in the section entitled Risk Factors.*

#### **Our Company**

We design, manufacture and sell solar electric power products, or solar power products, based on our proprietary processes and technologies. We have spent more than 15 years developing high performance solar cells, which are semiconductor devices that directly convert sunlight into electricity. We believe our solar cells have the highest conversion efficiency, a measurement of the amount of sunlight converted by the solar cell into electricity, available for the mass market. Based on third-party data, 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 which eliminates highly visible reflective grid lines and metal interconnect ribbons; and

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

We offer solar power products including solar cells, solar panels and inverters which convert sunlight to electricity compatible with the utility network. Our initial solar sales efforts have been focused on residential and commercial applications where the high performance and superior aesthetics of our solar power products provide compelling customer benefits. We sell our solar power products in many countries, principally in regions where government incentives have accelerated solar power adoption. In addition, we offer high performance imaging detectors based on our solar power technology, primarily for medical imaging applications. We also offer infrared detectors based on our high performance all back contact technology, primarily for use in computing and mobile phone applications.

We commenced commercial production of our solar cells in late 2004. We generated total combined revenue of \$10.9 million in fiscal 2004 and total revenue of \$49.4 million in the nine months ended September 30, 2005. We have incurred net losses since inception, including a net loss of \$15.2 million in the nine months ended September 30, 2005, and as of September 30, 2005, we had an accumulated deficit of approximately \$57.9 million.

#### **Market Opportunity**

The electric power industry is one of the world's largest industrial segments, with annual revenue of approximately \$1.06 trillion in 2004, according to Datamonitor, an industry consulting firm. Global electricity demand has shown consistent growth over the past decade and is expected to increase from 14.3 trillion kilowatt hours in 2003 to 26.0 trillion kilowatt hours by 2025, according to the United States Department

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of Energy's International Energy Outlook 2005. Investments in generation, transmission and distribution to meet growth in electricity demand, excluding investments in fuel supply, are expected to be roughly \$10 trillion">

Conversion of notes payable to preferred stock

1,270	9,000
-------	-------

Conversion of notes payable to common stock

1,950	76,036
-------	--------

Conversion of accounts payable to common stock

14,715
--------

Solar power has emerged as one of the most rapidly growing renewable energy sources primarily due to multiple advantages it offers over other renewable energy sources, including negligible impact on the environment,

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no fuel price or delivery risk, point-of-use power generation, price competitiveness with peak retail electric rates, maximum generation during peak energy demand periods, modularity and reliability. Since 1985, the market for solar power, as defined by worldwide shipments of solar power systems, has grown at a compound annual growth rate of over 20%, according to Strategies Unlimited, a research firm. Since 2000, the growth of the global solar power market, as defined by solar power system installations, has accelerated to an average rate of 38%, according to SolarBuzz, an industry consulting firm. The global solar power market had an estimated \$6.5 billion in revenue in 2004.

While the cost of solar power has declined steadily over the past 30 years, it still remains more expensive than other power sources in applications without the support of government incentive programs. In addition, the solar market is dependent on polysilicon, an essential raw material. Currently, there is an industry-wide shortage of polysilico">

Conversion of preferred stock to common stock

814

Cancellation of common stock

(10,449)

**Supplemental cash flow information**

Cash paid for interest

44 149

Cash paid for income taxes

**Our Strengths**

Solar power is an emerging high-growth power generation technology. Adoption of solar power is accelerating, driven partially by government programs, although solar power's cost competitiveness versus other electricity generation alternatives and aesthetics are challenges to widespread acceptance of solar power. We believe we are a leader in producing high performance solar cells and believe our competitive advantages include:

The accompanying notes are an integral part of these financial statements.



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**SunPower Corporation**

**Notes to Consolidated Financial Statements**

**Note 1. The Company and Summary of Significant Accounting Policies**

**The Company and Basis of Presentation**

SunPower Corporation (the Company or SunPower), a majority owned subsidiary of Cypress Semiconductor Corporation (Cypress), was incorporated in the State of California on April 24, 1985. The Company was basically dormant until October 1988, when it was organized as a business venture to commercialize high-efficiency photovoltaic, or solar, cell technology. The Company designs, manufactures and sells solar electric power products based on its proprietary processes and technologies. In addition, the Company offers imaging detectors and infrared detectors based on its solar power technology.

Through funding provided by Cypress (see Note 2 and 9), the Company completed the construction of its wafer fabrication facility in the Philippines in late 2004, at which point it began volume commercial production. Currently the Company operates a 25 megawatt capacity per year solar cell production line and has ordered equipment for a second and third 25 megawatt capacity per year production lines.

In May 2002, Cypress acquired a 57% equity interest in the Company and entered into several equity and debt financing transactions with the Company. On November 9, 2004, the Company became a wholly-owned subsidiary of Cypress as a result of a merger transaction, whereby all of the minority shareholders exchanged their shares of SunPower common stock for Cypress common stock (see Note 2). Outstanding options to purchase SunPower common stock held by the Company's officers, employees and other service providers and warrants held by Cypress to purchase SunPower common stock remained outstanding as of the closing of the merger. This transaction resulted in the push down of the effect of the acquisition of SunPower by Cypress and created a new basis of accounting. As a result, the balance sheet, statements of operations, cash flows and shareholders' deficit for the periods up to November 8, 2004 are presented as the Predecessor Company, and all subsequent financial statements are presented as the Successor Company.

The consolidated financial statements of the Company reflect the historical results of operations, cash flows, assets and liabilities of the Company and all of its subsidiaries, including the goodwill, intangible assets and related deferred tax effect arising from the November 9, 2004 merger with Cypress.

The financial statements include allocations of certain Cypress expenses, including centralized legal, tax, treasury, information technology, employee benefits and other Cypress corporate services and infrastructure costs. The expense allocations have been determined based on a method that Cypress and the Company considered to be reasonable reflections of the utilization of services provided or the benefit received by the Company. The financial information included herein may not be indicative of the consolidated financial position, operating results, changes in equity and cash flows of the Company in the future, or what they would have been had the Company been a separate stand-alone entity during the periods presented. See Note 3 for additional information on the transactions with Cypress.

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The Company is subject to a number of business risks, including, but not limited to, an industry-wide shortage of polysilicon, an essential raw material in the production of solar cells; limited suppliers for capital equipment; concentration of revenue among few customers; competition from other companies with a longer operating history and significantly greater financial resources; the dependency on third-party subcontractors; the ability to obtain adequate financing to fund operating activities; dependence on key employees; and the ability to attract and retain additional qualified personnel.

### **Liquidity**

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As shown in the financial statements, the Company had, as of December 31, 2004 and September 30, 2005, a net accumulated deficit of \$42.7 million and \$57.9 million (unaudited), respectively, a working capital deficiency of \$54.3 million and working capital of \$26.4 million (unaudited), respectively, and a

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**SunPower Corporation**

**Notes to Consolidated Financial Statements (Continued)**

history of operating losses. The Company's continuation as a going concern is dependent upon continued financial support from Cypress, the Company's ability to generate sufficient cash flows to meet its obligations on a timely basis, the Company's ability to obtain additional financing or refinancing as may be required, or the Company's ability to attain profitability.

Since May 2002, Cypress has been the primary source of funding for the Company's investing and financing activities. Aside from the existing \$30.0 million Line of Credit Agreement with Cypress, which is in place up to the earlier of the completion of the Company's initial public offering or December 31, 2006, Cypress has no obligation to provide additional funding to the Company. Management believes that current cash and cash equivalents, along with the combination of cash received from Cypress and the conversion of debt and payables to Cypress into equity on July 18, 2005, and the existing \$30.0 million line of credit agreement will be sufficient to enable the Company to meet its working capital and capital expenditure requirements for at least the next 12 months.

**Principles of Consolidation**

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Company and all of its subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

**Fiscal Year**

For 2002, the Company's fiscal year ended on December 31. In fiscal 2003, the Company began to report results of operations on the basis of 52 or 53 week periods, ending on the Sunday closest to December 31. Fiscal 2003 ended on December 28, 2003 and included 52 weeks. Combined periods of fiscal 2004 ended on January 2, 2005 and included 53 weeks. The Company's fiscal quarters end on the Sunday closest to the end of the applicable calendar quarter, except in a 53-week fiscal year, in which case the additional week falls into the fourth quarter of that fiscal year. For presentation purposes only, the consolidated financial statements and notes refer to the calendar year end and month end of each respective period.

**Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates in these financial statements include allowances for doubtful accounts receivable, inventory write-downs, estimates for future cash flows and economic useful lives of property and equipment, asset impairments, certain accrued liabilities and income taxes and tax valuation allowances. Actual results could differ from those estimates.

**Fair Value of Financial Instruments**

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying values for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their respective fair values due to their short maturities.

**Comprehensive Loss**

Comprehensive income (loss) is defined as the change in equity during a period from non-owner sources. The Company's comprehensive loss is comprised of net loss and changes in unrealized gains (losses), net of tax, for derivatives such as the outstanding cash flow hedge forward contracts related to forecasted Euro revenue transactions (see Note 7). Comprehensive income (loss) is presented in the Consolidated Statements of Comprehensive Loss.

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**SunPower Corporation**

**Notes to Consolidated Financial Statements (Continued)**

**Cash and Cash Equivalents**

Highly liquid investments with original or remaining maturities of ninety days or less at the date of purchase are considered cash equivalents.

**Inventories**

Inventories are stated at the lower of standard cost or net realizable value. Standard cost approximates actual cost on a first-in, first-out basis. The Company routinely evaluates quantities and values of inventory in light of current market conditions and market trends, and records reserves for quantities in excess of demand and product obsolescence. The evaluation may take into consideration historic usage, expected demand, anticipated sales price, new product development schedules, the effect new products might have on the sale of existing products, product obsolescence, customer concentrations, product merchantability and other factors. Market conditions are subject to change and actual consumption of our inventory could differ from forecast demand. The Company's products have a long life cycle and obsolescence has not historically been a significant factor in the valuation of inventories. The Company also regularly reviews the cost of inventory against their estimated market value and records a lower of cost or market reserve for inventories that have a cost in excess of estimated market value. Inventory reserves once recorded are not reversed until the inventories have been subsequently disposed of.

**Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed for financial reporting purposes using the straight line method over the estimated useful lives of the assets as presented below. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or the remaining term of the lease. Repairs and maintenance costs are expensed as incurred.

	<b>Useful Lives in Years</b>
Manufacturing Equipment	<i>Superior Conversion Efficiency.</i> We believe our solar cells have the highest conversion efficiency available for

the mass market. Our proprietary all back contact design results in conversion efficiencies of up to 50% more power per unit area than conventional solar cells. This superior conversion efficiency results in decreased per watt panel packaging and installation costs and provides greater power generation on a given rooftop space.

*Superior Aesthetics.* Because all electrical contacts are located on the back, our solar cells have a uniformly black appearance that allows our solar panels to blend into customers' rooftops, which we believe appeals to customers seeking a solution which is more aesthetically appealing.

*Efficient Silicon Utilization.* We believe our superior conversion efficiency allows us to use less silicon to generate the same amount of electricity as conventional solar cells of the same size. This superior conversion efficiency also provides our solar cells with more efficient utilization of silicon, the primary raw material used in solar cells, as defined by grams of silicon per watt, than that of conventional solar cells. Based on third-party data, the solar industry's rate of silicon consumption is estimated to range from 11.5 grams per watt to 13 grams per watt. Our rate of consumption, as calculated by us, is 9.2 grams per watt.

*Ease of Assembly.* Our proprietary solar cell architecture simplifies panel assembly, allowing for backside connections, versus the traditional interconnect weaving process. We believe our architecture reduces the complexity and cost of assembling solar panels.

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

*Strong Management Team.* Our management team has a diverse set of industry skills and global operating experience, including backgrounds spanning the solar, semiconductor and optical media industries, as well as expertise running complex organizations and managing rapid growth. Our executive officers have an average of over 25 years of experience in the solar or high technology industries.

Our ability to maintain our competitive advantage is dependent on several factors, including the availability of polysilicon and other key components from third-party suppliers, uninterrupted operations at our Philippines



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facility, our ability to expand our customer base, our history in producing and shipping solar cells and solar panels in commercial volumes, our ability to compete, the market for solar power and our ability to retain key personnel and other factors set forth in Risk Factors.

## **Our Strategy**

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

*Maintain our Technology Advantage and Reduce Manufacturing Costs.* We intend to maintain our technology advantage by continuing to invest in research and development to improve solar cell efficiency and lower manufacturing costs.

*Continue to Expand Manufacturing Capacity.* Since late 2004, we have been operating a single 25 megawatts per year solar cell production line. This production line is capable of manufacturing over the course of a year solar cells with a cumulative rated capacity of 25 megawatts peak production, which is equivalent to over eight million A-300 solar cells per year. To meet the ongoing demand for our products, we have ordered manufacturing equipment for the second and third 25 megawatts per year production lines, which are expected to increase our manufacturing capacity to 75 megawatts per year in 2006. We are evaluating the timing of a fourth line in our existing facility and of a second production facility.

*Reduce our Dependence on Market Incentives.* Most of our current customers operate in markets that depend on a variety of government incentives to reduce the cost of solar power systems to end customers. In the short term, we intend to diversify our customer and market base to include non-incentivized markets. Over the long term, we plan to reduce our solar power system cost to reduce or eliminate the need for these market incentives.

*Build a Leading Brand.* We believe establishing strong brand name recognition is important to increase product awareness and to address the mass market. We intend to differentiate our brand by emphasizing our combination of high performance and superior product appearance.

*Drive Efficiency Improvements Through Relationships with Suppliers and Customers.* We intend to pursue relationships with, and investments in, our suppliers and customers to increase overall channel efficiency and reduce the cost of our products delivered to end customers.

## **Our Corporate History**

We were incorporated in California in April 1985. We reincorporated in Delaware in November 2005. Our headquarters are located at 430 Indio Way, Sunnyvale, CA 94085 and our telephone number is (408) 991-0900. Our website is [www.sunpowercorp.com](http://www.sunpowercorp.com). Information contained on, or that can be accessed through, our website does not constitute part of this prospectus. In this prospectus, SunPower, we, us and our refer to SunPower Corporation and its subsidiaries and not to the underwriters or Cypress.

SunPower is our registered trademark. The SunPower logo is our trademark. This prospectus also includes trade names, trademarks and service marks of other companies and organizations.



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

Cypress made a significant investment in us in 2002. On November 9, 2004, Cypress completed a reverse triangular merger with us in which all of the outstanding minority equity interest of SunPower was retired, effectively giving Cypress 100% ownership of all of our then outstanding shares of capital stock but leaving our unexercised warrants and options outstanding.

After this offering, Cypress will own approximately 2 to 7

Computer Equipment

2 to 7

Furniture and fixtures

3 to 5

Leasehold improvements

5 to 15

## **Long-Lived Assets**

The Company evaluates its long-lived assets, including property and equipment and intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable in accordance with Statement of Financial Accounting Standard ( SFAS ) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Factors considered important that could result in an impairment review include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of acquired assets and significant negative industry or economic trends. Impairments are recognized based on the difference between the fair value of the asset and its carrying value. Fair value is generally measured based on either quoted market prices, if available, or discounted cash flow analyses.

## **Goodwill and Intangibles Arising from Cypress Acquisition of the Company**

The Company accounts for goodwill and other intangibles in accordance with SFAS No. 142, Goodwill and Other Intangible Assets. Goodwill and intangibles with indefinite lives are not amortized but are tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Intangible assets with finite useful lives are amortized using the straight-line method over their useful lives ranging primarily from 2 to 6 years and are reviewed for impairment in accordance with SFAS No. 144.

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**SunPower Corporation**

**Notes to Consolidated Financial Statements (Continued)**

**Product Warranties**

The Company warrants or guarantees the performance of its solar panels at certain levels of conversion efficiency for extended periods, often as long as 25 years. It also warrants or guarantees the functionality of solar cells and imaging detectors for at least one year. Therefore, the Company maintains warranty reserves to cover potential liability that could result from these guarantees. The Company's potential liability is generally in the form of product replacement. Warranty reserves are based on the Company's best estimate of such liabilities and are recognized as a cost of revenue. The Company continuously monitors product returns for warranty failures and maintains a reserve for the related warranty expenses based on historical experience of similar products as well as various other assumptions that are considered reasonable under the circumstances. The warranty reserve includes specific accruals for known product issues and an accrual for an estimate of incurred but not reported product issues.

**Revenue Recognition**

The Company sells its products directly to system integrators and OEMs and recognizes revenue when persuasive evidence of an arrangement exists, delivery of the product has occurred and title and risk of loss has passed to the customer, the sales price is fixed and determinable, collectibility of the resulting receivable is reasonably assured and the rights and risks of ownership have passed to the customer. There are no rights of return and there are no significant post-shipment obligations, including installation, training or customer acceptance clauses with any of its customers that could have an impact on revenue recognition. As such, the Company records a trade receivable for the selling price when the above conditions are met, and reduces inventory for the carrying value of goods shipped. The Company's revenue recognition policy is consistent across its product lines and sales practices are consistent across all geographic areas.

The Company also enters into development agreements with some of its customers. Development revenue is recognized under the proportionate performance method, with the associated costs included in research and development expense. The Company estimates the proportionate performance of its development contracts based on an analysis of progress toward completion.

**Translation of Foreign Currencies**

The Company uses the U.S. dollar as its functional currency for all foreign subsidiaries. Accordingly, assets and liabilities of these subsidiaries are translated using exchange rates in effect at the end of the period, except for non-monetary assets, such as property, plant and equipment, which are translated using historical exchange rates. Revenues and costs are translated using average exchange rates for the period, except for income items related to non-monetary assets and liabilities, such as depreciation, that are translated using historical exchange rates. As of December 31, 2003, there were no accounts receivables or accounts payables denominated in foreign currencies. As of December 31, 2004 and September 30, 2005, the Company had accounts receivable of Euro 1.9 million and Euro 8.4 million (unaudited), respectively, which translate into \$2.6 million and \$10.1 million (unaudited), respectively. As of December 31, 2004 and September 30, 2005, the Company had accounts payable of Euro 0.1 million and Euro 0.6 million (unaudited), respectively. The resulting translation gains and losses included in other income (expense) of the above combined with the other hedging activities were not significant to the consolidated statements of operations for the

periods presented.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash, cash equivalents and trade accounts receivable. The Company's investment policy requires cash and cash equivalents to be placed with high-credit quality institutions and to limit the amount of credit risk from any one issuer. The Company performs ongoing credit evaluations of its customers' financial condition whenever deemed

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**SunPower Corporation**

**Notes to Consolidated Financial Statements (Continued)**

necessary and generally does not require collateral. The Company maintains an allowance for doubtful accounts receivable based upon the expected collectibility of all accounts receivable, which takes into consideration an analysis of historical bad debts, specific customer creditworthiness and current economic trends. The allowance for doubtful accounts was \$57,000, \$59,000 and \$529,000 (unaudited) as of December 31, 2003 and 2004 and September 30, 2005, respectively. Three customers accounted for 29%, 26% and 11% of accounts receivable as of December 31, 2003. Three customers accounted for 45%, 12% and 11% of accounts receivable as of December 31, 2004, respectively. Two customers accounted for 43% (unaudited) and 11% (unaudited) of accounts receivable as of September 30, 2005.

**Accounting for Stock-Based Compensation**

The Company accounts for its stock-based employee compensation plans under the recognition and measurement principles of Accounting Principles Board ( APB ) Opinion No. 25, Accounting for Stock Issued to Employees ( APB 25 ) and related Interpretations and complies with disclosure provisions of SFAS 148, *Accounting for Stock-Based Compensation Transition and Disclosure an Amendment of SFAS 123*. In certain instances, the Company reflects stock-based employee compensation cost in net income (loss). If there is any compensation under the rules of APB 25, the expense is amortized using an accelerated method prescribed under the rules of the Financial Accounting Standards Board ( FASB ) Interpretation No. 28, Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans ( FIN 28 ). The following table illustrates the effect on net loss and related per share amounts if the Company had applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation ( SFAS 123 ), to all stock based employee awards (in thousands, except per share data).

<b>Predecessor Company</b>	<b>Successor Company</b>
<p><b>Years Ends will hold in the aggregate 52,033,287 shares of class B common stock, representing approximately 87% of our total outstanding shares of common stock. At that time, Cypress is</b></p>	

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expected to hold 98% of the voting power of our outstanding capital stock. Cypress has advised us that it does not have any current plans to distribute to its stockholders the shares of our class B common stock that it beneficially owns, although it may elect to effect such a distribution in the future.

We design, manufacture and sell solar power products based on our proprietary processes and technologies. We have entered into various separation agreements with Cypress including a master separation agreement, an employee matters agreement, a tax sharing agreement, a master transition services agreement, a wafer manufacturing agreement, a lease for certain manufacturing assets, an investor rights agreement, and an indemnification and insurance matters agreement. These agreements will become effective upon completion of this offering, except for the tax sharing agreement and the lease for manufacturing assets which are currently effective. We also entered into an agreement with Cypress to extend our lease in the Philippines for an additional 15 years with a right to purchase the facility. See Related Party Transactions.

Under the terms of the master transition services agreement, we will pay Cypress for the services provided to us, at Cypress' cost or at the rate negotiated with Cypress for a period of three years following this offering or upon a change of control, whichever occurs first. Under the terms of our lease agreement, we will pay Cypress at a rate equal to the cost to Cypress for the lease of our Philippines facility until the earlier of 10 years or a change

of control of us. Thereafter, we will pay market rent for the facility for the remainder of the 15-year lease. Under the terms of the wafer manufacturing agreement, we will pay Cypress to make infrared and imaging detector products for us at prices consistent with the then current Cypress transfer pricing, which is equal to the forecasted cost to Cypress to manufacture the wafers for the next three years or until a change of control of us. See Related Party Transactions.

Cypress designs, develops, manufactures and markets a broad line of high-performance digital and mixed-signal integrated circuits for a broad range of markets, including networking, wireless infrastructure and handsets, computation, consumer, automotive and industrial.

Cypress product portfolio includes a selection of wired and wireless USB devices, CMOS image sensors, timing solutions, network search engines, specialty memories, high-bandwidth synchronous and micropower memory products, optical solutions and reconfigurable mixed-signal arrays. Cypress stock is traded on the New York Stock Exchange under the symbol CY.

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**THE OFFERING**

Class A 7,700,000 shares  
common  
stock  
offered by  
us

Class A December 31, 2004 through December 31, 2005  
common stock to be outstanding after this offering

Class B 52,002,870 shares representing approximately 87% of our total outstanding shares of capital stock and 98% of the voting power of our outstanding capital stock.

Total  
common  
stock to be  
outstanding  
after this  
offering

			(unaudited)		(unaudited)	
Net loss, as reported	\$ (3,533)	\$ (14,545)	\$ (18,557)	\$ (23,302)	\$ (5,609)	\$ (15,203)
Add: Total stock-based employee compensation expense reported in net loss, net of related tax effects			55	131	650	510
Deduct: Total stock-based employee compensation expense determined under SFAS 123 for all awards, net of related tax effects	(11)	(55)	(928)	(1,187)	(370)	(3,487)
Pro forma net loss	\$ (3,544)	\$ (14,600)	\$ (19,430)	\$ (24,358)	\$ (5,329)	\$ (18,180)

59,809,939  
shares

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### Voting rights

Following this offering, we will have two classes of authorized common stock: class A common stock and class B common stock. Only Cypress, its successors in interest and its subsidiaries may hold shares of class B common stock unless Cypress distributes its shares of class B common stock to its stockholders in a tax-free distribution. The rights of the holders of class A and class B common stock are substantially similar, except with respect to voting, conversion and other protective provisions as set forth in this prospectus. The holders of class B common stock shall be entitled to eight votes per share and the holders of class A common stock shall be entitled to one vote per share. Each share of class B common stock is convertible into one share of class A common stock at any time. In the event that Cypress, its successors in interest and its subsidiaries collectively own less than 40% of the shares of all classes of our common stock then outstanding and Cypress has not effected a tax-free distribution of our class B common stock to its stockholders prior to such time, each outstanding share of class B common stock will automatically convert into one share of class A common stock. See Description of Capital Stock.

### Use of proceeds

We intend to use approximately \$45 million to \$55 million of the net proceeds from this offering for the expansion of our manufacturing capacity and the remainder for general corporate purposes, including working capital. We may use approximately \$10 million of the proceeds to purchase our Philippines manufacturing facility from Cypress, which we have the option to do under our lease. We may also use a portion of the net proceeds to acquire complementary technologies or businesses. See Use of Proceeds.

### Nasdaq National Market symbol

SPWR

- 
- (1) All shares of class B common stock are currently held by Cypress. Only Cypress, its successors in interest and its subsidiaries may hold shares of our class B common stock unless Cypress distributes its shares of class B common stock to its stockholders in a tax-free distribution.



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The number of shares of class A and class B common stock to be outstanding immediately after this offering is based upon 76,652 shares of class A common stock and 52,033,287 shares of class B common stock outstanding as of September 30, 2005 and excludes:

6,508,193 shares of class A common stock issuable upon the exercise of options outstanding as of September 30, 2005, at a weighted average exercise price of \$2.97 per share; and

283,126 shares of class A common stock reserved for future issuance as of September 30, 2005 under our 2005 Stock Incentive Plan.

As of September 30, 2005, 283,126 shares of class A common stock remained available for future issuance under our 1996 Stock Plan. Upon the completion of this offering, the 1996 Stock Plan will be terminated. No shares of our class A common stock will remain available under the 1996 Stock Plan or our 1988 Stock Incentive Plan other than for satisfying exercises of stock options granted under this plan prior to its termination.

We have also adopted our 2005 Stock Unit Plan, under which our board of directors awards participants the right to receive cash payments from us in an amount equal to the appreciation in our stock between the award date and the date the employee redeems the award. A maximum of 100,000 stock units may be subject to stock unit awards granted under this plan and as of September 30, 2005, 11,450 units have been granted.

Unless otherwise stated, all information in this prospectus assumes:

the automatic conversion of all outstanding shares of our series one convertible preferred stock into 6,457,530 shares of class B common stock and all outs000"> ' \_\_\_\_\_

Net loss per share: Basic and diluted as reported \$	(1.11) \$ (3.50) \$ (4.41) \$ (5.51) \$ (2,804.50) \$ (0.93)
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no exercise of the over-allotment option granted to the underwriters; and

a 2-for-1 reverse stock split of our common stock effected on November 10, 2005.

Upon completion of this offering, each share of series one convertible preferred stock will convert into 0.5 shares of class B common stock and each share of series two convertible preferred stock will convert into 0.5 shares of class B common stock. Except as otherwise stated, all information related to common stock and options and warrants to purchase common stock and earnings per share has been retroactively adjusted to give effect to the reverse stock split.

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**SUMMARY CONSOLIDATED FINANCIAL DATA**

*The following tables present our summary consolidated historical financial information. You should read this information together with the consolidated financial statements and related notes and the information under Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.*

*On November 9, 2004, Cypress completed a reverse triangular merger with us in which each share of our then outstanding capital stock not owned by Cypress was valued at \$3.30 per share on a post-split basis, or \$1.65 per share on a pre-split basis, and exchanged for an equivalent number of shares of Cypress common stock. This merger effectively gave Cypress 100% ownership of all of our then outstanding shares of capital stock but left our unexercised warrants and options outstanding. This transaction resulted in the push down of the effect of the acquisition of SunPower by Cypress and created a new basis of accounting. See note 2 of the notes to our consolidated financial statements. The consolidated balance sheet and statements of operations data in this prospectus*

Basic and diluted pro forma

\$(1.11) \$(3.51) \$(4.62) \$(5.76) \$(2,664.50) \$(1.12)



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**SunPower Corporation**

**Notes to Consolidated Financial Statements (Continued)**

The fair value of each stock option is estimated on the date of grant using the Black-Scholes pricing model with the following assumptions:

Predecessor Company		Successor Company		
Year Ended	Nine Months Ended	January 1,	November 9,	Nine Months
December 31,	September 30, 2004	2004 Through November 8, 2004	2004 Through December 31, 2004	Ended September 30, 2005

Consolidated statements of operations data for the fiscal years ended December 31, 2002 and 2003, the period from January 1, 2004 to November 8, 2004, and the period from November 9, 2004 to December 31, 2004 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated balance sheet at September 30, 2005, and the consolidated statement of operations data for the nine months ended September 30, 2004 and 2005 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. In 2002, we reported our results of operations on a calendar year-end basis. In fiscal 2003, we began to report our results of operations on the basis of 52 or 53 week periods, ending on the Sunday closest to December 31. Fiscal 2003 ended on December 28, 2003 and included 52 weeks. The combined periods of fiscal 2004 ended on January 2, 2005 and included 53 weeks. Our fiscal quarters end on the Sunday closest to the end of the applicable calendar year, except in a 53-week fiscal year in which the additional week falls into the fourth quarter of that year. For presentation purposes only, the consolidated financial statements and notes refer to the year-end and month-end of each respective period.

Consolidated financial statements include allocations of certain Cypress expenses, including legal, tax, treasury, information technology, employee benefits and other Cypress corporate and infrastructure costs. The expense allocations have been determined on bases that we and Cypress have considered to be reasonable reflections of the utilization of services provided or the benefit derived by us. The financial information included in this discussion and in our consolidated financial statements may not be indicative of our consolidated financial position, operating results, changes in equity or cash flows in the future, or what they would have been had we been a separate stand-alone entity for the periods presented. See note 3 of the notes to our consolidated financial statements for additional information on our relationship with Cypress.

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Predecessor Company				Successor Company	
Years Ended December 31,		Nine Months Ended		September & "bottom" of 2003	
(unaudited)				(unaudited)	
0%	0%	0%	0%	0%	0%
- 3.95%	2.13% - 3.20%	3.08% - 3.12%	3.08% - 3.58%	3.08% - 3.58%	3.5% - 4.15%
5 years	5 years	4 years	4 years	4 years	4 years
5%	78%	81%	81%	81%	74%

Options were granted to employees where the exercise price was less than the deemed fair value of stock on the date of grant for the years ended 3/31/03,

**2003**

(\$ in thousands, except per share data)

Product revenue	\$	3,722
Other		333
		<b>Year Ended December 31,</b>
Total revenue		4,055
		<b>Nine Months Ended September 30, 2004</b>
		<b>November 9, 2004 Through December 31, 2004</b>
		<b>Nine Months Ended September 30, 2005</b>
Convertible preferred stock	14,308	14,308
Stock options	517	1,745
Preferred stock warrants	16,000	16,000
Common stock warrants	658	822

4,987	6,707	9,49
9,816	11,035	12,11
3,238	3,997	4,71















