

FIRST SOLAR, INC.
Form DEF 14A
April 10, 2013
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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

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 Pursuant to §240.14a-12

First Solar, 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.

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(3) Filing Party:

(4) Date Filed:

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First Solar, Inc.

350 West Washington Street

Suite 600

Tempe, Arizona 85281

April 10, 2013

Dear Stockholder:

You are cordially invited to attend our 2013 annual meeting of stockholders of First Solar, Inc. to be held on Wednesday, May 22, 2013 at 9:00 a.m., local time, at the Desert Willow Conference Center, 4340 East Cotton Center Boulevard, Phoenix, Arizona 85040.

Details regarding admission to the meeting and the business to be conducted are described in the Notice of Internet Availability of Proxy Materials (the "Notice") you received in the mail and in this proxy statement. We have also made available a copy of our 2012 Annual Report to Stockholders (the "2012 Annual Report") with this proxy statement. We encourage you to read our 2012 Annual Report. It includes our audited financial statements and information about our operations, markets and products.

We have elected to provide access to our proxy materials on the internet under the Securities and Exchange Commission's notice and access rules. We are pleased to take advantage of these rules and believe that they enable us to provide you with the information you need, while making delivery more efficient and more environmentally friendly. In accordance with these rules, we have sent the Notice to each of our stockholders providing instructions on how to access our proxy materials and our 2012 Annual Report on the internet.

Your vote is important. Whether or not you plan to attend the annual meeting, we hope you will vote as soon as possible. You may vote on the internet, as well as by telephone or, if you requested to receive printed proxy materials, by mailing a proxy or voting instruction card. Please review the instructions on each of your voting options described in this proxy statement as well as in the Notice you received in the mail.

The executive team looks forward to greeting those of you who are able to attend the annual meeting in Phoenix.

Sincerely,

James A. Hughes

Chief Executive Officer

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FIRST SOLAR, INC.

350 West Washington Street

Suite 600

Tempe, Arizona 85281

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The 2013 annual meeting of stockholders of First Solar, Inc. will be held on Wednesday, May 22, 2013, at 9:00 a.m., local time. The annual meeting will take place at the Desert Willow Conference Center, 4340 East Cotton Center Boulevard, Phoenix, Arizona 85040.

The purposes of the annual meeting are as follows:

1. to elect ten members of the board of directors to hold office until the next annual meeting of stockholders or until their respective successors have been elected and qualified;
2. to ratify the appointment of PricewaterhouseCoopers LLP as First Solar, Inc.'s independent registered public accounting firm for the year ending December 31, 2013;
3. to vote upon two proposals submitted by stockholders as described in this proxy statement; and
4. to transact such other business as may properly come before the annual meeting.

Any action may be taken on the foregoing proposals at the annual meeting on the date specified above or on any date or dates to which the annual meeting may be adjourned or postponed.

The close of business on April 2, 2013 is the record date for determining stockholders entitled to vote at the annual meeting. Only holders of common stock of First Solar, Inc. as of the record date are entitled to vote on some or all of the matters listed in this notice of annual meeting. A complete list of stockholders entitled to vote at the annual meeting will be available for inspection by stockholders during normal business hours at our corporate headquarters located at 350 West Washington Street, Suite 600, Tempe, Arizona 85281, during the ten days prior to the annual meeting as well as at the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS,
Mary Beth Gustafsson
Executive Vice President,

General Counsel and Secretary
April 10, 2013

Your vote is very important.

Whether or not you plan to attend the annual meeting, we encourage you to read this proxy statement and submit your proxy or voting instructions as soon as possible. For specific instructions on how to vote your shares, please refer to the instructions on the Notice you received in the mail, the section entitled Questions and Answers About the Annual Meeting beginning on page 1 of this proxy statement

or, if you requested to receive printed proxy materials, your enclosed proxy card.

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FIRST SOLAR, INC.

350 West Washington Street

Suite 600

Tempe, Arizona 85281

PROXY STATEMENT

This proxy statement is being furnished in connection with the solicitation of proxies by the board of directors of First Solar, Inc., a Delaware corporation ("First Solar" or the "Company"), for use at the annual meeting of the Company's stockholders to be held on Wednesday, May 22, 2013, at the Desert Willow Conference Center, 4340 East Cotton Center Boulevard, Phoenix, Arizona 85040, commencing at 9:00 a.m., local time, and at any adjournment or postponement. The Notice of Internet Availability of Proxy Materials (the "Notice") relating to the annual meeting is first being mailed to stockholders, and this proxy statement is first being made available to stockholders, on or about April 10, 2013.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

What is the purpose of the annual meeting?

At the annual meeting, stockholders are being asked to consider and vote upon the following matters:

the election of ten members of our board of directors to hold office until the next annual meeting of stockholders or until their respective successors have been elected and qualified;

the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2013; and

the two stockholder proposals, if properly presented at the annual meeting, as described on pages 51 through 56 of this proxy statement. The stockholders will also transact any other business that may properly come before the annual meeting.

Why did I receive a notice in the mail regarding the internet availability of proxy materials instead of a full set of proxy materials?

In accordance with rules adopted by the Securities and Exchange Commission (the "Commission"), we may furnish proxy materials, including this proxy statement and our 2012 Annual Report to Stockholders (the "2012 Annual Report"), to our stockholders by providing access to such documents on the internet instead of mailing printed copies. You will not receive a printed copy of the proxy materials unless you specifically request one. Instead, the Notice instructs you as to how you may access and review all of the proxy materials on the internet. The Notice also instructs you as to how you may submit your proxy on the internet. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice.

How do I get electronic access to the proxy materials?

The Notice provides you with instructions regarding how to:

View our proxy materials for the annual meeting on the internet; and

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Instruct us to send our future proxy materials to you electronically by email.

Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the environmental impact of printing and mailing these materials. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

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How does the board of directors recommend that I vote?

Our board of directors recommends that you vote your shares (1) **FOR** each of the nominees to the board of directors, (2) **FOR** the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2013, and (3) **AGAINST** each of the stockholder proposals described on pages 51 through 56 of this proxy statement.

Who is entitled to vote?

The record date for the annual meeting is April 2, 2013. Only stockholders of record at the close of business on that date are entitled to notice of and to vote at the annual meeting. Attendance at the meeting will be limited to such stockholders of record, their proxies, beneficial owners having evidence of ownership on that date and invited guests of the Company.

The Company's sole outstanding capital stock is its common stock, with a par value of \$0.001 per share. Each holder of the Company's common stock is entitled to one vote per share on each matter submitted at the annual meeting. At the close of business on the record date there were 87,624,511 shares of the Company's common stock outstanding and eligible to vote at the annual meeting.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Most First Solar stockholders hold their shares through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholder of Record

If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered, with respect to those shares, the stockholder of record, and the Notice was sent directly to you by First Solar. As the stockholder of record, you have the right to grant your voting proxy directly to First Solar or to vote in person at the annual meeting. If you requested to receive printed proxy materials, First Solar has enclosed or sent a proxy card for your use. You may also vote on the internet or by telephone, as described in the Notice and below under the heading **How can I vote my shares without attending the annual meeting?**

Beneficial Owner

If your shares are held in an account at a brokerage firm, bank, broker-dealer, trust or other similar organization, like the vast majority of our stockholders, you are considered the beneficial owner of shares held in street name, and the Notice was forwarded to you by that organization. As the beneficial owner, you have the right to direct your broker, bank, trustee or nominee how to vote your shares, and you are also invited to attend the annual meeting.

Since a beneficial owner is not the stockholder of record, you may not vote your shares in person at the annual meeting unless you obtain a legal proxy from the broker, bank, trustee or nominee that holds your shares giving you the right to vote the shares at the meeting. If you do not wish to vote in person or you will not be attending the annual meeting, you may vote by proxy. You may vote by proxy over the internet or by telephone, as described in the Notice and below under the heading **How can I vote my shares without attending the annual meeting?**

How can I vote my shares in person at the annual meeting?

Shares held in your name as the stockholder of record may be voted by you in person at the annual meeting. Shares held beneficially in street name may be voted by you in person at the annual meeting only if you obtain a legal proxy from the broker, bank, trustee or nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the annual meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the meeting.

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How can I vote my shares without attending the annual meeting?

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the annual meeting. If you are a stockholder of record, you may vote by proxy. You can vote by proxy over the internet by following the instructions provided in the Notice, or, if you requested to receive printed proxy materials, you can also vote by mail or telephone pursuant to instructions provided on the proxy card. If you hold shares beneficially in street name, you may also vote by proxy over the internet by following the instructions provided in the Notice, or, if you requested to receive printed proxy materials, you can also vote by telephone or mail by following the voting instruction card provided to you by your broker, bank, trustee or nominee.

Can I change my vote after I submit my proxy?

Yes, you may change your vote at any time prior to the vote at the annual meeting. If you are the stockholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes the earlier proxy), by providing a written notice of revocation to First Solar's Corporate Secretary at 350 West Washington Street, Suite 600, Tempe, Arizona 85281 prior to your shares being voted, or by attending the annual meeting and voting in person. Attendance at the annual meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, trustee or nominee following the instruction they provided, or, if you have obtained a legal proxy from your broker or nominee giving you the right to vote your shares, by attending the annual meeting and voting in person.

How many shares must be present to hold the annual meeting?

A quorum must be present at the annual meeting for any business to be conducted. The presence at the annual meeting, in person or by proxy, of the holders of a majority of the shares of voting stock outstanding on the record date, determined by voting power, will constitute a quorum. Both abstentions and broker non-votes (described below) are counted for the purpose of determining the presence of a quorum. If a quorum is not present, the chairman of the annual meeting may adjourn the annual meeting until a quorum is present.

What is the voting requirement to approve each of the proposals?

In the election of directors, the affirmative vote of a plurality of the votes cast is required to elect the ten nominees as directors. This means that the ten nominees will be elected if they receive more affirmative votes than any other person. You may not accumulate your votes for the election of directors. Please note that brokers may not use discretionary authority to vote shares on the election of directors if they have not received specific instructions from their clients. For your vote to be counted in the election of directors, you will need to communicate your voting decisions to your bank, broker or other holder of record before the date of the annual meeting.

The proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2013 and each of the stockholder proposals described on pages 50 through 56 of this proxy statement requires the affirmative vote of a majority of the voting power of the Company's common stock present at the meeting in person or by proxy and entitled to vote as of the record date.

If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote or votes cast on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum is obtained. Abstentions, on the other hand, have the same effect as votes against the matter.

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What happens if a nominee is unable to stand for election?

If a nominee is unable to stand for election, the board of directors may either reduce the number of directors to be elected or cause a substitute nominee to be selected. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have withheld authority.

Who pays for the costs of soliciting proxies?

The Company will pay the cost of soliciting proxies. The Company has retained Alliance Advisors, LLC (Alliance) to act as a proxy solicitor in conjunction with the annual meeting. Alliance may assist us in soliciting proxies by telephone, through the mail and by other means. We have agreed to pay Alliance \$7,500 plus reasonable out-of-pocket expenses for proxy solicitation services.

In addition, the Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of voting stock. In addition to solicitation by mail, directors, officers and associates (which is our term for employees and is used throughout this proxy statement to mean employees) of the Company may solicit proxies personally, by telephone or by electronic communication, without additional compensation.

How do I obtain more information about the Company?

A copy of our 2012 Annual Report is available on the website <http://www.envisionreports.com/fslr>. Our Annual Report on Form 10-K for the year ended December 31, 2012 is available on our investor relations website at <http://investor.firstsolar.com> under SEC Filings. **You may also obtain, free of charge, a copy of our Annual Report on Form 10-K for the year ended December 31, 2012 by writing to Investor Relations, First Solar, Inc., 350 West Washington Street, Suite 600, Tempe, Arizona 85281; Email: investor@firstsolar.com.**

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF THE STOCKHOLDERS TO BE HELD ON MAY 22, 2013

This Proxy Statement and our 2012 Annual Report are available at <http://www.envisionreports.com/fslr>.

A Note About the Company Website

Although we include references to our website (www.firstsolar.com) throughout this proxy statement, information that is included on our website is not incorporated by reference into, and is not a part of, this proxy statement. Our website address is included as an inactive textual reference only.

We use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under the SEC's Regulation FD. Such disclosures will typically be included within the Investor Relations section of our website. Accordingly, investors should monitor such portions of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

CORPORATE GOVERNANCE

We adopted corporate governance guidelines that address the governance activities of the board of directors and include criteria for determining the independence of the members of our board. These guidelines are in addition to the requirements of the Commission and The NASDAQ Stock Market (NASDAQ). The guidelines also include requirements for the standing committees of the board, responsibilities for board members and the annual evaluation of the board's and its committees' effectiveness. The corporate governance guidelines are available on our website at www.firstsolar.com under Investors Corporate Governance. At any time that these guidelines

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are not available on our website, we will provide a copy upon written request made to Investor Relations, First Solar, Inc., 350 West Washington Street, Suite 600, Tempe, Arizona 85281.

Independence

The board of directors has determined that the following directors are independent as required by the Sarbanes-Oxley Act of 2002, SEC rules and regulations, the listing standards of NASDAQ and our corporate governance guidelines (collectively, the Independence Criteria): Richard D. Chapman, George A. (Chip) Hambro, Craig Kennedy, James F. Nolan, William J. Post, J. Thomas Presby, Paul H. Stebbins and Michael Sweeney. The board of directors also determined that Jose H. Villarreal, who served as a director through the 2012 annual meeting of stockholders, was independent in accordance with the Independence Criteria. In addition, the board of directors has also concluded that the members of each of the audit, compensation and nominating and governance committees are independent in accordance with the Independence Criteria and such other laws and regulations as may be applicable to those committees in accordance with their charter.

Code of Business Conduct and Ethics

We have a code of business conduct and ethics that applies to all directors and associates, including our chairman, chief executive officer, chief financial officer, other directors and executive officers, and all of our associates. These standards are designed to deter wrongdoing and to promote the honest and ethical conduct of all associates. The code of business conduct and ethics is posted on our website at www.firstsolar.com under Investors Corporate Governance. Any substantive amendment to, or waiver from, any provision of the code of business conduct and ethics with respect to any director or executive officer will be posted on our website.

Board of Directors Composition

Our board of directors is currently composed of ten directors: eight independent directors and two non-independent directors, our chairman of the board and our chief executive officer.

Board of Directors Leadership Structure

The board's current leadership structure separates the positions of chairman and chief executive officer. Effective as of October 25, 2011, Robert J. Gillette resigned as our chief executive officer in connection with his departure from the Company. On October 26, 2011, Michael J. Ahearn assumed the role of interim chief executive officer in addition to his role as chairman of the board. With the appointment of Mr. Hughes as our chief executive officer effective May 3, 2012, Mr. Ahearn resigned as an associate of the Company on July 30, 2012, and effective July 31, 2012, became the non-executive chairman.

Although the roles of chief executive officer and chairman of the board are currently separated, the board has not adopted a formal policy regarding leadership structure and instead believes that the right structure should be based on the needs and circumstances of the Company, its board and its stockholders at a given point in time, and that the board should remain adaptable to shaping the leadership structure as those needs change. With the departure of Mr. Gillette in October 2011 and the willingness of Mr. Ahearn to serve as chief executive officer on an interim basis, the board determined that a structure, with the roles of chief executive officer and chairman of the board combined, was appropriate at the time based upon company-specific circumstances. With the appointment of Mr. Hughes as chief executive officer in May 2012, the board determined that the current structure, with the role of chief executive officer and chairman of the board separated, is appropriate under company-specific circumstances.

The Board's Role in Risk Oversight

The Company has a comprehensive risk management process in which management is responsible for identifying and managing the Company's risks and the board and its committees provide oversight in connection with these efforts. Risks are identified, assessed and managed on an ongoing basis and communicated to management during periodic management meetings or otherwise as appropriate. Existing and potential material

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risks are addressed during periodic senior management meetings, resulting in both board and committee discussions and public disclosure, as appropriate. Further, risk assessment is embedded in the Company's business decision making, business planning and strategic planning.

The board is responsible for overseeing management in the execution of its risk management responsibilities and for assessing the Company's approach to risk management. The board administers this risk oversight function either through the full board or through one of its five standing committees, each of which examines various components of the Company's enterprise risks as part of its responsibilities. The full board reviews enterprise-wide strategic risks and certain other higher risk areas on a regular basis. An overall review of risk is inherent in the board's consideration of the Company's long-term strategies and in the transactions and other matters presented to the board, including capital expenditures, manufacturing capacity expansions, acquisitions and significant financial matters. The audit committee oversees financial risks (including risks associated with accounting, financial reporting, enterprise resource planning system implementation, foreign currencies and the collectability of accounts receivable), legal and compliance risks and other risk management functions. The compensation committee considers risks related to the attraction and retention of talent (including management succession planning) and risks relating to the design of compensation programs and arrangements, including a periodic review of such compensation programs to ensure that they do not encourage excessive risk-taking. The nominating and governance committee considers risks related to corporate governance practices. The project development committee considers risks related to our project development, project selling, and related project finance activities. The technology committee considers risks related to our products (such as product warranty and product quality and reliability) and to our ability to achieve the targets in our product and technology roadmaps.

Management regularly reports on risk-related matters to the board or the relevant committee thereof. Management presentations containing information regarding risks and risk management initiatives are given throughout the year in connection with board and committee quarterly and special meetings as well as other communications as needed or as requested by the board or committee. In addition, the Company's vice president of internal audit and risk management reports to the audit committee at least once per year, and has open access to the chair of the audit committee.

Policy Regarding Hedging of Company Securities

The First Solar, Inc. Insider Trading Policy prohibits its directors and all associates, including all named executive officers, from engaging in any short sales with respect to Company securities, buying or selling puts, calls or derivatives on Company securities and purchases of Company securities on margin.

Share Ownership Requirements

In February 2010, First Solar adopted share ownership guidelines pursuant to which the Company's executive officers and non-associate directors were afforded three years to achieve share holdings equal to three times their annual base salary or annual retainer, as applicable, and five times the annual base salary for the chief executive officer. The Company remains committed to reviewing and tracking the implementation of its share ownership guidelines. We amended these guidelines in 2012 to increase the chief executive officer's required holdings from five times to six times base pay. In addition, on the recommendation of our independent compensation consultant and to conform to market practice, we amended the guidelines to allow executives and directors five, rather than three, years to obtain the required ownership levels.

Committee Composition

We have five standing committees of the board: the audit committee, the compensation committee, the nominating and governance committee, the project development committee and the technology committee. The committee membership and meetings during 2012 and the function of each of the committees are described below.

During 2012, the board of directors held 14 board meetings and acted by unanimous written consent four times. Each director attended at least 75% of the aggregate of all board of directors meetings and committee meetings for the committees on which he serves.

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The following is a list of all directors and the committees on which the directors serve as of April 2, 2013.

			Nominating and Governance Committee	Project Development Committee	Technology Committee
Board of Directors Member	Audit Committee	Compensation Committee			
Michael J. Ahearn					Member
Richard Chapman		Member			
George Hambro					Chair
James A. Hughes					
Craig Kennedy	Member			Member	
James F. Nolan					Member
William J. Post		Member		Chair	
J. Thomas Presby	Chair		Member	Member	
Paul H. Stebbins	Member	Member	Chair	Member	
Michael Sweeney		Chair	Member		
Audit Committee					

The audit committee oversees our financial reporting process on behalf of the board of directors and reports to the board of directors the results of these activities, including reviewing the systems of internal controls established by management, our audit and compliance process and financial reporting filings. The audit committee, among other duties, engages the independent registered public accounting firm, pre-approves all audit and non-audit services provided by the independent registered public accounting firm, reviews with the independent registered public accounting firm the plans and results of the audit engagement, considers whether any non-audit services provided by the independent registered public accounting firm conflict with the independence of such independent registered public accounting firm and reviews the independence of the independent registered public accounting firm. During 2012, the audit committee held eight meetings.

J. Thomas Presby (Chair), Craig Kennedy and Paul H. Stebbins serve on our audit committee. Each member of the audit committee meets the standards for financial knowledge for companies listed on NASDAQ. In addition, the board of directors has determined that Mr. Presby is qualified as an audit committee financial expert within the meaning of Commission regulations.

The audit committee operates pursuant to a written charter and is of the view that it has complied with its charter. A copy of the audit committee's charter is available on our website at www.firstsolar.com under Investors Corporate Governance.

Compensation Committee

The compensation committee reviews and recommends compensation and benefit plans for the Company's officers and directors, including non-associate directors, reviews the base salary and incentive compensation for each executive officer, reviews and approves corporate goals and objectives relevant to our chief executive officer's compensation, administers our incentive compensation program for key executive and management associates and reviews at least annually the benefits strategy related to benefits for all associates. The compensation committee directly engaged Compensation Strategies, Inc., an independent compensation consulting firm, to provide data related to the compensation practices of our peer group and comparative analysis of our compensation practices with such practices at our peer group companies. For further discussion of the nature and scope of the independent compensation consultant's assignment, see Compensation Discussion and Analysis Compensation Committee Practices Review of Peer Company Data. During 2012, the compensation committee held eight meetings.

Michael Sweeney (Chair), Paul H. Stebbins, William J. Post and Richard Chapman serve on our compensation committee.

The compensation committee operates pursuant to a written charter and is of the view that it has complied with its charter. In accordance with its written charter, the compensation committee may delegate any of its

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responsibilities to subcommittees, individual members of the compensation committee or to management, in each case, when it deems such delegation appropriate and in the best interest of the Company. A copy of the compensation committee's charter is available on our website at www.firstsolar.com under Investors Corporate Governance.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee has been an executive officer or associate of the Company during our last completed fiscal year, was formerly an executive officer of the Company (other than George A. (Chip) Hambro, who served as a member of our compensation committee from July 2012 to February 2013) or had any other relationship with the Company requiring disclosure under the Commission rules. During our last completed fiscal year, none of our executive officers served as a member of the compensation committee or a director of any entity that has one or more executive officers serving on our compensation committee or as a member of our board of directors.

Nominating and Governance Committee

The nominating and governance committee reviews the composition and performance of the board and its committees and leads the process to assess their performance, assesses candidates for appointment to the board and recommends to the board whether such candidates should stand for election at the next meeting of stockholders. The nominating and governance committee is also responsible for reviewing and assessing the Company's corporate governance policies and guidelines. During 2012, the nominating and governance committee held five meetings.

Paul H. Stebbins (Chair), J. Thomas Presby and Michael Sweeney serve on our nominating and governance committee.

The nominating and governance committee operates pursuant to a written charter and is of the view that it has complied with its charter. A copy of the nominating and governance committee's charter is available on our website at www.firstsolar.com under Investors Corporate Governance.

Nomination Procedures

Director nominees are recommended by the nominating and governance committee for selection by the board of directors. In considering new nominees for the board of directors, the nominating and governance committee considers qualified individuals who, if added to the board of directors, would provide the mix of director characteristics, experience, perspectives and skills appropriate for the Company. In accordance with the corporate governance guidelines adopted by the board and the nominating and governance committee charter, criteria for selection of candidates include, but are not limited to: (i) roles and contributions valuable to the business community; (ii) personal qualities of leadership, character, judgment and whether the candidate possesses and maintains a reputation in the community at large of integrity, trust, respect, competence and adherence to the highest ethical standards; (iii) relevant knowledge and diversity of background and experience in such areas as business, technology, finance and accounting, marketing, government relations and other disciplines relevant to the Company's business; and (iv) whether the candidate is free of conflicts and has the time required for preparation, participation and attendance at all meetings.

As indicated by these criteria, the board and the nominating and governance committee seek a diversity of background and experience among board members. The nominating and governance committee does not follow any ratio or formula to determine the appropriate mix. Rather, it uses its judgment to identify nominees whose backgrounds, attributes and experiences, taken as a whole, will contribute to the high standards of board service at the Company. The effectiveness of this approach is evidenced by the directors' participation in the insightful and robust deliberation that occurs at board and committee meetings and in shaping the agendas for those meetings.

The board of directors does not have a specific policy for consideration of nominees recommended by security holders due to the fact that, as of April 2, 2013, JCL FSLR Holdings, LLC and its affiliates control approximately 30% of our outstanding common stock and their vote has a significant influence on whether any director nominee

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recommended by the board of directors or a security holder is elected to the board of directors. However, security holders can nominate an individual for election to the board of directors as described below. There have been no recommended nominees from security holders.

Our bylaws require that a stockholder who wishes to nominate an individual for election as a director at our annual meeting must give us advance written notice. The notice must be delivered to or mailed and received by the Corporate Secretary of the Company not later than 90 days or earlier than 120 days prior to the first anniversary of the preceding year's annual meeting. If the annual meeting for which the nomination is submitted is more than 30 days before or more than 60 days after the first anniversary of the preceding year's annual meeting, such nomination must be received by the Corporate Secretary of the Company not earlier than 120 days prior to the annual meeting and not later than 90 days prior to such annual meeting or the 10th day following the day on which public announcement of the annual meeting date is first made by the Company.

Stockholders may contact our Corporate Secretary at First Solar, Inc., 350 West Washington Street, Suite 600, Tempe, Arizona 85281 for a copy of the relevant bylaw provisions regarding the requirements for nominating director candidates and making stockholder proposals.

Project Development Committee

The project development committee (formerly known as the project development risk committee) oversees the Company's project development, project selling, and related project finance activities. During 2012, the project development committee held four meetings.

William J. Post (Chair), J. Thomas Presby, Paul H. Stebbins and Craig Kennedy serve on our project development committee.

The project development committee operates pursuant to a written charter and is of the view that it has complied with its charter. A copy of the project development committee's charter is available on our website at www.firstsolar.com under Investors Corporate Governance.

Technology Committee

The technology committee oversees the Company's product and technology-related strategies, processes, and programs. During 2012, the technology committee held two meetings.

George A. Hambro (Chair), Michael J. Ahearn and James F. Nolan serve on our technology committee.

The technology committee operates pursuant to a written charter and is of the view that it has complied with its charter. A copy of the technology committee's charter is available on our website at www.firstsolar.com under Investors Corporate Governance.

Stockholder Communications with Directors

A stockholder who wishes to communicate directly with the board, a committee of the board or with an individual director regarding matters related to First Solar should send the communication to:

First Solar, Inc.

Attn: Corporate Secretary

350 West Washington Street

Suite 600

Tempe, Arizona 85281

We will forward all stockholder correspondence about First Solar to the board, committee or individual director, as appropriate. Please note that we will not forward communications that are spam, junk mail and mass mailings, resumes and other forms of job inquiries, surveys, and business solicitations or advertisements.

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The Company does not have a policy on directors attending the annual stockholders' meetings. Last year's annual stockholders' meeting was held on May 23, 2012 in Phoenix, Arizona and was attended by one director.

DIRECTORS

Members of the board of directors of the Company are elected at each annual meeting of stockholders and serve until the next annual meeting or until their respective successors have been elected and qualified. The following information provided with respect to the principal occupation, affiliations and business experience during the last five years for each of the members of the board of directors has been furnished to us by such members.

The name and certain information regarding each director of the Company are set forth below as of April 2, 2013. There are no family relationships among directors or executive officers of the Company. Each of the following persons has been nominated by the board of directors for election at the annual meeting. In concluding that each of the following individuals should continue to serve as a director, the board considered such person's qualifications as described below and determined that each such person would continue to provide the contributions to the board as specified below.

Name	Age	Current Position with First Solar	Director Since
Michael J. Ahearn	56	Chairman of the Board	2000
Richard D. Chapman	59	Director	2012
George A. (Chip) Hambro	49	Director	2012
James A. Hughes	50	Chief Executive Officer and Director	2012
Craig Kennedy	61	Director	2007
James F. Nolan	81	Director	2003
William J. Post	62	Director	2010
J. Thomas Presby	73	Director	2006
Paul H. Stebbins	56	Director	2006
Michael Sweeny	55	Director	2003

Michael J. Ahearn, *Chairman of the Board; Technology Committee*, previously served as the Company's chief executive officer from August 2000 to September 2009; interim chief executive officer from October 2011 to May 2012; executive chairman from October 2009 to December 2010 and May 2012 to July 2012; and non-executive chairman from January 2011 to October 2011 and July 2012 to present. Mr. Ahearn is currently Chairman and Managing Partner of True North Venture Partners, L.P., a venture capital firm he launched in 2011 to invest primarily in early stage companies in the energy, water, agriculture and waste sectors. Prior to First Solar, he was partner and president of an equity investment firm, JWMA (formerly True North Partners, L.L.C.). Prior to joining JWMA, Mr. Ahearn practiced law as a partner in the firm of Gallagher & Kennedy. Mr. Ahearn currently serves as a member of the Board of Directors of Cox Enterprises, Inc.; a member of the Board of Trustees of Thunderbird School of Global Management; a member of the Board of Trustees of The German Marshall Fund; a member of the Board of Directors of Endeavor Global, Inc.; a member of the Global Advisory Board of Beijing Climate Policy Initiative; and a member of the Advisory Board of BDT Capital Partners. Mr. Ahearn holds a B.A. in Finance and a J.D. from Arizona State University. During his tenure as chief executive officer of First Solar, Mr. Ahearn has led the development and expansion of First Solar from a small privately-held company to a successful multinational industry-leading public company; his experience and insights are critical assets to the board of directors.

Richard D. Chapman, *Compensation Committee*, was elected a director of First Solar in May 2012. Mr. Chapman serves as the chief financial officer of Walton Enterprises, Inc., where he has worked since 1983. In this capacity, Mr. Chapman oversees all aspects of the Walton Family Office in Arkansas. Mr. Chapman currently serves on the boards of directors of the Arvest Bank Group, the holding company for a diversified financial services company; the University of Arkansas Foundation Board, where he serves on the Executive and Finance Committees; the Razorback Foundation, where he is a member of the Investment Committee; and the Fayetteville

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Campus Foundation of the University of Arkansas. Mr. Chapman also serves on the boards of directors of the Crystal Bridges Museum of American Art, where he sits on the Executive and Investment Committees; and the Walton Family Charitable Support Foundation. Mr. Chapman was previously a member of the Board of Managers of First Solar Holdings, LLC prior to the Company going public and JWMA (formerly True North Partners, L.L.C.), an equity investment firm. Prior to joining Walton Enterprises, Mr. Chapman worked from 1976-1983 in London, England and Little Rock, Arkansas, for the accounting firm of PricewaterhouseCoopers. A Certified Public Accountant (inactive), Mr. Chapman holds a B.S.B.A. in Accounting from the University of Arkansas. Mr. Chapman's background in accounting and finance, as well as his many years of experience as a corporate officer, are valuable resources to the board and the Company.

George A. (Chip) Hambro, *Chair, Technology Committee*, was elected a director of First Solar in May 2012. Mr. Hambro previously held various positions at First Solar from June 2001 through June 2009, including serving as Chief Operating Officer from February 2005 through May 2007. Prior to joining First Solar, he held the positions of Vice President of Engineering & Business Development for Goodrich Aerospace from May 1999 to June 2001 and Vice President of Operations for ITT Industries from February 1997 to May 1999. For the last five years, Mr. Hambro has been a director of both the Toledo Zoo, and Imagination Station, Toledo's children's science museum. Mr. Hambro currently serves on the board of directors of Soladigm, Inc., a developer of next-generation green building solutions designed to improve energy efficiency. Mr. Hambro graduated from the University of California at Berkeley with a B.A. in Physical Science (Applied Physics). Mr. Hambro provides the board with substantial experience in research and development, engineering, manufacturing, and general business matters, obtained through his work at First Solar and other companies throughout his career.

James A. Hughes, *Chief Executive Officer; Director*, joined First Solar in March 2012 as Chief Commercial Officer and was appointed Chief Executive Officer in May 2012. Prior to joining First Solar, Mr. Hughes served, from October 2007 until April 2011, as Chief Executive Officer and Director of AEI Services LLC, which owned and operated power distribution, power generation (both thermal and renewable), natural gas transportation and services, and natural gas distribution businesses in emerging markets worldwide. From 2004 to 2007, he engaged in principal investing with a privately held company based in Houston, Texas that focused on micro-cap investments in North American distressed manufacturing assets. Previously, he served, from 2002 until March 2004, as President and Chief Operating Officer of Prisma Energy International, which was formed out of former Enron interests in international electric and natural gas utilities. Prior to that role, Mr. Hughes spent almost a decade with Enron Corporation in positions that included President and Chief Operating Officer of Enron Global Assets, President and Chief Operating Officer of Enron Asia, Pacific, Africa and China and as Assistant General Counsel of Enron International. Mr. Hughes is a Non-Executive Director of APR Energy plc, a London Stock Exchange-listed energy company participating in the global market for gas and diesel fired temporary power plants. Mr. Hughes holds a juris doctor degree from the University of Texas at Austin School of Law, a Certificate of Completion in international business law from Queen Mary's College, University of London, and a bachelor's degree in business administration from Southern Methodist University.

Craig Kennedy, *Audit Committee; Project Development Committee*, was elected a director of First Solar in September 2007. Since 1995, Mr. Kennedy has been president of the German Marshall Fund, an independent American organization created in 1972 as a permanent memorial to the Marshall Plan. The German Marshall Fund sponsors a wide range of programs related to foreign, economic, immigration and environmental policy, and it operates a number of political exchanges between the United States and Europe with a special emphasis on Germany. Mr. Kennedy began his career in 1980 as a program officer at the Joyce Foundation in Chicago. Mr. Kennedy was president of the Joyce Foundation between 1986 and 1992, where he built the Foundation's environmental program and launched a new program on U.S. immigration policy. Mr. Kennedy left the Joyce Foundation to work for Richard J. Dennis, a Chicago investor and philanthropist. During this same period, Mr. Kennedy created a consulting firm working with nonprofit and public sector clients. Mr. Kennedy serves on the board of the nonprofit organizations U.S.-Russia Foundation and Refugees International. Mr. Kennedy serves on the advisory board of True North Venture Partners, L.P. Mr. Kennedy is audit committee chair of the Invesco Van Kampen Closed-End-Funds. Mr. Kennedy holds a B.A., an M.A. and an MBA from the University of Chicago. Mr. Kennedy's deep public policy experience and global perspective are valuable resources to the Company, as our business is impacted by public policy issues on a global scale.

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James F. Nolan, *Technology Committee*, was elected a director of First Solar in February 2003. Mr. Nolan served as the vice president of operations with Solar Cells, Inc., the predecessor to First Solar, and was responsible for research, development and manufacturing operations. He designed and built early prototype equipment for First Solar's pilot manufacturing line and led the team that developed the process for producing large area thin film cadmium telluride solar modules. Mr. Nolan worked as a part-time consultant for First Solar from November 2000 until March 2007. Mr. Nolan has over 35 years of experience in physics, engineering, research and development, manufacturing and process design with companies such as Westinghouse, Owens Illinois, Glasstech and Photonics Systems. Mr. Nolan holds more than 10 patents in areas of flat panel electronic displays and photovoltaic devices and processes. Mr. Nolan earned his B.S. in Physics from the University of Scranton (Pennsylvania) and a PhD in Physics from the University of Pittsburgh. Mr. Nolan provides the board with extensive experience in engineering, research and development and manufacturing and process design, obtained through his work at the predecessor to First Solar and other companies throughout his career.

William J. Post, *Chair, Project Development Committee; Compensation Committee*, was elected a director of First Solar in June 2010. Mr. Post retired as chairman and chief executive officer of Pinnacle West Capital Corporation in April 2009, and he retired from the board of directors of Pinnacle West in May 2010. He joined Arizona Public Service (the largest subsidiary of Pinnacle West and the largest electric utility in Arizona) in 1973 and held various officer positions at APS beginning in 1982 including: vice president and controller, vice president of finance and regulation, chief operating officer, president and chief executive officer. He became president of Pinnacle West in 1997, chief executive officer in 1999 and chairman of the board in 2001. Mr. Post joined the board of Arizona Public Service in 1995 and the board of Pinnacle West in 1997. Mr. Post is chairman of the boards of Swift Transportation Corporation, the Translational Genomics Research Institute and the Arizona State University Foundation. He also serves on the boards of US Airways Group, Inc., Clear Energy Systems, Inc. and Blue Cross Blue Shield of Arizona. Mr. Post has served in the past as chairman of Suncor Development Company, Stag Information Systems, Nuclear Assurance Corporation, Nuclear Electric Insurance Limited, the Institute of Nuclear Power, and El Dorado Investment Company. He also served as a Director of Phelps Dodge Corporation from 2001 to 2007. Mr. Post brings to the board executive-level utility-sector experience, including a deep understanding of such sector within the southwestern United States, a core target market for the Company's expanding systems business.

J. Thomas Presby, *Chair, Audit Committee; Nominating & Governance Committee; Project Development Risk Committee*, was elected a director of First Solar in August 2006. Mr. Presby retired in 2002 from a 30-year career with Deloitte Touche Tohmatsu. At Deloitte, Mr. Presby held numerous positions in the United States and abroad, including the posts of deputy chairman and chief operating officer. Mr. Presby serves as a director, the audit committee chair and a member of the governance committee of World Fuel Services Corporation (World Fuel). Mr. Presby also serves as a director and the audit committee chair of INVESCO Ltd. and as a director, audit committee chair and member of the acquisition committee and the corporate governance and nominating committee of Examworks Group, Inc. Mr. Presby has previously served as a director of American Eagle Outfitters, Inc., Tiffany & Co., TurboChef Technologies, Inc., PracticeWorks and GreenPoint Financial Corp. Mr. Presby is a Certified Public Accountant and holds an NACD Certificate of Director Education. Mr. Presby holds a BSEE from Rutgers University and an MBA from Carnegie Mellon University. The National Association of Corporate Directors named Mr. Presby one of America's Top 100 directors for 2011. Mr. Presby's experience as an audit committee chair for multiple public companies, together with his 30-year career with Deloitte Touche Tohmatsu, provide a strong background for his role as chair of the audit committee and the audit committee financial expert.

Paul H. Stebbins, *Chair, Nominating & Governance Committee; Audit Committee; Compensation Committee; Project Development Committee*, was elected a director of First Solar in December 2006. Mr. Stebbins has served as executive chairman of World Fuel since January 2012. Previously, Mr. Stebbins served as the chairman and chief executive officer of World Fuel since July 2002 and has served as a director of World Fuel since June 1995. Between July 2000 and 2002, Mr. Stebbins also served as president and chief operating officer of World Fuel. In 1985, Mr. Stebbins co-founded Trans-Tec Services, a global marine fuel service company acquired by World Fuel in 1995. Mr. Stebbins is a member of the Business Roundtable, an influential association of chief executive officers of leading U.S. companies. Mr. Stebbins brings to the board significant CEO-level experience in managing a large global energy-related publicly-traded company.

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Michael Sweeney, *Chair, Compensation Committee; Nominating & Governance Committee*, was elected a director of First Solar in July 2003. Mr. Sweeney has served as a director of Steinway Musical Instruments, Inc. since April 2011, chairman of the board since July 2011 and president and chief executive officer since October 2011. Mr. Sweeney has served as chairman of the board of Star Tribune Media Holdings, the holding company for the Minneapolis Star Tribune, since September 2009. He also remains a partner in Goldner Hawn Johnson & Morrison, Inc. (GHJM), a private equity firm. Mr. Sweeney joined GHJM in 2000 and served as that firm's managing partner from 2001 through 2008. He had previously served as president of Starbucks Coffee Company (UK) Ltd. in London and held various operating management and corporate finance roles. Mr. Sweeney's background in investment banking and private equity, as well as his operating company business acumen, are valuable resources to the board and the Company, particularly with respect to the board's consideration of compensation and financial matters and strategic investments.

NON-ASSOCIATE DIRECTOR COMPENSATION

We use a combination of cash and stock-based compensation to attract and retain qualified candidates to serve on our board of directors. When reviewing non-associate director compensation we are guided by three goals, as provided in our Corporate Governance Guidelines:

(i) compensation should fairly pay directors for work required for a company of our size and scope; (ii) compensation should align directors interests with the long-term interests of our stockholders; and (iii) the structure of the compensation should be clearly disclosed to our stockholders. The table below summarizes the 2012 non-associate director compensation.

2012 Non-Associate Director Compensation	
	(paid in equal quarterly installments)
	<u>\$175,000</u>
Annual Retainer	(consisting of \$100,000 stock and \$75,000 cash)
	<u>Chairs Additional Retainer</u>
Non-Executive Board Chair	+\$75,000 cash and \$100,000 stock
Audit Committee Chair	+\$35,000 cash
Other Committee Chairs	+\$10,000 cash
Chairman / Interim Chief Executive Officer	

Effective as of October 26, 2011, we entered into an employment agreement with Mr. Michael J. Ahearn, our chairman, to serve as our chairman and chief executive officer. With the appointment of Mr. Hughes as our chief executive officer effective May 3, 2012, Mr. Ahearn became our executive chairman. He resigned as an employee of the Company on July 30, 2012, and effective July 31, 2012, became our non-executive chairman. His 2012 non-associate director compensation was pro-rated accordingly.

Cash Compensation

The annual cash compensation for our non-associate directors is \$75,000 (payable quarterly in four equal installments) plus an additional \$75,000 (payable quarterly in four equal installments) for the non-executive chairman of the board, an additional \$35,000 annual cash retainer (payable quarterly in four equal installments) for the chairman of our audit committee and an additional \$10,000 annual cash retainer (payable quarterly in four equal installments) for the other four committee chairs.

Equity Compensation

The annual equity compensation for our non-associate directors is a \$100,000 stock grant, (granted quarterly in four equal installments), plus an additional annual \$100,000 (granted quarterly in four equal installments) for the

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non-executive chairman of the board. With respect to such quarterly stock grants, our practice is to issue the stock to our non-associate directors at the end of the quarter. Our practice is not to time the date of these awards, and we do not take into account any internal black outs, during which associates and directors are prohibited by our Insider Trading Policy from trading in our securities, without regard to whether they are in possession of undisclosed material facts or whether any undisclosed material facts could be perceived as potentially positive or negative.

Other

We reimburse all non-associate directors for reasonable and necessary expenses they incur in performing their duties as non-associate directors of the Company.

In 2012, Compensation Strategies, Inc., our independent compensation consultant, performed a market study for our non-associate director compensation. Based on the results of the study, the board of directors approved revised director compensation on November 28, 2012. Effective January 1, 2013, non-associate director compensation was revised to \$100,000 annual cash compensation and \$125,000 annual equity compensation, in each case, payable on the same terms as described above. The annual cash and equity compensation for the non-executive chairman of the board and the additional annual cash compensation for each of our committee chairmen did not change.

Non-Associate Director Compensation Table

The following table sets forth information with respect to compensation earned by our non-associate directors for the year ended December 31, 2012:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)(2)	Other Compensation (\$)	Total (\$)
Michael J. Ahearn(3)	62,772	83,720		146,492
Richard D. Chapman	45,536	60,749		106,285
George A. (Chip) Hambro	49,767(4)	60,749	75,000(6)	185,516
Craig Kennedy	75,000	100,074		175,074
James F. Nolan	75,000	100,074		175,074
William J. Post	85,000(4)	100,074		185,074
J. Thomas Presby	110,000(5)	100,074		210,074
Paul H. Stebbins	81,676(4)	100,074		181,750
Michael Sweeney	85,000(4)	100,074		185,074
Jose. H. Villarreal(7)	33,393(4)	39,311		72,704

- (1) The amounts in this column represent the aggregate grant date fair value of fully vested common stock granted during the fiscal year ended December 31, 2012, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 Stock Compensation (ASC Topic 718).
- (2) The following describes the shares issued to each non-associate director for service during the quarters ended on March 31, June 30, September 30, and December 31, 2012. On March 31, 2012, 999 shares were issued to each non-associate director at a market price of \$25.05 per share as of that date. The grant date fair value of these shares was \$25,025. On June 30, 2012, 1,661 shares were issued to each non-associate director (other than Messrs. Chapman, Hambro, and Villarreal, whose awards were pro-rated to reflect the fact that Messrs. Chapman and Hambro were elected directors at the 2012 annual meeting of stockholders on May 23, 2012, and Mr. Villarreal did not stand for re-election at such meeting) and 711 shares were issued to Messrs. Chapman and Hambro and 949 to Mr. Villarreal in each case at a market price of \$15.06 per share as of that date. The grant date fair value of these shares was \$25,015, \$10,714, and \$14,286, respectively. On September 30, 2012, 1,129 shares were issued to each non-associate director (other than Mr. Ahearn) and 1,521 shares were issued to Mr. Ahearn, in each case at a market price of \$22.15 per share as of that date. The grant date fair value of these

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shares was \$25,007 and \$33,696 respectively. On December 30, 2012, 811 shares were issued to each non-associate director (other than Mr. Ahearn) and 1,621 shares were issued to Mr. Ahearn, in each case at a market price of \$30.86 per share as of that date. The grant date fair value of these shares was \$25,027 and \$50,024 respectively. The dollar values of the stock awards do not equal exactly \$25,000 or \$50,000 per quarter due to the fact that we issue whole shares and not fractional shares to our non-associate directors.

- (3) Mr. Ahearn served as chairman and chief executive officer from October 26, 2011 to May 3, 2012, when he became executive chairman. He resigned on July 30, 2012 and resumed his role of non-executive chairman of the board on July 31, 2012. His 2012 non-associate director compensation was pro-rated accordingly.
- (4) The chairmen of the compensation, project development, nominating and governance and technology committees receive an additional annual cash retainer of \$10,000 in respect of their roles. Mr. Hambro received a prorated payment for his partial year service as chairman of the technology committee during 2012. Mr. Villarreal received a prorated payment for his partial year service as chairman of the nominating and governance committee. On May 1, 2012, Mr. Stebbins was named chairman of the nominating and governance committee and therefore received a prorated payment for his partial year service as chairman. In fiscal year 2012, Mr. Stebbins received an overpayment in the amount of \$500, which the Company subsequently recouped. The amount shown above reflects the recoupment of this overpayment.
- (5) Mr. Presby received an additional annual cash retainer of \$35,000 in respect of his role as audit committee chair.
- (6) Mr. Hambro received \$75,000 for consulting services that he provided to the Company in 2012 prior to his election as a director.
- (7) Mr. Villarreal served as a non-associate director during 2012 until May 23, 2012 at which time he did not stand for re-election.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

AND RELATED STOCKHOLDER MATTERS

The following table sets forth information regarding the beneficial ownership of our common stock, as of April 2, 2013, by:

each person or group who is known by us to own beneficially more than 5% of our common stock;

each member of our board of directors and each of our named executive officers; and

all members of our board of directors and our executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Commission and generally includes any shares over which a person exercises sole or shared voting or investment power. Shares of common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of the date of this proxy statement are considered outstanding and beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, each of the stockholders listed below has sole voting and investment power (or shares such powers) with respect to the shares beneficially owned. Except as indicated below, the address for each stockholder, director or named executive officer is c/o First Solar, Inc., 350 West Washington Street, Suite 600, Tempe, Arizona 85281.

This table assumes 87,624,511 shares of common stock outstanding as of April 2, 2013, assuming no exercise of outstanding options.

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Name of Beneficial Owner	Shares Beneficially Owned	Percentage Beneficially Owned
<i>Beneficial Owners of 5% or More</i>		
S. Robson Walton(1)	24,957,907	28.5%
Jim C. Walton(2)	26,557,907	30.3%
Alice L. Walton(3)	26,557,907	30.3%
JCL FSLR Holdings, LLC(4)	24,957,907	28.5%
JTW Trust No. 1 UAD 9/19/02(5)	1,600,000	1.8%
Morgan Stanley(6)	9,756,834	11.1%
BlackRock(7)	4,862,863	5.5%
<i>Directors and Named Executive Officers</i>		
Michael J. Ahearn	106,571	*
Georges Antoun	0	*
James Brown	5,501	*
Richard D. Chapman	4,811	*
Mary Beth Gustafsson	12,470	*
George A. (Chip) Hambro	5,811	*
James Hughes	3,514	*
Craig Kennedy	9,020	*
James F. Nolan	30,139	*
William J. Post	7,664	*
J. Thomas Presby	10,254	*
Paul H. Stebbins	9,729	*
Michael Sweeney	9,604	*
Mark R. Widmar	3,596	*
All directors and executive officers as a group (17 persons)	247,600	0.3%

* Less than one percent.

- (1) The number and percentage of shares of common stock shown in the table as beneficially owned by S. Robson Walton represent 24,957,907 shares held by JCL FSLR Holdings, LLC, as to which S. Robson Walton, as a manager thereof, shares voting and dispositive power with Jim C. Walton and Alice L. Walton, as managers. With respect to JCL FSLR Holdings, LLC, dispositive and voting power over all of the shares held thereby is exercised by the managers thereof. The shares held by JCL FSLR Holdings, LLC are for the benefit of John T. Walton's wife and his descendants and for that reason, S. Robson Walton disclaims beneficial ownership of the shares listed above. The address for S. Robson Walton is P.O. Box 1860, Bentonville, Arkansas 72712.
- (2) The number and percentage of shares of common stock shown in the table as beneficially owned by Jim C. Walton represent (a) 24,957,907 shares held by JCL FSLR Holdings, LLC, as to which Jim C. Walton, as a manager thereof, shares voting and dispositive power with S. Robson Walton and Alice L. Walton, as managers, and (b) 1,600,000 shares held by the JTW Trust #1 UAD 9/19/02, as to which Jim C. Walton and Alice L. Walton, as co-trustees, share voting and dispositive power. With respect to JCL FSLR Holdings, LLC, dispositive and voting power over all of the shares held thereby is exercised by the managers thereof. The shares held by JCL FSLR Holdings, LLC are for the benefit of John T. Walton's wife and his descendants. The shares held by the JTW Trust #1 UAD 9/19/02 are for the benefit of charitable interests and John T. Walton's descendants. For those reasons, Jim C. Walton disclaims beneficial ownership of the shares listed in (a) and (b) above. The address for Jim C. Walton is P.O. Box 1860, Bentonville, Arkansas 72712.

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- (3) The number and percentage of shares of common stock shown in the table as beneficially owned by Alice L. Walton represent (a) 24,957,907 shares held by JCL FSLR Holdings, LLC, as to which Alice L. Walton, as a manager thereof, shares voting and dispositive power with S. Robson Walton and Jim C. Walton, as managers, (b) 1,600,000 shares held by the JTW Trust #1 UAD 9/19/02, as to which Jim C. Walton and Alice L. Walton, as co-trustees, share voting and dispositive power. With respect to JCL FSLR Holdings, LLC, dispositive and voting power over all of the shares held thereby is exercised by the managers thereof. The shares held by JCL FSLR Holdings, LLC are for the benefit of John T. Walton's wife and his descendants. The shares held by the JTW Trust #1 UAD 9/19/02 are for the benefit of charitable interests and John T. Walton's descendants. For those reasons, Alice L. Walton disclaims beneficial ownership of the shares listed in (a) and (b) above. The address for Alice L. Walton is P.O. Box 1860, Bentonville, Arkansas 72712.
- (4) The number and percentage of shares of common stock shown in the table as beneficially owned by JCL FSLR Holdings, LLC represent 24,957,907 shares held directly by JCL FSLR Holdings, LLC, as to which S. Robson Walton, Jim C. Walton and Alice L. Walton, as managers of JCL FSLR Holdings, LLC, share voting and dispositive power. The shares held by JCL FSLR Holdings, LLC are held for the benefit of John T. Walton's wife and his descendants and for that reason, S. Robson Walton, Jim C. Walton and Alice L. Walton disclaim beneficial ownership of such shares. The address of JCL FSLR Holdings is P.O. Box 1860, Bentonville, Arkansas 72712.
- (5) The number and percentage of shares of common stock shown above as beneficially owned by JTW Trust No. 1 UAD 9/19/02 represent 1,600,000 shares held directly by JTW Trust No. 1 UAD 9/19/02 as to which Jim C. Walton and Alice L. Walton, as co-trustees of such trust, share voting and dispositive power. The shares held by JTW Trust No. 1 UAD 9/19/02 are held in a trust principally for the benefit of charitable interests and John T. Walton's descendants. Jim C. Walton and Alice L. Walton therefore disclaim beneficial ownership of such shares. The address of JTW Trust No. 1 UAD 9/19/02 is P.O. Box 1860, Bentonville, Arkansas 72712.
- (6) Based on information provided by Morgan Stanley, 1585 Broadway, New York, NY 10036 in a Schedule 13G/A filed with the SEC on February 13, 2013 reporting beneficial ownership as of December 31, 2012. According to such Schedule 13G/A, Morgan Stanley has sole voting power with respect to 9,644,483 shares and sole dispositive power with respect to 9,756,834 shares. Morgan Stanley Investment Management Inc. is an investment adviser in accordance with Section 240.13d-1(b)(1)(ii)(E), and Morgan Stanley is a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G).
- (7) Based on information provided by BlackRock Inc., 40 East 52nd Street, New York, NY 10022, in a Schedule 13G filed with the SEC on January 30, 2013 reporting beneficial ownership as of December 31, 2012. According to such Schedule 13G, BlackRock Inc., a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G), has sole voting power with respect to 4,862,863 shares.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Since December 31, 2011, we have not been a party to any transaction or series of similar transactions in which the amount involved exceeded or will exceed \$120,000 and in which any current director, executive officer, holder of more than five percent of our capital stock, or any member of the immediate family of any of the foregoing, had or will have a material interest, other than in connection with the transactions described below.

Related Party Debt

We had no related party debt outstanding at December 31, 2012 and we did not pay any interest to related parties during the year ended December 31, 2012.

Registration Rights

We have previously entered into a registration rights agreement with the Estate of John T. Walton, JCL Holdings, LLC and Michael J. Ahearn. The associated registration rights previously held by JCL Holdings, LLC and Estate of John T. Walton are now held by JCL FSLR Holdings, LLC. The registration rights agreement provides for piggyback registration rights if we register equity securities under the Securities Act of 1933, as

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amended (the Securities Act), subject to certain lock-up provisions and exceptions. In addition, subject to certain lock-up provisions and exceptions, Michael J. Ahearn has three demand rights and JCL FSLR Holdings, LLC has unlimited demand rights, provided that JCL FSLR Holdings, LLC may only exercise one such demand right within any 365-day period.

Review and Approval of Related Party Transactions

The Company's audit committee charter requires the review and approval by the audit committee of related party transactions, to ensure that they are on such terms, which, in the judgment of the audit committee, are no less favorable to the Company than could be obtained from unaffiliated parties. If a member of the audit committee has an interest in the proposed transaction, our corporate governance guidelines require the formation of a committee consisting entirely of independent directors without an interest in the proposed transaction to review and, if appropriate, approve such transaction.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees billed to us for the audit and other services provided by PricewaterhouseCoopers LLP during the years ended December 31, 2012 and December 31, 2011:

	2012	2011
Audit Fees(1)	\$ 3,397,000	\$ 3,451,501
Audit-Related Fees(2)	86,000	161,314
Tax Fees(3)	114,203	294,614
All Other Fees(4)	2,777	2,777
Total	\$ 3,599,980	\$ 3,910,206

- (1) Represents the aggregate service fees billed for the audit of the Company's financial statements in connection with the statutory and regulatory filings or engagements for 2012 and 2011.
- (2) Represents the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit review of the Company's financial statements and are not reported under audit fees, and represents approximately 2% and 4% of the total fees in 2012 and 2011, respectively. This category consists primarily of services related to special projects.
- (3) Represents the aggregate fees billed for tax compliance and tax consulting services, or approximately 3% and 8% of the total fees in 2012 and 2011, respectively.
- (4) Represents the aggregate fees billed for all products and services provided that are not included under audit fees, audit-related fees or tax fees, and represents less than one percent of the total fees in 2012 and 2011, respectively. These services include the subscription to certain PricewaterhouseCoopers LLP proprietary accounting research databases.

Audit Committee's Pre-Approval Policies and Procedures

The audit committee has policies and procedures that require the pre-approval by the audit committee of all fees paid to, and all services performed by, the Company's independent registered public accounting firm, subject to *de minimis* exceptions for non-audit services set forth in the applicable rules of the Commission. Each year, the audit committee pre-approves the proposed services, including the nature, type and scope of services to be performed by the independent registered public accounting firm during the fiscal year and the related fees. Audit committee pre-approval is also required for those engagements that may arise during the course of the year that are outside the scope of the initial services and fees pre-approved by the audit committee.

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The services related to Audit-Related Fees, Tax Fees and All Other Fees presented in the above table were approved by the audit committee pursuant to pre-approval provisions set forth in the applicable rules of the Commission without resort to a waiver of such pre-approval provisions.

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COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

First Solar is a leading global provider of comprehensive photovoltaic (PV) solar systems that use our advanced thin-film modules. The Company's integrated power plant solutions deliver an economically attractive alternative to today's fossil-fuel electricity generation. In response to a rapidly changing and highly-competitive solar industry, we implemented a long-term strategic plan (Long Term Strategic Plan), which focuses our attention on utility-scale solar solutions that shifts emphasis away from subsidized markets and towards more sustainable ones. Our Long Term Strategic Plan, which we began to execute against in late 2011, impacted many of our compensation decisions for 2012. It did not, however, change the core philosophy underlying our compensation decisions: we pay executives for performance and seek to align the interests of our executives with our stockholders.

Although 2012 was a challenging and highly competitive year in the industry, we have made significant progress toward our goal of refocusing our business development efforts into sustainable markets. To that end, we now have teams in China, India, Australia, South Africa, Chile and certain parts of the Middle East and are beginning to see results as we successfully execute on our Long Term Strategic Plan. We also made significant changes in our leadership structure and worked diligently on a number of key compensation decisions, which are highlighted below:

Changes in Leadership Structure. In 2012, we appointed a new chief executive officer, Mr. James A. Hughes, as well as a new chief operating officer, Mr. Georges Antoun. Prior to joining the Company, Mr. Hughes most recently served as the chief executive officer of a company that owned and operated power distribution, power generation (both thermal and renewable), natural gas transportation and natural gas distribution businesses in emerging markets worldwide. Mr. Antoun has over 20 years of operational and technical experience at various companies, including leadership positions at several global technology companies. These executives play a key role in the implementation of our Long Term Strategic Plan, and have seamlessly transitioned into their new roles working closely with other members of our senior leadership team, whose roles have also evolved in connection with our Long Term Strategic Plan.

KSTEPP Equity Program. One of the most significant changes we made to executive compensation was the implementation in May 2012 of the Key Senior Talent Equity Performance Program, or KSTEPP, a very long-term performance equity program that applies to our key senior executives. The KSTEPP rewards achievement of rigorous performance objectives aligned to the success of our Long Term Strategic Plan, which if achieved should create significant value for our stockholders. The performance objectives for the rolling annual measurement periods include KSTEPP adjusted operating income (defined below), sales (in gigawatts DC) in sustainable markets and cash adjusted return on invested capital (defined below).

Elimination of New Tax Gross-ups. Consistent with the decision we made in 2011 to cease granting 280G tax gross-ups in new executive agreements, we did not include tax gross-up provisions in the employment agreements for Messrs. Hughes and Antoun.

Clawback Policy. The Company has included clawback provisions with respect to compensation awards in 2012 that will allow us to recoup, to the extent required by applicable law, incentive payments made to our named executive officers if we later determine that the basis on which such compensation was earned was erroneous.

Hedging Policy. The Company's hedging policy prohibits our directors and associates, including all named executive officers, from (i) engaging in any short sales with respect to any Company securities, (ii) buying or selling puts, calls or derivatives on any Company securities and (iii) purchasing any Company securities on margin.

Share Ownership Guidelines. The Company remains committed to reviewing and tracking the implementation of the share ownership guidelines we adopted in February 2010. We amended these guidelines in 2012 to increase the chief executive officer's required holdings from five times to six times base pay. In addition, on the recommendation of our independent compensation consultant and to conform to market practice, we amended the guidelines to allow executives and directors five, rather than three, years to obtain the required ownership levels.

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Overview

The individuals in the Summary Compensation Table below are referred to in this Compensation Discussion and Analysis as the named executive officers. Our named executive officers for 2012 were:

Mr. James A. Hughes, chief executive officer and former chief commercial officer;

Mr. Michael J. Ahearn, non-executive chairman and former chairman and interim chief executive officer;

Mr. Mark R. Widmar, chief financial officer and chief accounting officer;

Mr. Georges Antoun, chief operating officer;

Mr. James G. Brown, executive vice president, global business development; and

Ms. Mary Beth Gustafsson, executive vice president, general counsel and corporate secretary.

The last two years have seen turmoil and dramatic change in the solar power generation industry. This challenging environment has been characterized by intense pricing competition, declining operating incomes, manufacturing slow-downs or shut-downs, and even the bankruptcy of some competitors. The Company has responded with a change in senior leadership and the development of a new multi-year strategic plan, which we refer to as our Long Term Strategic Plan. Our Long Term Strategic Plan was implemented at the end of 2011 and consists primarily of (i) a strategic focus on utility-scale solar solutions in emerging regions and markets, thereby shifting emphasis away from subsidized markets towards more financially sustainable markets, and (ii) an organizational restructuring that, among other things, focused our efforts on providing a range of utility-scale solar solutions through global business development initiatives. The ultimate goals of our Long Term Strategic Plan are to increase business growth, improve profitability and enhance liquidity.

Our Long Term Strategic Plan represents a comprehensive strategy for the Company, and, in order to ensure leadership alignment with that strategy, required us to reevaluate our approach to compensation to ensure that it reflected the elements needed to effectively compensate and retain the senior leadership team during this difficult transition period. We ultimately concluded that our existing compensation philosophy was generally well-suited to the aims of our Long Term Strategic Plan, but recognized that some changes were necessary in light of the uncertainty and challenges endemic to this transition.

Context and Overview

- *Calibrating Performance Metrics and Compensation Components in Light of our Long Term Strategic Plan.* The compensation committee has adopted changes that are consistent with the Company's compensation philosophy in order to best align our compensation practices with our Long Term Strategic Plan, including selecting a revised peer group that better reflects the evolving profile of the Company and solar power industry, adopting a new very long-term equity program (the KSTEPP, described below), and adjusting base salaries and target bonuses based, in part, on prospective considerations relating to our Long Term Strategic Plan.

- *Extraordinary Measures to Stabilize and Retain our Associate Base.* The challenges of 2011 and 2012 across the industry were also felt within the Company, evidenced by unusually high levels of executive attrition, instability in the Company's stock price and expectations of low realized compensation. In order to address anxiety among our associates and to renew dedication and focus, the compensation committee determined to offer retention awards to certain associates. For our named executive officers, the retention awards are intended to work in tandem with the KSTEPP long-term equity awards to encourage the engagement and long-term investment of our executives in the success of our Long Term Strategic Plan.

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- *We have Considered our Stockholder s Feedback Regarding our Compensation Practices.* At the 2011 annual meeting, the stockholder advisory vote on the Company s executive compensation (say on pay) was approved by 89.3% of our stockholders voting, and a triennial cycle for the next executive compensation advisory vote was selected by 69.5% of the stockholders voting on the timing of such votes (say when on pay). The compensation committee, taking these results into account, continued with its executive compensation philosophy and adopted a triennial cycle for the say on pay advisory votes. Accordingly, the Company did not conduct a say on

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pay advisory vote at its 2012 annual meeting and is not conducting a say on pay advisory vote at the 2013 annual meeting.

First Solar Compensation Philosophy

First Solar's compensation philosophy rests on foundational principles that inform the way we design our compensation programs and pay our named executive officers. This philosophy can be understood in the following ways:

- First Solar Pay is Simple and is Designed to Align the Interests of Executive Management and Stockholders. The Company's approach to compensation is straightforward, and this is reflected in the components of our executive's aggregate annual pay. The three primary components of First Solar executive compensation are: (1) base salary, (2) cash incentive compensation (short-term incentive) and (3) equity compensation (long-term incentive). Our named executive officers have the largest percentage of total compensation at risk (i.e., the portion of compensation that is not payable to such executives unless certain performance targets are achieved) with a heavy weighting towards equity compensation to align their interests with stockholders. There are no supplemental executive retirement programs or other deferred compensation arrangements and generally no perquisites that are available solely for the named executive officers.

- Our Compensation Levels are Consistent with Market Levels, and We Apply Discretion to Conform to, or Reward, Actual Performance. We believe that our named executive officers should be compensated at a level that ensures their continued dedication to the Company and creates potential rewards for extraordinary results when advancing the goals and strategy of the Company, particularly with respect to the implementation of our Long Term Strategic Plan. The Company works with an independent compensation consultant, Compensation Strategies, Inc., who annually compiles and analyzes market data to determine the pay practices of our peer group, which we use in determining the level of our named executive officers' pay (generally targeted at the 50th percentile, with deviations possible when warranted by role, skill set, performance or other extraordinary considerations). See Compensation Committee Practices Total Compensation Review. Similarly, our choice of metrics (both financial and operating) related to our annual incentive plan and KSTEPP, and the compensation committee's discretion to reduce awards granted under the annual incentive plan, are meant to ensure that our named executive officers are not rewarded unless performance goals are achieved and that operational metrics are not achieved at the expense of financial performance.

Executive Compensation Policies

The compensation committee has responsibility for establishing and overseeing our compensation program as it applies to our named executive officers. The compensation committee bases its executive compensation programs on the policies set forth below, which have generally remained constant from prior years:

Pay To Market

Compensation should be based on the level of job responsibility, individual performance and Company performance. Compensation should also reflect the value of the job in the marketplace. To attract and retain a highly skilled work force, we must provide pay that remains competitive with the pay of other employers who compete with us for talent.

More Responsibility, More Pay at Risk; We Pay for Performance

As associates progress to higher levels in the organization, an increasing proportion of their pay should be linked to Company performance and stockholder returns because they are better able, relative to other associates, to affect the Company's results.

Metrics Should Motivate Associates to Achieve the Mission

To be effective, performance-based compensation programs should enable associates to easily understand how their efforts can affect their pay, both through individual performance and through contributing to the Company's achievement of its strategic and operational goals.

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Evaluating the Market. Although our determination of the amount and mix of compensation elements for our named executive officers is generally not influenced by short-term market shifts, when extraordinary business changes occur, such as occurred for the Company in 2011 and 2012, we believe that our compensation practices should include the requisite flexibility to respond to those changes while remaining consistent with our compensation philosophy.

When setting compensation, we review compensation paid by other companies of comparable size in the same or similar industries and where our compensation falls within our peer group. Depending on the role, the experience an individual brings to the role, and individual performance, we broadly aim to set our executive base salary and incentive targets at the 50th percentile of our peer group, although depending on the role, the experience an individual brings to the role and individual performance, we may set executive base salaries and/or incentives closer to the 75th percentile. In other words, our objective is to generally pay median compensation while providing an opportunity to increase compensation further through successful performance in our incentive compensation programs.

We do not exclusively rely on market data to determine executive compensation. Instead, we incorporate flexibility into our compensation program and in our assessment process to respond to and adjust for the dynamic business environment in which we operate.

Equity Policies. To better align the interests of executives with those of our stockholders, we previously adopted share ownership guidelines that cover our officers, including the named executive officers, and certain other members of senior management, which we amended during 2012 to, among other changes, increase the chief executive officer's required holdings from five times to six times base pay. We also prohibit our associates from engaging in hedging transactions with respect to our shares.

Table of Contents**Components of 2012 Executive Compensation**

For 2012, the compensation of named executive officers consisted primarily of three principal components: base salary, short-term cash incentive compensation (i.e., an annual bonus) and long-term equity-based compensation, which components are described in the chart below, including how each component fits into our overall executive compensation package (i.e., the particular objectives and the specific elements that our compensation programs are designed to address).

Component		Objective		Focus
Base Salary	ü	Provides fixed portion of compensation	ü	Compensates based on market value for position, individual performance, level of experience and critical nature of role to the Company
	ü	Paid in cash		
Cash Incentive Compensation	ü	Provides at-risk variable compensation linked to short-term corporate, organizational and strategic goals without sacrificing long-term Company performance	ü	Compensates based on collective performance on shorter-term objectives
	ü	Paid in cash		
Equity-Based Compensation	ü	Provides at-risk variable pay compensation linked to long-term performance of the Company and individual performance	ü	Aligns the long-term interests of our stockholders and our named executive officers
	ü	Paid in restricted stock units including KSTEPP performance units	ü	Assists in attracting and retaining qualified executives
			ü	Compensates for overall Company performance

Each of our named executive officers (other than Mr. Ahearn) is party to an employment agreement and change in control agreement that protect him or her in the event of certain employment terminations, as well as confidentiality and non-competition agreements. Mr. Ahearn, who served as our interim chief executive officer through May 3, 2012 and our executive chairman through July 30, 2012, was party to employment and confidentiality agreements only. The employment and change in control agreements provide severance, in exchange for a release of claims, and equity vesting acceleration as described in more detail in [Employment Agreements and Related Arrangements](#) and [Change in Control Severance Agreements](#).

Generally, the types of compensation and benefits provided to the named executive officers are similar to those provided to other members of our senior leadership team.

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Compensation Committee Practices

Review of Peer Company Data

On at least a bi-annual basis, but typically annually, the compensation committee evaluates the compensation payable to our named executive officers against data regarding the pay practices of companies in our peer group, looking at individual components of pay, including total amount paid or payable. In addition, the compensation committee annually reviews any payments to our named executive officers that would be required under various severance scenarios. When conducting this review, the compensation committee also considers information and recommendations from management regarding past, present and future compensation of our named executive officers under various payment scenarios.

As part of its annual review and as a general update, the compensation committee determined in July 2011 to reevaluate its peer group. Based in part on feedback from its independent compensation consultant, Compensation Strategies, Inc., and on estimates of the Company's annual performance for 2011, the Company recast its peer group to add companies from whom it hired key talent or that related to the Company's new areas of focus (including construction and power solutions) and to remove companies that were recently acquired or who were no longer financially comparable to the Company. By the end of 2011, mindful of the difficulties that led to our Long Term Strategic Plan and the rapidly changing profile of the solar power industry, the compensation committee further refined the peer group to better reflect the Company's changed business environment.

In 2012, the compensation committee again retained Compensation Strategies, Inc. as a consultant to provide data and analysis regarding the selection of companies in our peer group, the pay practices of such companies and results of a comparison of each of the components of the compensation of our named executive officers against the compensation paid to executives in similarly-situated positions at our peer group companies. The consultant's benchmarking services were limited to comparing each element of compensation for a particular position against similar elements in the peer group. For compensation decisions made in the first two quarters of 2012, the compensation committee relied on data from the interim peer group formed in July 2011, upon assurances from the consultant that the data and percentile references for the interim peer group were substantially similar to those applicable to the current peer group.

The consultant's 2012 report supported the determination that the compensation paid to the Company's named executive officers was consistent with the Company's stated compensation objectives regarding our target pay as compared to our peer group, and was thus reasonable in the aggregate as compared to the peer group below. See [Executive Compensation Policies](#) [Evaluating the Market](#).

The aggregate fees paid to Compensation Strategies, Inc. for 2012 services were \$316,465. The fees were incurred solely for services relating to executive and board compensation. During 2012, the compensation committee conducted an independence analysis of the relationship of Compensation Strategies, Inc. to the Company, including a review of potential conflicts of interest, and concluded that Compensation Strategies, Inc. is independent.

The Company's 2012 peer group is comprised of the following companies, including U.S.-based companies in the solar sector, and companies in the hi-tech and high precision manufacturing, non-high tech manufacturing, renewable energy and construction and engineering sectors, which had annual revenues ranging from \$956 million to \$23.4 billion and market capitalization ranging from \$536 million to \$34.9 billion:

Agilent Technologies, Inc.	Altera Corporation	Anadarko Petroleum Corporation
Analog Devices, Inc.	Apache Corporation	Applied Materials, Inc.
Broadcom Corporation	Chesapeake Energy Corporation	Corning Incorporated
Devon Energy Corporation	EOG Resources, Inc.	FLIR Systems, Inc.
Fluor Corporation	GT Advanced Technologies, Inc.	Jacobs Engineering Group Inc.
JDS Uniphase Corporation	KLA-Tencor Corporation	Lam Research Corporation
Noble Energy, Inc.	Novellus Systems, Inc.	NVIDIA Corporation
Power-One, Inc.	QEP Resources, Inc.	The Shaw Group Inc.
Southwestern Energy Company	SunPower Corporation	Teradyne, Inc.
Texas Instruments, Inc.	Veeco Instruments Inc.	

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Individual Compensation Review

The individual performance of our named executive officers has been, and continues to be, a major factor in the compensation committee's decision regarding the executive's level of compensation. Generally, absent unusual circumstances, our process for review of individual compensation of our named executive officers is as follows. After the completion of each year, our independent directors (meeting in executive session under the direction of the chair of the compensation committee) review the performance of our chief executive officer for the prior year, evaluating his achievement against individual and Company objectives (which objectives were agreed upon between him and the compensation committee early in the prior year), his contributions to the Company's performance and other leadership accomplishments.

Our chief executive officer provides the compensation committee with an assessment of prior year performance of, and a recommendation for compensation changes with respect to, our other named executive officers, evaluating each executive based on achievement of preset objectives by the executive and his or her organization, his or her contribution to the Company's performance and other leadership accomplishments. Based on these considerations, and following an exercise of its independent judgment on the board's interactions with the named executive officers, the compensation committee (i) sets base salary, target bonus percentages and the basis for each executive's participation in the long-term equity-based incentive program for the current year and (ii) determines whether to award cash-incentive compensation for the prior year.

In connection with the implementation of our Long Term Strategic Plan, review of, and decisions regarding compensation relating to, our named executive officers in 2012 were deferred until the second quarter of the year. Unlike in prior years, the compensation committee's decision regarding pay increases and awards in 2012 was influenced in part by prospective considerations regarding the measures that would most effectively ensure the uninterrupted focus of our named executive officers during this key transitional time.

Compensation Risk Analysis

In the context of the total compensation review and the adoption of the Company's 2012 incentive programs, the compensation committee considered whether the Company's compensation structure and programs encourage excessive or inappropriate risk taking.

2012 Compensation Decisions

The following is a discussion of the considerations in establishing each of the compensation components for named executive officers in 2012.

Base Salary

Base salary is the fixed element of our named executive officers' annual cash compensation. The value of base salary for each named executive officer reflects the requirements of such executive's employment agreement, and his or her individual performance and skill set, including the market value of that skill set. The Company seeks to establish or maintain base salary levels for our executives between the 50th and 75th percentile (with the expectation that generally any compensation paid at a level above the 50th percentile is warranted only due to extraordinary performance, critical skill sets or similar considerations). Based on our assessment of individual performance and individual skill sets, the aggregate base salary and target bonus percentage for most of our named executive officers is positioned between the 50th and 75th percentile.

The compensation committee evaluates market data and individual performance of executives during our regular annual salary review process, which we refer to as our annual pay cycle. At the beginning of 2012, the base salaries of our named executive officers (other than Messrs. Hughes and Antoun, who are discussed below) were as follows: Mr. Ahearn (\$500,000); Mr. Widmar (\$435,000); Mr. Brown (\$450,000); and Ms. Gustafsson (\$400,000). During the 2012 pay cycle, the compensation committee established the base salaries of the named executive officers (other than for Messrs. Hughes and Antoun) as follows, which includes, for Mr. Widmar, a marked increase in base salary that the compensation committee felt was appropriate in recognition of his additional

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responsibilities related to his support of our chief executive officer, as well as the assumption of the chief accounting officer responsibilities: Mr. Widmar (\$550,000); Mr. Brown (\$455,000); and Ms. Gustafsson (\$442,000). Mr. Ahearn's base salary was unchanged.

Mid-Year Changes and Related Salary Adjustments. The Company hired Mr. Hughes as chief commercial officer, effective March 19, 2012, at a base salary of \$550,000, and on May 3, 2012, the Company appointed Mr. Hughes as chief executive officer, effective immediately, pursuant to which his base salary rose from \$550,000 to \$750,000. The Company hired Mr. Antoun as chief operating officer, effective July 1, 2012, at a base salary of \$550,000. On July 30, 2012, Mr. Ahearn resigned as an employee of the Company, and effective July 31, 2012, became the non-executive chairman of the Company's board of directors with annual cash compensation of \$150,000.

Cash Incentive Compensation

Our cash incentive compensation consists primarily of our annual bonus program designed under our 2010 Omnibus Incentive Compensation Plan (the 2010 Omnibus Plan) and cash sign-on bonuses that we use to incentivize individuals to join our Company.

Annual Bonus Program. We use our annual bonus program to reward achievement of specified strategic and operational objectives and focus on those objectives to help us achieve our mission of enabling a world powered by clean, affordable solar electricity. On February 21, 2012, the compensation committee adopted a 2012 bonus program for executives, including our named executive officers, with a single threshold operating metric as well as various performance metrics, each of which is assigned one of five weightings based on the executive's function in the Company, to strengthen the connection between executive performance and incentive pay, which is one of our core executive compensation policies. Upon achievement of the threshold operating metric, the maximum bonus pool will be funded, but the amount of each participant's actual bonus will be determined based on the achievement of various performance metrics, which may result in aggregate bonus payments less than the maximum bonus pool. Furthermore, the compensation committee retains discretion to reduce any award achieved under the program to the extent appropriate. All bonus payments will be subject to clawback to the extent required by applicable law.

- Bonus Program Targets, Objective and Calculation. The 2012 annual bonus program as applicable to our named executive officers, had a \$225 million adjusted operating income¹ minimum threshold level and a matrix of the following five performance metrics, which were established based on the goals set forth in our confidential annual operating plan for 2012: (i) operating cash flow, (ii) cost per watt (CPW), (iii) stabilized efficiency, (iv) megawatts (MW) shipped and (v) contribution margin.

Each metric, other than adjusted operating income, was assigned a percentage weighting based on the importance of the factor to the overall performance of the Company. To better link the compensation rewards with efforts, metric weightings were further differentiated based on the business/functional group to which the award recipient belongs. The weightings for Messrs. Hughes, Widmar and Antoun and Ms. Gustafsson, who are assigned to the functions group, were as follows: (i) operating cash flow, 25%; (ii) CPW, 25%; (iii) stabilized efficiency, 20%; (iv) MW shipped, 15%; and (v) contribution margin, 15%. For Mr. Brown, each of the five metrics was weighted equally, at 20%. The difference between the weightings for Mr. Brown relative to the other named executive officers is due to the fact that his primary function is related to sales. Mr. Ahearn did not participate in the annual bonus program.

The levels of payout for each performance goal are expressed as a multiplier, ranging from a threshold of 0.5 in cases of weaker performance to 2.0 in cases of stronger performance. A 0.5 multiplier was assigned to performance at a level that, while not certain at the time targets were set, we considered likely that such performance would be achieved by the end of the year. A 1.0 multiplier was assigned to performance at a level that, while not certain at the time targets were set, aligned with the goals in our annual operating plan, and thus was a level that we expected we could achieve by the end of the year. A 2.0 multiplier was assigned to a performance

¹ adjusted operating income means the Company's operating income (as defined by GAAP) with adjustments for (i) stock-based compensation expense, (ii) restructuring expense, (iii) costs in excess of normal warranty and (iv) foreign currency (gain)/ loss.

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level that was substantially more uncertain (i.e., that we expected we would have approximately a 50% chance of achieving by year end). If the minimum threshold level of performance was not achieved, the multiplier for the bonus was zero. The maximum bonus percentage payable under the 2012 annual bonus plan was 200% of target.

Based on an assessment of the 2012 Company results against the criteria described above, the bonus payout for Messrs. Hughes, Widmar and Antoun and Ms. Gustafsson was approximately 109%. Since Mr. Hughes and Mr. Antoun did not complete a full year of service in 2012, their bonus payouts were prorated based on their period of service during 2012. Mr. Brown's bonus payout was 99%, reflecting the heavier weighting of the sales-related metrics.

- Target Bonus Percentage. Target bonus percentages were established based on job responsibilities, internal equity and peer group data. Our objective is to generally set bonus targets at approximately the 50th percentile, with the ability to pay such bonuses above the 50th percentile when performance goals are exceeded. Based on our assessment of the individual performance and skill sets, the aggregate base salary and target bonus percentage of our named executive officers are between the 50th and 75th percentile. Our practice puts us within the middle range of peer group companies. Consistent with our executive compensation policy, our named executive officers had a greater proportion of their total cash compensation tied to Company performance through the cash incentive compensation program.

The target bonus percentage is evaluated during our annual pay cycle on the same basis as annual base salary (as discussed above in 2012 Compensation Decisions - Base Salary). At the beginning of 2012, the target bonus percentages of our named executive officers (other than Mr. Ahearn, who did not participate in the program, and Messrs. Hughes and Antoun, who are discussed below) were as follows: Mr. Widmar (80%); Mr. Brown (80%); and Ms. Gustafsson (70%). During the 2012 pay cycle, the committee increased the target bonus percentage of Mr. Widmar to 90% in recognition of his additional responsibilities in 2012 related to his support of our chief executive officer, as well as for the assumption of the chief accounting officer responsibilities. The target bonus percentages of the other named executive officers participating in the program did not change.

- Mid-Year Changes and Related Target Bonus Percentage Adjustments. The Company hired Mr. Hughes as chief commercial officer, effective March 19, 2012, with a target bonus percentage of 90%, which was increased to 115% as a result of his appointment on May 3, 2012 as chief executive officer. The Company hired Mr. Antoun as chief operating officer, effective July 1, 2012, with a target bonus percentage of 75%.

- Sign-On Bonuses. We granted Mr. Hughes and Mr. Antoun a sign-on bonus of \$425,000 and \$300,000, respectively, less applicable withholdings, to facilitate each executive's relocation to Tempe, Arizona and defray expenses related thereto.

Equity-Based Compensation

We have been a firm proponent of equity-based compensation and have had a historical practice of broad based granting programs. With the transition of our Company from hi-tech growth to a sustainable provider of solar modules and systems, we have continued to adjust our historical broad based granting practices to those that are more consistent with our business model. In addition, we have utilized our equity program to support significant retention objectives in light of the substantial transitions faced by the company during 2012. Notably, (i) we adopted the KSTEPP program in order to continuously incentivize performance over an exceptionally long performance period and (ii) granted time-based restricted stock units with varying vesting schedules to address both short-term and long-term retention concerns, while tying realizable compensation to the returns of our stockholders.

In 2012, as part of our continued execution of the Long Term Strategic Plan and our focus on growth, profitability and liquidity, we determined that equity awards to our named executive officers would consist of grants of restricted stock units with both time-based vesting criteria and KSTEPP performance-based vesting criteria. The compensation committee believes that this decision furthers the Company's goal of aligning executive and stockholder interests and relieving anxiety and mitigating any distractions that our executives may feel as part of the Company's redirection and the turmoil in the solar industry at this time.

Our practice is to grant our equity awards relatively early in the year. We do not time our grants specifically to avoid any internal blackouts or other periods during which our executives and directors may be prohibited by our

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Insider Trading Policy or applicable law from trading in our securities, or otherwise to provide any preferential benefit to our executives and directors. Equity grants to our named executive officers are described in greater detail in the *Grants of Plan Based Awards* table and the *Outstanding Equity Awards at Fiscal Year-End* table.

Long-Term Incentive Program. Awards under the long-term incentive programs (i) represent the largest component of executives compensation, (see *Components of 2012 Executive Compensation*), (ii) serve as a retention tool and (iii) ensure that our executives compensation is linked to the long-term interests of our stockholders and our Company performance, consistent with our compensation philosophy.

Although the allocation of long-term incentive program awards may vary between restricted stock units with time-based vesting criteria and KSTEPP units, the aggregate annual equity award is targeted at the 50th percentile of our peer group (with some flexibility to increase that target based on extraordinary contributions by the executive, as discussed above). For 2012, the compensation committee determined the applicable percentile for each of the named executive officers as discussed in *Total Compensation Review*, reviewed the value of the annual equity awards granted to officers in similar positions at peer companies, and then determined to grant approximately half of that value in the form of time-vesting restricted stock units as part of the Company's annual equity grant.

As described below, the KSTEPP awards were granted to each of the named executive officers based on their position with the Company. As shown in the Summary Compensation Table, this large grant of the KSTEPP awards results in an appearance of a disproportionate equity grant in 2012, especially relative to the annual equity grants for executives at our peer companies. However, unlike a typical performance-based equity compensation program in which awards are usually made each year, it is expected that our named executive officers will not receive additional performance-based awards until KSTEPP awards vest or are forfeited during the performance period (between April 1, 2012 and December 31, 2020), which is not expected to occur for several years from the grant date.

The KSTEPP awards have an unusually long minimum vesting and overall term. Attainment of the full-vesting goals is estimated to take several years and the earliest any KSTEPP awards can vest, other than in the event of a Change in Control, is December 31, 2014.

Going forward, the compensation committee intends that annual equity grants of time-vested restricted stock units granted while the KSTEPP awards are outstanding will be in an amount that, when added to the implied annualized value of the KSTEPP awards granted in 2012, will equal the appropriate value for the peer group percentile applicable to each named executive officer.

Annual Equity Grant. We have a practice of granting named executive officers annual equity compensation grants in the form of restricted stock units. For 2012, the compensation committee granted our named executive officers restricted stock units with time-based vesting criteria. The awards vest 25% annually, beginning on the first anniversary of the grant date. These time-vesting awards are intended to provide some certainty to our named executive officers of compensation if they remain employed and focused on our Long Term Strategic Plan, as a complement to the performance-based character of the KSTEPP awards. The compensation committee exercises some discretion, consistent with our compensation philosophy, to tailor these grants to the individual executives in light of each executive's performance and contribution to the Company.

The grant value for our named executive officers (other than Messrs. Ahearn, Antoun and Hughes) was: Mr. Widmar (\$1,257,015); Mr. Brown (\$494,010); and Ms. Gustafsson (\$878,001).

KSTEPP. During May 2012, the compensation committee approved and adopted the KSTEPP, a performance unit program under the 2010 Omnibus Plan. This program is intended to link the compensation of the Company's senior executives with the success of our Long Term Strategic Plan by rewarding achievement of performance objectives that are critical to our Long Term Strategic Plan. The goals of our Long Term Strategic Plan are to increase the Company's growth, profitability and liquidity, which results in greater return to our stockholders. The KSTEPP metrics, derived from our Long Term Strategic Plan, align the interests of our executives with those of our stockholders, consistent with our compensation philosophy. The Company granted awards under the KSTEPP to the named executive officers (other than Mr. Ahearn).

The program is implemented through the grant of performance units. Following the compensation committee's consideration of peer group data regarding annual equity values, the number of units granted to each named

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executive officer was set based on a tiered approach tied to the role of the applicable executive: chief executive officer (500,000); chief financial officer and chief operating officer (265,000); and executive vice president of global business development and general counsel and corporate secretary (135,000).

A named executive officer will receive one share of Company common stock for each performance unit that vests. Vesting may occur in one of two ways. First, the KSTEPP awards may vest in full, reduced by any previously vested portion, upon the Company's achievement in any 12-month period beginning and ending on a calendar quarter (which we refer to as "rolling annual period") that occurs between April 1, 2012 and March 31, 2020 (which we refer to as the "performance period") of at least 2.8 gigawatts DC of modules sold in sustainable markets and 15% cash adjusted return on invested capital² (which we refer to as the "full vesting condition"). Second, one-third of the KSTEPP award can vest sooner, upon the Company's achievement in any rolling annual period during the performance period of at least 1.35 gigawatts DC of modules sold in sustainable markets and 13% cash adjusted return on invested capital (which we refer to as the "partial vesting condition"). The KSTEPP award, or a portion thereof, can vest on the last day of a rolling annual period ending no earlier than December 31, 2014.

In addition, no KSTEPP award, nor a portion of such award, can vest unless and until the compensation committee certifies that the Company has achieved in any rolling annual period during the performance period at least \$400 million in KSTEPP adjusted operating income³. The compensation committee believes that the use of rigorous performance objectives over the relatively long performance period encourages sustained focus on our long-term strategy; however, the provisions allowing for partial vesting provide our executives with some benefit for achievement over this extended period, and mitigate anxiety over potential payouts that could otherwise distract from focus on our Long Term Strategic Plan.

KSTEPP awards will not vest unless the named executive officer is continuously employed by the Company or an affiliate through the applicable vesting date, except, consistent with our other long-term incentive awards, if the named executive officer is eligible for a pro-rata settlement as described below. Additionally, KSTEPP awards are forfeited upon termination of employment, unless employment is terminated due to death, disability, retirement or termination without cause, and thereafter either the partial and/or full vesting condition is achieved, in which case the named executive officers are eligible for a full settlement of their vested awards, if any, and a pro-rata settlement of their non-vested awards. The pro-rata settlement will be based on the length of the named executive officer's tenure with the Company during the performance period. Additionally, KSTEPP awards will expire and be forfeited with respect to the unvested portion thereof if the vesting condition(s) are not satisfied and the Company has not achieved in any rolling annual period during the performance period at least \$400 million in KSTEPP adjusted operating income, in each case, as of the last day of the performance period (December 31, 2020).

Notwithstanding the foregoing, in the event of a "change of control" (as defined in the 2010 Omnibus Plan) that occurs during the performance period, regardless of whether the Company has achieved in any rolling annual period during the performance period at least \$400 million in KSTEPP adjusted operating income, 25% of the then-unvested portion of the award will accelerate and become vested, in order to allow our executives to share in the gains that would, at such time, be realized by our stockholders. The 25% vesting provision supersedes the change of control provisions in the CIC Agreements between the Company and the named executive officers, which would otherwise provide for full acceleration of the award in the event of a change of control. See "Change in Control Severance Agreements."

In addition, the compensation committee has discretion to further accelerate the vesting of the award in connection with a change of control, including to amend the award to increase the vested percentage payable upon the occurrence of a change of control, which discretion is expected to be exercised based on the Company's actual performance tracking relative to the vesting conditions, providing some flexibility to reward our named executive

² cash adjusted return on invested capital for the Company is calculated as follows (i) KSTEPP adjusted operating income as defined below minus income tax expense for such KSTEPP adjusted operating income plus depreciation and amortization expense divided by (ii) stockholder's equity plus debt plus accumulated depreciation minus cash and cash equivalents minus marketable securities.

³ KSTEPP adjusted operating income means the Company's operating income (as defined by GAAP) for a rolling annual period during the KSTEPP performance period with adjustments for (i) extraordinary, unusual and nonrecurring items including restructuring expenses and (ii) KSTEPP related stock based compensation expense.

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officers at a level that is consistent with our stockholders if the Company is performing well in advance of any such change. On at least an annual basis (and at any time when a change of control is anticipated), the compensation committee will review the Company's progress towards achievement of either the partial or the full vesting condition and evaluate whether it is appropriate to amend the award (or, if a change of control is expected, to exercise its discretion) to provide accelerated vesting of a higher portion of the award, effective in all cases only upon an actual change of control.

The number of KSTEPP units granted to our named executive officers (other than Mr. Ahearn) was: Mr. Hughes (500,000); Mr. Widmar (265,000); Mr. Antoun (265,000); Mr. Brown (135,000); and Ms. Gustafsson (135,000).

Sign-On Grants. Upon their appointment as chief commercial officer and chief operating officer, the Company granted Mr. Hughes and Mr. Antoun restricted stock units having an aggregate fair market value on the date of grant equal to \$1,200,012 and \$1,000,015, respectively, which, in each case, will vest commencing on the first anniversary of the grant date at an annual rate of 25% per year.

Retention Awards. In addition to the equity awards described above, our named executive officers (other than Messrs. Ahearn, Hughes and Antoun) received a one-time, special grant of restricted stock units (with award levels based on a multiple of base salary of each of the executives as of January 2012), vesting 40% on the anniversary of the date of grant, and ratably with respect to the remaining units over the following three years, for the purpose of ongoing retention and focus on the implementation of our Long Term Strategic Plan. The compensation committee believes these awards are appropriate and reasonable to mitigate any distraction that our executives may feel as part of the Company's redirection, particularly in light of the volatility of the solar sector and the Company in 2011 and 2012. The form of award and vesting schedule were designed, consistent with our compensation philosophy, to align the interests of our executives with those of our stockholders, by tying the value of the award to our share price.

The grant date value for our named executive officers (other than Messrs. Ahearn, Hughes and Antoun) was: Mr. Widmar (\$1,080,003); Mr. Brown (\$563,003); and Ms. Gustafsson (\$600,009).

Other Executive Compensation Information

Broad-based Benefits Programs and Other Compensation

Our named executive officers are entitled to participate in the various benefits programs we offer to all of our associates, including a 401(k) plan, medical plan, dental plan, life insurance plan and long-term and short-term disability plans. Under our 401(k) plan, we make a matching contribution equal to 100% of our associates' contributions to the plan up to a maximum of 4% of an associate's plan compensation. In 2012, each of Messrs. Hughes, Widmar, Brown and Ms. Gustafsson received the maximum matching contribution of \$10,000. Mr. Antoun received a matching contribution of \$7,615, as a result of his participation in the plan for only a portion of 2012. Mr. Ahearn did not participate in the 401(k) plan. Our named executive officers each have vacation entitlements of four weeks per year.

Employment Agreements and Related Arrangements

We have entered into employment, confidentiality, non-competition and non-solicitation agreements, and D&O indemnification agreements with each of our named executive officers (except, with respect to a non-competition and non-solicitation agreement, for Mr. Ahearn). The compensation committee believes these contracts are fair, reasonable, appropriate and necessary to attract and retain the executives who are party to these agreements.

With the exception of Mr. Ahearn's agreement (which expressly provided for no severance benefits at the conclusion of his tenure as interim chief executive officer), the employment agreements generally provide that if the executive's employment is terminated without cause (as defined therein) (or, in the case of Messrs. Hughes and Antoun, if they resign for good reason (as defined therein)), then the executive shall be eligible for (i) salary continuation for a severance period subject to the execution of a release of claims in favor of the Company and subject to a reduction based on earnings during the severance period, (ii) health benefit coverage for the severance

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period, subject to certain contingencies and (iii) an additional 12 months' service credit for purposes of determining vesting of equity-based compensation awards (this service credit will not have an effect on KSTEPP awards). The employment agreements (other than Mr. Ahearn's) also provide for an additional 12 months' service credit for purposes of determining vesting of equity-based compensation in the event employment terminates due to the executive's death or disability (as defined therein).

Severance benefits, by their nature, require compensation payments without the receipt of corresponding services. We believe that our employment agreements set a proper balance between providing sufficient protection on employment termination and ensuring the executive has sufficient personal investment with respect to his or her employment with the Company.

The confidentiality agreements describe the Company's expectations of the executives regarding the Company's proprietary and confidential information. The non-competition and non-solicitation agreements establish a protected period that generally matches the severance period. During the protected period, the senior executives are subject to restrictive covenants as described in the agreement.

For more details on these employment agreements and the compensation and benefits payable or to be provided in the event of a termination of employment, see *Executive Compensation*, *Employment Agreements and Arrangements* and *Executive Compensation*, *Potential Payments Upon Termination or Change in Control*, *Potential Payments Upon Termination of Employment (Other Than in the Context of a Change in Control)*.

Change in Control Severance Agreements

We have entered into change in control severance agreements ("CIC Agreements") with each of our named executive officers (other than Mr. Ahearn). These agreements are intended to align the interests of the executives with our stockholders in a potential change in control situation by mitigating the uncertainty and questions a potential change in control may raise among such executives, allowing them to focus their continued attention and dedication to their assigned duties.

Equity Vesting. The CIC Agreements provide for full vesting of unvested equity-based compensation upon a change in control of the Company thereby ensuring that such executives are fairly compensated for the lost opportunity to realize the value of awards that is typically precipitated by a change in control, which is particularly salient for our named executive officers who receive a substantial portion of their income in equity-based compensation that vests over time (see *Components of 2012 Executive Compensation*). While our equity plans also contemplate vesting of this equity if it is not assumed by a successor entity (see *Executive Compensation*, *Potential Payments Upon Termination or Change in Control*, *Potential Payments Upon a Change in Control*, *2010 Omnibus Incentive Compensation Plan*), the CIC Agreements ensure this vesting will occur whether or not the equity-based awards are assumed for executives with these arrangements; however, the provisions of the award agreement for KSTEPP awards supersede the change of control provisions in the CIC Agreements. See *Equity-Based Compensation*, *KSTEPP* .

Severance Benefits. The CIC Agreements provide a double-trigger severance package for all of our named executive officers (except for Mr. Ahearn who does not have a CIC agreement) in the event their employment is terminated without cause or they resign for good reason within two years following a change in control. A resignation for good reason includes any material reduction in the authority, duties or responsibilities held by the executive immediately prior to the CIC date, any material reduction in the annual base salary or annual incentive opportunity of the executive as in effect immediately prior to the CIC date, or any change of the executive's principal place of employment to a location more than fifty miles from the executive's principal place of employment immediately prior to the CIC date. We believe this standard benefit reinforces the notion that in a change in control situation, all of the executives are similarly situated and must remain focused. The standard benefit is two times their base salary; two times a bonus amount (which is defined as the greater of (i) the executive's target annual bonus for the year of termination and (ii) the average of the annual cash bonuses payable to the executive in respect of the three full calendar years immediately preceding the calendar year that includes the termination date or, if the executive has not been employed for three full calendar years preceding the calendar year

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that includes the termination date, the average of the annual cash bonuses payable to the executive for the number of full calendar years prior to the termination date that he or she has been employed); a pro-rated target bonus; 18 months health benefit continuation, and outplacement benefits (maximum of \$20,000). Severance benefits are subject to the executive's execution of a release in favor of the Company.

Parachute Tax Gross-Up. In 2011, the Company determined to no longer provide a parachute tax gross-up in new CIC Agreements entered into thereafter; however, CIC Agreements entered into prior to 2011 provide a parachute tax gross-up (unless the total payments are within 110% of the 280G parachute tax threshold in which case the parachute payments are reduced to just below the threshold).

Evaluation by the Compensation Committee: When the Company enters into CIC Agreements, the compensation committee reviews the terms of the CIC Agreements in consultation with its independent compensation consultant, assesses the impact of possible payouts under the CIC Agreements in the event of a change in control and confirms that the CIC Agreements are fair and reasonable to both the executive and the Company. The change in control payment estimates are presented to, and reviewed by, the compensation committee each time compensation is evaluated. Based on its most recent annual review of the CIC Agreements, the compensation committee continues to believe the payments are fair and reasonable. For a further description of compensation provided in the event of a change in control, see *Executive Compensation Potential Payments Upon Termination or Change in Control* *Potential Payments Upon a Change in Control*.

Tax and Accounting Implications

Section 162(m) of the Code. With certain material exceptions, Section 162(m) of the Internal Revenue Code (the *Code*) limits the deductibility of compensation paid by a public company in any year to \$1 million to each of the chief executive officer and the next three most highly paid executive officers other than the chief financial officer. A transition rule generally applies to compensation paid under plans and arrangements in existence on the date of an initial public offering, pursuant to which such compensation will not be subject to the \$1 million limit. Prior to the June 1, 2010 annual meeting of stockholders, the Company generally sought to avail itself of this transition rule, and expects that transition rule to continue to apply to amounts paid or awards granted prior to the date of the Company's annual meeting held on June 1, 2010.

The 2010 Omnibus Plan is designed to enable most executive compensation to be deductible by the Company under Section 162(m) of the Code; however, the compensation committee has not adopted a policy that all compensation must be deductible, particularly where additional compensation may be needed to attract or retain executives for key leadership positions in the Company.

Section 280G of the Code. Section 280G of the Code denies a tax deduction on certain compensation payments to any disqualified individual (which term includes our named executive officers) that are contingent upon a change in ownership or control of the Company. A tax deduction for compensation in excess of the disqualified individual's average taxable compensation is denied, but only if the total change in control payments equal or exceed three times the individual's average taxable compensation (i.e., the 280G limit). In addition, if the 280G limit is exceeded, a 20% excise tax is imposed on the disqualified individual under Section 4999 of the Code. The Company has entered into CIC Agreements with each of the named executive officers (other than Mr. Ahearn). Certain CIC Agreements provide for the Company to gross-up such executive officer for the 20% excise tax if the applicable compensation exceeds 110% of the 280G limit (payments will be cut back to less than the 280G limit if the 110% threshold is not exceeded). In 2011, the Company determined to no longer provide a parachute tax gross-up in new CIC Agreements entered into thereafter.

The Company has estimated the 280G payments that would have been payable had a change in control occurred and each named executive officer's employment been terminated on December 31, 2012. Mr. Brown and Ms. Gustafsson are the only named executive officers with such gross-up provisions in their CIC Agreements at present, and we estimate that as of that date, both would have payments subject to the tax gross-up and deduction disallowance. See *Executive Compensation Potential Payments Upon Termination or Change in Control* *Potential Payments Upon a Change in Control*.

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Accounting for Equity-Based Compensation. The Company uses ASC Topic 718 for purposes of determining the fair value of its equity-based compensation. The assumptions used in the calculations of these amounts are included in Note 19, Share-Based Compensation, to the Company's audited financial statements for the fiscal ended December 31, 2012, included in the Company's Annual Report on Form 10-K filed with the Commission on February 27, 2013. The fair value of awards made to each named executive officer in 2012 are set forth under Summary Compensation Table.

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COMPENSATION COMMITTEE REPORT

The following report of the compensation committee is not soliciting material, is not deemed filed with the Commission and is not to be incorporated by reference into any other of the Company's filings under the Securities Act or the Securities Exchange Act of 1934, as amended (the Exchange Act), except to the extent we specifically incorporate this report by reference therein.

Since the formation of the compensation committee in October 2006, Michael Sweeney has served as chair of the compensation committee. Paul H. Stebbins has served on the compensation committee since his appointment to the board of directors on December 19, 2006. William J. Post has served on the compensation committee since July 26, 2010. Richard D. Chapman has served on the compensation committee since July 31, 2012.

The compensation committee is comprised solely of non-associate directors who are each: (i) independent as defined under the NASDAQ listing standards, (ii) a non-associate director for purposes of Rule 16b-3 of the Exchange Act, and (iii) an outside director for purposes of Section 162(m) of the Code.

With a keen sense of awareness of its fiduciary obligations, the compensation committee actively engages management and reviews data on (i) the relationship between the Company's incentive compensation programs and the Company's long-term strategic goals, (ii) the impact of any individual compensation changes on total compensation (including reviewing executive tally sheets), and (iii) the possibility that any particular program or arrangement could incentivize inappropriate risk-taking behaviors. The compensation committee believes that the Company's compensation philosophy is appropriate and that the Company's incentive compensation programs are important tools that allow all associates, including management, to successfully focus on matters critical to the Company's long-term success.

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this Proxy Statement on Schedule 14A and incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Submitted by the Members of the Compensation Committee

Michael Sweeney (Chair)

Richard Chapman

William J. Post

Paul H. Stebbins

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The following table sets forth information with respect to compensation earned for the fiscal years ended December 31, 2012, December 31, 2011, and December 31, 2010, respectively by each of our chief executive officer, our chief financial officer, and our three other most highly compensated executive officers, as well as our former interim chief executive officer, with respect to the time he served in the role during the fiscal years ended December 31, 2012 and December 31, 2011 (collectively, our named executive officers). During 2012, the compensation committee approved and adopted the KSTEPP, a performance award program under the 2010 Omnibus Plan. The KSTEPP performance thresholds, derived from our Long Term Strategic Plan targets and goals, align the interests of our named executive officers with those of our stockholders, consistent with our compensation philosophy. In May 2012, the Company made performance unit grant awards under the KSTEPP to the named executive officers (other than Mr. Ahearn). In the table below, these KSTEPP awards represent stock awards of the value shown in the Total column. See the table in footnote 2 below, which shows the separation of performance-based and time-based stock awards granted in 2012.

Name and Principal Position	Year	Salary \$(1)	Bonus \$(10)	Stock Awards \$(2)	Non-Equity Incentive Plan	All Other Compensation	Total \$(1)
					Compensation \$(3)	Compensation \$(4)	
James A. Hughes(5) Chief Executive Officer	2012	556,154	425,000(10)	10,035,012(11)	739,770	11,423	11,767,359
	2011						
	2010						
Michael J. Ahearn(6) Chairman and Interim Chief Executive Officer	2012	282,692				1,742	284,434
	2011	82,692					82,692
	2010						
Mark R. Widmar(7) Chief Financial Officer and Accounting Officer	2012	519,038		7,019,568(12)	550,000	10,832	8,099,438
	2011	317,885	696,089	2,340,150		135,564(16)	3,489,688
	2010						
Georges J. Antoun(8) Chief Operating Officer	2012	264,423	300,000(10)	5,049,215(13)	235,000	8,305	5,856,943
	2011						
	2010						
James G. Brown(9) Executive Vice President, Global Business Development	2012	453,654		3,442,462(14)	360,360	11,093	4,267,569
	2011	424,715		3,218,479		10,160	3,653,354
	2010						
Mary Beth Gustafsson Executive Vice President, General Counsel, Corporate Secretary	2012	430,692		3,863,459(15)	337,246	35,244	4,666,641
	2011	387,323		1,283,784		10,352	1,681,459
	2010	342,001		903,619	289,854	10,352	1,545,826

(1) Salary represents actual salary earned during each applicable year, and includes base salary and actual payments for accrued vacation and holidays.

(2) The amounts reported in these columns reflect the aggregate grant date fair value of these awards computed in accordance with ASC Topic 718 Stock Compensation, which excludes the effect of estimated forfeitures. The assumptions and methodologies used in the calculations of these amounts for 2012 are set forth in Note 19, Share Based Compensation, to the Company's audited financial statements for the fiscal year ended December 31, 2012 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (or, in the case of grants made prior to 2012, the corresponding footnote in the Company's Form 10-K for the applicable year). Under generally accepted accounting principles, compensation expense with respect to stock awards granted to our named executive officers is generally recognized over the vesting periods applicable to the awards. The Securities and Exchange Commission disclosure rules require that we

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present the stock award amounts in the applicable column of the table above using the grant date fair value of the awards granted during the corresponding year (regardless of the period over which the awards are scheduled to vest). For a discussion of specific stock awards during 2012, see also "Grants of Plan-Based Awards" below and the narrative discussion that follows. The following table separates stock awards between a) restricted stock units (RSU) for which vesting is service period based and b) KSTEPP performance restricted

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stock units (PSU) for which vesting is based upon achievement of certain performance metrics in addition to a minimum service period:

Name	RSU	PSU	Total
James A. Hughes	\$ 1,200,012	\$ 8,835,000	\$ 10,035,012
Mark R. Widmar	\$ 2,337,018	\$ 4,682,550	\$ 7,019,568
Georges J. Antoun	\$ 1,000,015	\$ 4,049,200	\$ 5,049,215
James G. Brown	\$ 1,057,013	\$ 2,385,449	\$ 3,442,462
Mary Beth Gustafsson	\$ 1,478,010	\$ 2,385,449	\$ 3,863,459

(3) For a description of Non-Equity Incentive Plan Compensation, see Compensation Discussion and Analysis Components of 2012 Executive Compensation and Compensation Discussion and Analysis 2012 Compensation Decisions (By Component) Cash Incentive Compensation.

(4) All Other Compensation breakout table is provided below for fiscal years 2012, 2011 and 2010.

Name	Year	Tax Gross-Ups for		401(k)		Total All	
		Relocation Benefits (\$)	Relocation Benefits (\$)	Matching Contribution (\$)	Insurance Benefits (\$)	Other (\$)	Other Compensation (\$)
James A. Hughes	2012			10,000	1,423		11,423
Michael J. Ahearn	2012				1,742		1,742
	2011						
Mark R. Widmar	2012			10,000	832		10,832
	2011	104,419(16)	21,082(17)	9,800	263		135,564
Georges J. Antoun	2012			7,615	690		8,305
James G. Brown	2012			10,000	1,093		11,093
	2011			9,800	360		10,160
Mary Beth Gustafsson	2012	24,209		10,000	1,035		35,244
	2011			9,800	552		10,352
	2010			9,800	552		10,352

(5) Mr. Hughes' employment with us commenced on March 19, 2012 as chief commercial officer. On May 3, 2012, Mr. Hughes was named chief executive officer.

(6) Mr. Ahearn served as the Company's chief executive officer from August 2000 to September 2009 and executive chairman from October 2009 to December 2010. Mr. Ahearn served as the Company's non-executive chairman from January 1, 2011 to October 25, 2011, during which time he was compensated as a non-associate director. On October 26, 2011, Mr. Ahearn was reemployed by the Company as its interim chief executive officer. He ceased to be interim chief executive officer effective May 3, 2012 and became our executive chairman. He resigned that role effective July 30, 2012 and, effective July 31, 2012, became the Company's non-executive chairman, the role in which he currently serves.

(7) Mr. Widmar's employment with us commenced on April 4, 2011.

(8) Mr. Antoun's employment with us commenced on July 1, 2012.

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- (9) Mr. Brown's employment with us commenced on April 7, 2008. He was not a named executive officer in 2010.
- (10) Represents a one-time taxable cash payment in connection with Messrs. Hughes's and Antoun's commencement of employment with the Company in lieu of an executive relocation assistance package.
- (11) Mr. Hughes received two grants in 2012 with total grant value of \$10,035,012, (a) \$8,835,000 of which was a multi-year performance grant (KSTEPP award) subject to the attainment of business goals and will have a multi-year performance period, during which no additional performance grants are expected (500,000 shares at a share price of \$17.67 granted on May 7, 2012); and (b) the remaining \$1,200,012 was offered as a new hire inducement grant of restricted stock units that vests ratably over four years, 25% per year (41,856 shares at a share price of \$28.67 granted on March 19, 2012).

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- (12) Mr. Widmar received three grants during 2012 with total grant value of \$7,019,568, (a) \$4,682,550 of which was a multi-year performance grant (KSTEPP award) subject to the attainment of business goals and will have a multi-year performance period, during which no additional performance grants are expected (265,000 shares at a share price of \$17.67 granted on May 7, 2012); (b) \$1,257,015 of which was an annual long-term incentive grant of restricted stock units, vesting ratably over four years, 25% per year (57,847 shares at a share price of \$21.73 granted on April 4, 2012); and (c) \$1,080,003 of which was a special one-time retention grant of restricted stock units, vesting at 40% on the first anniversary of the date of the grant and ratably for the remaining 3 years at 20% (49,701 shares at a share price of \$21.73 granted on April 4, 2012).
- (13) Mr. Antoun received two grants in 2012 with total grant value of \$5,049,215, (a) \$4,049,200 of which was a multi-year performance grant (KSTEPP award) subject to the attainment of business goals and will have a multi-year performance period, during which no additional performance grants are expected (265,000 shares at a share price of \$15.28 granted on July 2, 2012); and (b) the remaining \$1,000,015 was offered as a new hire inducement grant of restricted stock units that vests ratably over four years, 25% per year (65,446 shares at a share price of \$15.28 granted on July 2, 2012).
- (14) Mr. Brown received three grants during 2012 with total grant value of \$3,442,462, (a) \$2,385,449 of which was a multi-year performance grant (KSTEPP award) subject to the attainment of business goals and will have a multi-year performance period, during which no additional performance grants are expected (135,000 shares at a share price of \$17.67 granted on May 7, 2012); (b) \$563,003 of which was a special one-time retention grant of restricted stock units, vesting at 40% on first anniversary of the date of the grant and ratably for the remaining 3 years at 20% (25,909 shares at a share price of \$21.73 granted on April 4, 2012); and (c) \$494,010 of which was an annual long-term incentive grant of restricted stock units, vesting ratably over four years, 25% per year (22,734 shares at a share price of \$21.73 granted on April 4, 2012).
- (15) Ms. Gustafsson received three grants during 2012 with total grant value of \$3,863,459, (a) \$2,385,449 of which was a multi-year performance grant (KSTEPP award) subject to the attainment of business goals and will have a multi-year performance period, during which no additional performance grants are expected (135,000 shares at a share price of \$17.67 granted on May 7, 2012); (b) \$878,001 of which was an annual long-term incentive grant of restricted stock units, vesting ratably over four years, 25% per year (40,405 shares at a share price of \$21.73 granted on April 4, 2012); and (c) \$600,009 of which was a special one-time retention grant of restricted stock units, vesting at 40% on first anniversary of the date of the grant and ratably for the remaining 3 years at 20% (27,612 shares at a share price of \$21.73 granted on April 4, 2012).
- (16) Amount reflects corrections to calculations for fiscal year 2011. This reflects the total relocation expense incurred by the Company in connection with Mr. Widmar's executive relocation package, which includes the \$51,633 reimbursed to Mr. Widmar that was shown in footnote (4) to the Summary Compensation Table for fiscal year 2011.
- (17) Amount reflects corrections to calculations for fiscal year 2011. This reflects the total amount of tax gross-ups in connection with Mr. Widmar's relocation. Actual amount of tax gross-ups are lower than the \$23,080 originally disclosed in footnote (4) to the Summary Compensation Table for fiscal year 2011.

Table of Contents**Grants of Plan-Based Equity Awards**

The following table sets forth summary information regarding all grants of plan-based awards made to our named executive officers during the year ended December 31, 2012. Unless otherwise noted in the table below, the restricted stock units granted in 2012 vest over four years at a rate of 25% per year, commencing on the first anniversary of the grant date. No stock options were granted in 2012. The minimum award (below threshold performance) under the cash and equity plan-based award programs was \$0.

	Award Type	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (#)	Market Price on Grant Date (\$/Sh)	Grant Date Fair Value of Stock Awards (\$)(3)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
James A. Hughes	RSU	3/19/12							41,856(4)	28.67	1,200,012
	PSU	5/7/12					500,000			17.67	8,835,000
	Annual Cash		431,250	862,500	1,725,000						
Michael J. Ahearn	Annual Cash										
Mark R. Widmar	RSU	4/4/2012							57,847(4)	21.73	1,257,015
	RSU	4/4/2012							49,701(5)	21.73	1,080,003
	PSU	5/7/2012					265,000			17.67	4,682,550
	Annual Cash		247,500	495,000	990,000						
Georges J. Antoun	RSU	7/2/2012							65,446(4)	15.28	1,000,015
	PSU	7/2/2012					265,000			15.28	4,049,200
	Annual Cash		206,250	412,500	825,000						
James G. Brown	RSU	4/4/2012							22,734(4)	21.73	494,010
	RSU	4/4/2012							25,909(5)	21.73	563,003
	PSU	5/7/2012					135,000			17.67	2,385,450
	Annual Cash		182,000	364,000	728,000						
Mary Beth Gustafsson	RSU	4/4/2012							40,405(4)	21.73	878,001
	RSU	4/4/2012							27,612(5)	21.73	600,009
	PSU	5/7/2012					135,000			17.67	2,385,450
	Annual Cash		154,700	309,400	618,800						

- (1) For a description of Non-Equity Incentive Plan Compensation, see Compensation Discussion and Analysis Components of 2012 Executive Compensation and Compensation Discussion and Analysis 2012 Compensation Decisions (By Component) Cash Incentive Compensation Annual Bonus Program.
- (2) This performance-based award does not provide for threshold or maximum payout levels. The award vests in two separate tranches, each contingent up on the achievement of a threshold performance goal and pre-established performance criteria within a defined performance period. For a description of this award see Compensation Discussion and Analysis Components of 2012 Executive Compensation and Compensation Discussion and Analysis 2012 Compensation Decisions (By Component) Equity-Based Compensation Key Senior Talent Equity Performance Program (KSTEPP).
- (3) The grant date fair value of the stock awards was determined in accordance with ASC Topic 718. The assumptions used in the calculation of these amounts are included in Note 19, Share-Based Compensation to the Company's audited financial statements for the fiscal year ended December 31, 2012 included in the Company's Annual Report on Form 10-K filed with the Commission on February 27, 2013.

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- (4) The restricted stock units for this grant vest ratably over four years, 25% per year.
- (5) The restricted stock units for this grant vest 40% on the first anniversary of the grant date, and ratably for the remaining 3 years at 20% per year.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information with respect to outstanding stock awards held by our named executive officers at December 31, 2012.

Name	Grant Date	Stock Awards(1)	
		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested \$(2)
James A. Hughes	3/19/2012	41,856	1,291,676
	5/7/2012	500,000(3)	15,430,000
Total		541,856	16,721,676
Michael J. Ahearn			
Total			
Mark R. Widmar	4/4/2011	11,232	346,620
	4/4/2012	57,847	1,785,158
	4/4/2012	49,701(4)	1,533,773
	5/7/2012	265,000(3)	8,177,900
Total		383,780	11,843,451
Georges J. Antoun	7/2/2012	65,446	2,019,664
	7/2/2012	265,000(3)	8,177,900
Total		330,446	10,197,564
James G. Brown	4/27/2009	352(5)	10,863
	3/24/2010	3,003(5)	92,673
	3/22/2011	5,040	155,534
	3/22/2011	7,500	231,450
	9/1/2011	7,500(6)	231,450
	4/4/2012	22,734	701,571
	4/4/2012	25,909(4)	799,552
	5/7/2012	135,000(3)	4,166,100
Total		207,038	6,389,193
Mary Beth Gustafsson	4/27/2009	3,076(5)	94,925
	3/24/2010	4,953(5)	152,850
	3/22/2011	6,462	199,417
	4/4/2012	40,405	1,246,898
	4/4/2012	27,612(4)	852,106
	5/7/2012	135,000(3)	4,166,100
Total		217,508	6,712,297

(1) Unless otherwise noted, the restricted stock units vest 25% annually, subject to the named executive officer's continued employment with us.

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- (2) The market value was calculated using the closing market price on December 31, 2012 of \$30.86.
- (3) This plan-based award vests in two separate tranches, each contingent upon the achievement of a threshold performance goal and pre-established performance criteria within a defined performance period. For a

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description of this award see Compensation Discussion and Analysis Components of 2012 Executive Compensation and Compensation Discussion and Analysis 2012 Compensation Decisions (By Component) Equity-Based Compensation Key Senior Talent Equity Performance Program (KSTEPP).

(4) The restricted stock units for this grant vest 40% on the first anniversary of the grant date, and ratably for the remaining 3 years at 20%.

(5) The restricted stock units for this grant vest over 4 years, 20% on the anniversary date for the first three years and 40% on the fourth anniversary, subject to the executive officer's continued employment with us.

(6) The restricted stock units vest 25% on the second anniversary of the grant date, and 75% on the third anniversary of the grant date, subject to the named executive officer's continued employment with us.

Stock Vested

The following table provides information, on an aggregate basis, about stock awards that vested during the fiscal year ended December 31, 2012 for each of the named executive officers.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting \$(1)
James A. Hughes		
Michael J. Ahearn		
Mark R. Widmar	3,744	81,357
Georges J. Antoun		
James G. Brown	7,039	172,890
Mary Beth Gustafsson	8,543	206,084

(1) For a description of vesting of restricted stock units see Compensation Discussion and Analysis Components of 2012 Executive Compensation and Compensation Discussion and Analysis 2012 Compensation Decisions (By Component) Equity-Based Compensation.

Pensions and Nonqualified Deferred Compensation

We do not currently provide our named executive officers with pension benefits (other than a tax-qualified 401(k) plan benefit) or other nonqualified deferred compensation arrangements (other than such arrangements, disclosed elsewhere in this proxy statement) that could be characterized as nonqualified deferred compensation arrangements under Section 409A of the Code.

Employment Agreements and Arrangements

Although some of our employment agreements include specific provisions subjecting certain payments thereunder to clawback to the extent required by law, as a result of the Company's adoption of a broadly applicable clawback policy, certain payments to our executives under each of the agreements below are subject to clawback to the extent required by applicable law.

James A. Hughes

Effective as of March 19, 2012, we entered into an employment agreement with Mr. James A. Hughes to serve as our chief commercial officer. This employment agreement was subsequently amended, effective May 3, 2012, in light of our appointment of Mr. Hughes as our chief executive officer. Under the terms of his employment agreement, during 2012 Mr. Hughes was entitled to an annual base salary as described under 2012 Compensation Decisions Base Salary, the opportunity to participate in the Company's annual bonus program with a target annual

bonus of 115% (subject to such clawbacks as may be required by law), as described under Compensation

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Discussion and Analysis 2012 Compensation Decisions Cash Incentive Compensation, other senior level incentive programs (subject to such clawbacks as may be required by law), standard employee benefits and four weeks of vacation. The Company also provided Mr. Hughes with the following additional compensation in conjunction with his appointment as chief commercial officer: (i) a one-time cash sign-on bonus of \$425,000 (in lieu of an executive relocation package, and subject to recoupment in the event that Mr. Hughes resigns other than for good reason on or before August 31, 2013) and (ii) a one-time sign-on / new hire equity award of restricted stock units having an aggregate market value on the date of grant of \$1,200,000 that vests ratably over four years at 25% per year, commencing on the first anniversary of the date of grant. In addition, Mr. Hughes was granted 500,000 KSTEPP units.

Our employment agreement with Mr. Hughes provides that, in the event Mr. Hughes' employment is terminated by us without cause or by Mr. Hughes for good reason, Mr. Hughes is eligible to receive the following: (i) severance equal to two years of his annual base salary, payable over the 24 months following termination, (ii) continued medical benefits until the earlier of two years following termination and his coverage under the medical benefit plan of another employer and (iii) an additional one year of service credit for purposes of determining vesting of equity-based compensation awards (which equity will, in the case of restricted stock units, be payable on the vesting date). The additional vesting credit described in (iii) above also applies if Mr. Hughes' employment terminates due to his death or disability. In the event of termination of Mr. Hughes' employment for any reason, he is entitled to payment of his earned and unused (and unforfeited) vacation. The severance benefits described in clause (i) above are conditioned upon Mr. Hughes timely delivering a valid and irrevocable release of claims in favor of the Company.

Mr. Hughes is also subject to a separate confidentiality and intellectual property agreement and a separate non-competition and non-solicitation agreement, the latter of which provides that Mr. Hughes will not compete with the Company or solicit Company associates during the two year period after termination of his employment for any reason (the period after the respective termination date of an employee by the Company, such employee's restricted period).

Mr. Hughes has also entered into a separate CIC Agreement with the Company, the terms of which are described in Potential Payments Upon Termination or Change in Control Potential Payments upon a Change in Control Change in Control Severance Agreements.

Michael J. Ahearn

Effective as of October 26, 2011, we entered into an employment agreement with Mr. Michael J. Ahearn, our current nonexecutive chairman, to serve as our chairman and interim chief executive officer. With the appointment of Mr. Hughes as our chief executive officer effective May 3, 2012, Mr. Ahearn resigned as an employee of the Company on July 30, 2012, and effective July 31, 2012, became the non-executive chairman. Pursuant to his resignation, Mr. Ahearn's employment agreement terminated effective July 30, 2012, after which date he was no longer entitled to any benefits under such agreement. Under the terms of his employment agreement while it was effective, during 2012 Mr. Ahearn was entitled to an annual base salary as described under Compensation Discussion and Analysis 2012 Compensation Decisions Base Salary. Upon his appointment to nonexecutive chairman, he was entitled to annual cash compensation as described under Compensation Discussion and Analysis 2012 Compensation Decisions Base Salary. Mr. Ahearn did not participate in the 2012 annual bonus program. Under our employment agreement with Mr. Ahearn, he was eligible for standard employee benefits and four weeks vacation per year during his employment period, but was not entitled to any severance benefits at termination. In addition to his employment agreement with us, Mr. Ahearn was subject to a separate confidentiality agreement.

Mark R. Widmar

Effective as of April 4, 2011, we entered into an employment agreement with Mr. Mark R. Widmar, our chief financial officer. In February 2012, he also assumed the role of chief accounting officer. Under the terms of his employment agreement, during 2012, Mr. Widmar was entitled to an annual base salary as described under

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Compensation Discussion and Analysis 2012 Compensation Decisions Base Salary, the opportunity to participate in the Company's annual bonus program with a target annual bonus of 80% (which was subsequently increased to 90% and is subject to such clawbacks as may be required by law), as described under Compensation Discussion and Analysis 2012 Compensation Decisions Cash Incentive Compensation, other senior level incentive programs (subject to such clawbacks as may be required by law), standard employee benefits and four weeks of vacation.

Our employment agreement with Mr. Widmar provides that, in the event Mr. Widmar's employment is terminated by us without cause, Mr. Widmar is eligible to receive the following: (i) severance equal to one year of his annual base salary, payable over the 12 months following termination, (ii) continued medical benefits until the earlier of one year following termination and his coverage under the medical benefit plan of another employer and (iii) an additional one year of service credit for purposes of determining vesting of equity-based compensation awards (which equity will, in the case of restricted stock units, be payable on the vesting date). The additional vesting described in (iii) above also applies if Mr. Widmar's employment terminates due to his death or disability. In the event of termination of Mr. Widmar's employment for any reason, he is entitled to payment of his earned and unused (and unforfeited) vacation. The severance benefits described in clause (i) above are conditioned upon Mr. Widmar timely delivering a valid and irrevocable release of claims in favor of the Company.

Mr. Widmar is also subject to a separate confidentiality and intellectual property agreement and a separate non-competition and non-solicitation agreement, the latter of which provides that Mr. Widmar will not compete with the Company or solicit Company associates during a one year restricted period.

Mr. Widmar has also entered into a separate CIC Agreement with the Company, the terms of which are described in Potential Payments Upon Termination or Change in Control Potential Payments upon a Change in Control Change in Control Severance Agreements.

Georges J. Antoun

Effective as of July 1, 2012, we entered into an employment agreement with Mr. Georges J. Antoun to serve as our chief operating officer. Under the terms of his employment agreement, during 2012 Mr. Antoun was entitled to an annual base salary as described under Compensation Discussion and Analysis 2012 Compensation Decisions Base Salary, the opportunity to participate in the Company's annual bonus program with a target annual bonus of 75% (and an opportunity to earn two times this target, which is subject to such clawbacks as may be required by law), as described under Compensation Discussion and Analysis 2012 Compensation Decisions Cash Incentive Compensation, other senior level incentive programs (subject to such clawbacks as may be required by law), standard employee benefits and four weeks of vacation. The Company also provided Mr. Antoun with the following additional compensation: (i) a one-time taxable cash sign-on bonus of \$300,000 (in lieu of an executive relocation package, and subject to recoupment in the event that Mr. Antoun resigns other than for good reason on or before January 1, 2014) and (ii) a one-time sign-on / new hire equity award of restricted stock units having an aggregate market value on the date of grant of \$1,000,000, which vests ratably over four years 25% per year, commencing on the first anniversary of the date of grant. In addition, Mr. Antoun was granted 265,000 KSTEPP units.

Our employment agreement with Mr. Antoun provides that, in the event Mr. Antoun's employment is terminated by us without cause or by Mr. Antoun for good reason, Mr. Antoun is eligible to receive the following: (i) severance equal to one year of his annual base salary, payable over the 12 months following termination, (ii) continued medical benefits until the earlier of one year following termination and his coverage under the medical benefit plan of another employer and (iii) an additional one year of service credit for purposes of determining vesting of equity-based compensation awards (which equity, other than options granted as part of the Initial Equity Award, will, in the case of restricted stock units, be payable on the vesting date). The additional vesting described in (iii) above also applies if Mr. Antoun's employment terminates due to his death or disability. In the event of termination of Mr. Antoun's employment for any reason, he is entitled to payment of his earned and unused (and unforfeited) vacation. The severance benefits described in clause (i) above are conditioned upon Mr. Antoun timely delivering a valid and irrevocable release of claims in favor of the Company.

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Mr. Antoun is also subject to a separate confidentiality and intellectual property agreement and a separate non-competition and non-solicitation agreement, the latter of which provides that Mr. Antoun will not compete with the Company or solicit Company associates during a one year restricted period.

Mr. Antoun has also entered into a separate CIC Agreement with the Company, the terms of which are described in Potential Payments Upon Termination or Change in Control Potential Payments upon a Change in Control Change in Control Severance Agreements.

James G. Brown

Effective as of December 1, 2008, we entered into an amended and restated employment agreement with Mr. James G. Brown, which was further amended effective September 1, 2011 to reflect his promotion to president, utility systems business group (from his former title of senior vice president, project finance). When we announced our long-term strategic plan in 2011, we also announced that Mr. Brown's role changed to president, global business development. Mr. Brown is currently serving as executive vice president, global business development. Nonetheless, the terms of his amended employment agreement remain effective. Under the terms of his employment agreement, during 2012 Mr. Brown was entitled to an annual base salary as described under Compensation Discussion and Analysis 2012 Compensation Decisions Base Salary, the opportunity to participate in the Company's annual bonus program with a target annual bonus of 80%, as described under Compensation Discussion and Analysis 2012 Compensation Decisions Cash Incentive Compensation, other senior level incentive programs, standard employee benefits and four weeks of vacation.

Our employment agreement with Mr. Brown provides that, in the event Mr. Brown's employment is terminated by us without cause, Mr. Brown is eligible to receive the following: (i) severance equal to one year of his annual base salary, payable over the 12 months following termination, reduced by any earnings of Mr. Brown during the severance period, (ii) continued medical benefits until the earlier of one year following termination and his coverage under the medical benefit plan of another employer and (iii) an additional one year of service credit for purposes of determining vesting of equity-based compensation awards (which equity will, in the case of restricted stock units, be payable on the date of termination). The additional vesting described in (iii) above also applies if Mr. Brown's employment terminates due to his death or disability. In the event of termination of Mr. Brown's employment for any reason, he is entitled to payment of his earned and unused (and unforfeited) vacation. The severance and accelerated vesting benefits described in clauses (i) and, in the case of a termination without cause, (iii) above are conditioned upon Mr. Brown timely delivering a valid and irrevocable release of claims in favor of the Company.

Mr. Brown is also subject to a separate confidentiality and intellectual property agreement and a separate non-competition and non-solicitation agreement, the latter of which provides that Mr. Brown will not compete with the Company or solicit Company associates during a one year restricted period.

In connection with his initial employment with us, Mr. Brown entered into a separate CIC Agreement with the Company, the terms of which are described in Potential Payments Upon Termination or Change in Control Potential Payments upon a Change in Control Change in Control Severance Agreements.

Mary Beth Gustafsson

On February 20, 2009, we entered into an employment agreement with Ms. Mary Beth Gustafsson in connection with her service as our vice president and general counsel. This employment agreement was amended in July 2009 to provide for the accelerated vesting in full of her new-hire equity in the event her employment terminated without cause and amended again in November 2009 to reflect Ms. Gustafsson's promotion to executive vice president and her assumption of the corporate secretary function at that time. Under the terms of her employment agreement, during 2012, Ms. Gustafsson was entitled to an annual base salary as described under Compensation Discussion and Analysis 2012 Compensation Decisions Base Salary, the opportunity to participate in the Company's annual bonus program with a target annual bonus of 60% (which was subsequently increased to 70%), as described under Compensation Discussion and Analysis 2012 Compensation Decisions Cash Incentive Compensation, other senior level incentive programs, standard employee benefits and four weeks of vacation.

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Our employment agreement with Ms. Gustafsson provides that in the event Ms. Gustafsson's employment is terminated by us without cause, Ms. Gustafsson is eligible to receive the following: (i) severance equal to one year of her annual base salary, payable over the 12 months following termination of employment, reduced by any earnings of Ms. Gustafsson during the severance period, (ii) continued medical benefits until the earlier of one year following termination and her coverage under the medical benefit plan of another employer and (iii) an additional one year of service credit for purposes of determining vesting on her equity-based compensation awards (other than her sign-on award, which vested in full in 2012) (which equity will, in the case of restricted stock units, be payable on the vesting date). The additional vesting described in (iii) above also applies if Ms. Gustafsson's employment terminates due to her death or disability. In the event of termination of Ms. Gustafsson's employment for any reason, she is entitled to payment of her earned and unused (and unforfeited) vacation. The severance and accelerated vesting benefits described in clauses (i) and, in the case of a termination without cause, (iii) above are conditioned upon Ms. Gustafsson timely delivering a valid and irrevocable release of claims in favor of the Company.

Ms. Gustafsson is also subject to a separate confidentiality and intellectual property agreement and a separate non-competition and non-solicitation agreement, the latter of which provides that Ms. Gustafsson will not compete with the Company or solicit Company associates during a one year restricted period.

Ms. Gustafsson has also entered into a separate CIC Agreement with the Company, the terms of which are described in **Potential Payments Upon Termination or Change in Control** **Potential Payments Upon a Change in Control** **Change in Control Severance Agreements**.

Potential Payments Upon Termination or Change in Control

Potential Payments Upon Termination of Employment (Other Than in the Context of a Change in Control)

The table below reflects the estimated amount of compensation payable to each of the named executive officers (other than Mr. Ahearn) in the event of termination of such executive's employment as of December 31, 2012. The table does not include Mr. Ahearn, as he was not eligible for any severance benefits under his employment agreement and was not an associate as of such date. The amount of compensation payable to each named executive officer upon involuntary termination without cause (or, for Messrs. Hughes and Antoun, a resignation for good reason) and termination due to disability or death of the executive, in each case, other than in connection with a change in control, is shown below. The amounts shown assume that such termination was effective as of December 31, 2012, and thus include amounts earned through such time and are estimates of the amounts that would be paid out to the executives upon their termination. Unless noted below, for purposes of the calculations below, we have used a share value of \$30.86 per share, which was the closing price of our common stock on December 31, 2012, the last trading day in 2012. The actual amounts to be paid out can only be determined at the time of the executive's separation from the Company. None of the named executive officers are entitled to compensation upon a termination for cause (except for the value of any earned and unused (and unforfeited) vacation).

For descriptions relating to these payments and benefits, including any release, non-competition, non-solicitation or similar requirements, see **Employment Agreements and Arrangements**. The amounts do not include amounts payable pursuant to the Company's contracts, agreements, plans or arrangements to the extent they do not discriminate in scope, terms or operation, in favor of executive officers of the Company and that are available generally to all salaried associates, including payment of accrued rights such as payment for accrued and unpaid vacation.

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Name	Involuntary Not for Cause Termination (\$)(1)	Termination Due to Death or Disability (\$)
James A. Hughes		
Cash Severance	2,362,500(2)	862,500(5)
Health Coverage	23,070(3)	
Equity Treatment	3,351,118(4)	3,351,118(4)
Total	5,736,688	4,213,618
Mark R. Widmar		
Cash Severance	1,045,000(2)	495,000(5)
Health Coverage	18,175(3)	
Equity Treatment	2,780,332(4)	2,780,332(4)
Total	3,843,507	3,275,332
Georges J. Antoun		
Cash Severance	962,500(2)	412,500(5)
Health Coverage	18,175(3)	
Equity Treatment	1,658,231(4)	1,658,231(4)
Total	2,638,906	2,070,731
James G. Brown		
Cash Severance	819,000(2)	364,000(5)
Health Coverage	18,175(3)	
Equity Treatment	1,541,488(4)	1,541,488(4)
Total	2,378,663	1,905,488
Mary Beth Gustafsson		
Cash Severance	751,400(2)	309,400(5)
Health Coverage	18,175(3)	
Equity Treatment	1,682,580(4)	1,682,580(4)
Total	2,452,155	1,991,980

- (1) For Messrs. Hughes and Antoun, amounts reflected in these columns would also be payable upon a resignation for good reason.
- (2) Estimates based on aggregate payments made over the severance period, which period for Mr. Hughes is 24 months and for all other executives with this benefit is 12 months. Includes annualized cash bonus calculated at target because, under the terms of the cash incentive compensation program, the cash incentive compensation is earned and payable to any associate who is employed on the last day of the year.
- (3) Represents maximum aggregate value of continued health benefit coverage based on 2013 costs for this benefit, to be provided over the health benefit continuation period, which is 24 months for Mr. Hughes and 12 months for Messrs. Widmar, Antoun, and Brown and Ms. Gustafsson.
- (4) Estimates based on aggregate value of 12 months acceleration of the vesting of equity-based awards outstanding on December 31, 2012, as provided under the terms of each executive's employment agreement. KSTEPP awards are valued at \$0 because vesting cannot occur prior to December 31, 2014.
- (5)

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Our 2012 annual cash incentive compensation plan requires that all associates be employed through the end of the calendar year with the following exceptions: retirement, death and long-term disability. These exceptions allow eligibility for a pro-rated award based on days of service completed during the performance year. Calculation is shown as target annualized payout of 1X.

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Potential Payments Upon a Change in Control

Consequences of change in control under equity-based compensation plans

2010 Omnibus Incentive Compensation Plan (and 2006 Omnibus Incentive Compensation Plan). The 2010 Omnibus Plan (and its predecessor, the 2006 Omnibus Incentive Compensation Plan (the "2006 Omnibus Plan")) provide that, unless otherwise provided in an award agreement, or unless provision is made in connection with the change of control (as defined below) for assumption of, or substitution for, awards previously granted, in the event of a change of control, any equity awards outstanding as of the date the change of control is determined to have occurred will become fully exercisable and vested, as of immediately prior to the change of control, and cash incentive awards will be paid out as if the change of control date were the last day of the performance period and assuming target level of performance and all other awards will be deemed exercisable.

The term "change of control" in the 2010 Omnibus Plan (and the 2006 Omnibus Plan) is defined generally as the occurrence of any of the following events:

during any period of 24 consecutive months, a change in the composition of a majority of our board of directors that is not supported by a majority of the incumbent board of directors;

the consummation of a merger, reorganization or consolidation or sale or other disposition of all or substantially all of our assets, subject to certain exceptions for transactions that would not constitute a change in control;

the approval by our stockholders of a plan of our complete liquidation or dissolution; or

an acquisition by any individual, entity or group of beneficial ownership of a percentage of the combined voting power of our then outstanding voting securities entitled to vote generally in the election of directors that is equal to or greater than the greater of (a) 20% and (b) the percentage of the combined voting power of the outstanding voting securities owned by certain specified stockholders, with exceptions for certain acquisitions.

KSTEPP

In the event of a "change of control" that occurs during the performance period for our KSTEPP awards granted under the 2010 Omnibus Plan, 25% of the then-unvested portion of each award will accelerate and become vested without regard to achievement of the performance goal as of such time, in order to allow our executives to share in the gains that would, at such time, be realized by our stockholders. The 25% vesting provision supersedes the change of control provisions in the CIC Agreements between the Company and the named executive officers (described below), which would otherwise provide for full acceleration of the award in the event of a change of control. For more detail about our KSTEPP program, see "Compensation Discussion and Analysis" "2012 Compensation Decisions" "Long Term Incentive Programs" "KSTEPP."

In addition, the compensation committee has discretion to further accelerate the vesting of the KSTEPP awards in connection with a change of control, including to amend an award to increase the vested percentage payable upon the occurrence of a change of control, which discretion is expected to be exercised based on the Company's actual performance tracking relative to the vesting conditions. On at least an annual basis (and at any time when a change of control is anticipated), the compensation committee will review the Company's progress towards achievement of either the partial or the full vesting condition and evaluate whether it is appropriate to amend the award (or, if a change of control is expected, to exercise its discretion) to provide accelerated vesting of a higher portion of the award, effective in all cases only upon an actual change of control.

Change in Control Severance Agreements

The Company has entered into change in control severance agreements, referred to as the CIC Agreements, with its executive officers and certain senior management, including each of its named executive officers presently employed by us. Under the CIC Agreements, if a change in control (substantially as defined in the 2010 Omnibus Plan) occurs, the executive would become immediately entitled to accelerated vesting of all equity-based, long-term

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incentive and cash incentive compensation awards (other than awards which by their express terms do not accelerate under the CIC Agreements).

Executives who are party to a CIC Agreement will also be entitled to severance payments and benefits if the executive's employment with the Company is terminated in anticipation of a change in control or if, during the two-year period after a change in control, the executive's employment is terminated without cause or the executive resigns for good reason (which includes material changes in an executive's duties, responsibilities or reporting relationships, failure to provide equivalent compensation and benefits and being required to relocate 50 or more miles) (such termination, a qualifying termination). If terminated or separated from the Company under those circumstances, the executive would be entitled to the following additional benefits under the CIC Agreement:

a lump-sum cash severance payment equal to two times the sum of (i) the executive's annual base salary (without regard to any reduction giving rise to good reason) and (ii) the greater of

the executive's target annual bonus for the year of termination; and

the average of the annual cash bonuses payable to the executive by us in respect of the three full calendar years immediately preceding the calendar year that includes the termination date or, if the executive has not been employed for three full calendar years preceding the calendar year that includes the termination date, the average of the annual cash bonuses payable to the executive for the number of full calendar years prior to the termination date that he or she has been employed;

a pro-rated target annual bonus;

the continuation of, or reimbursement for, welfare and fringe benefits for 18 months after termination of employment; and

reimbursement for the cost of executive-level outplacement services (subject to a \$20,000 limit).

To obtain severance benefits under a CIC Agreement, an executive must first execute a separation agreement with the Company that includes a waiver and release of any and all claims against the Company. For terminations other than a qualifying termination following a change in control, the executive is entitled to accrued rights only.

In addition to the foregoing, in accordance with the CIC Agreements entered into prior to 2011, the Company will make tax gross-up payments to Mr. Brown and Ms. Gustafsson to cover any excise taxes that may be imposed under Section 280G of the Code in connection with qualifying termination payments (including the acceleration of equity-based, long-term incentive and cash compensation upon a change in control) unless the value of the payments and benefits in connection with the change in control does not exceed by more than 10% of the maximum amount payable without triggering any such taxes, in which case the payments and benefits will be reduced to such maximum amount.

The table below shows the amounts that would be payable to each of the named executive officers who is party to a CIC Agreement in the event of a qualifying termination following a change in control, if a change in control and the qualifying termination had occurred on December 31, 2012, using a share value of \$30.86 per share, which was the closing price of our common stock on December 31, 2012, the last trading day in 2012. The Company did not enter into a CIC Agreement with Mr. Ahearn and he ceased to be an associate before December 31, 2012. Accordingly, he is not represented on the table.

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The amounts do not include amounts payable pursuant to the Company's contracts, agreements, plans or arrangements to the extent they do not discriminate in scope, terms or operation, in favor of executive officers of the Company and that are available generally to all salaried associates, including payment of accrued rights such as payment for accrued and unpaid vacation.

Name	Cash Severance Payment Amount \$(1)	Value of Accelerated Equity Awards \$(2)	Estimated Value of Medical and Welfare Benefits \$(3)	Estimated Value of Outplacement Assistance \$(4)	Estimated Value of 280G Gross- up Payment \$(5)	Total (\$)
James A. Hughes	4,087,500	5,149,176	18,545	20,000		9,275,221
Mark R. Widmar	2,585,000	5,710,026	28,173	20,000		8,343,199
Georges J. Antoun	2,337,500	4,064,139	28,173	20,000		6,449,812
James G. Brown	2,002,000	3,264,618	28,016	20,000	1,595,368	6,910,002
Mary Beth Gustafsson	1,812,200	3,587,722	27,995	20,000	1,310,608	6,758,525

- (1) The Company will pay the executive an amount equal to two times the sum of (a) the executive's annual base salary (without regard to any reduction give rise to good reason) and (b) the greater of (i) the annual bonus and (ii) the average annual cash bonuses payable to the executive in respect to the three (3) calendar years immediately preceding the calendar year that includes the termination date, or if the executive has not been employed for three (3) full calendar years preceding the calendar year that includes the termination date, the average of the annual cash bonuses payable to the executive for the number of full calendar years prior to the termination date that he/she has been employed. Further, the Company will pay the executive a prorated bonus based on the number of days the executive was employed by the Company in the fiscal year containing the termination date.
- (2) The vesting of all time-based equity awards is a single-trigger benefit; the time-based equity awards vest upon a change in control. The performance grant would vest at 25% upon a change in control assumed to occur on December 31, 2012. We have assumed that under such circumstances, in light of the limited time that has passed between the grant date and the assumed date of the change in control and because the compensation committee will not yet have met to track the Company's performance relative to the performance goals, the compensation committee would not apply any discretion to adjust the 25% vesting provision.
- (3) Estimated value of 18 months continued medical and welfare benefits based on 2013 costs for these benefits.
- (4) Assumes a maximum payment of \$20,000 which may be made for outplacement assistance.
- (5) Assumes the highest applicable Federal, state and local income tax rates. Only Mr. Brown and Ms. Gustafsson have a 280G gross-up provision in their employment agreement.

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PROPOSAL NO. 1:

ELECTION OF DIRECTORS

Upon the recommendation of the nominating and governance committee of the board of directors, the board of directors has nominated for election at the annual meeting the following slate of ten nominees. Information about these nominees is provided above under the heading

Directors. Each of the nominees is currently serving as a director of the Company. The persons appointed in the enclosed proxy intend to vote such proxy for the election of each of the ten nominees named below, unless the stockholder indicates on the proxy that the vote should be withheld from any or all of the nominees. The Company expects each nominee for election as a director at the annual meeting to be able to accept such nomination. If any nominee is unable to accept the nomination, proxies will be voted in favor of the remainder of those nominated and may be voted for substitute nominees, unless you have withheld authority.

Nominees

The Board of Directors has nominated for election to the Board of Directors the following ten nominees:

Michael J. Ahearn

Richard D. Chapman

George A. Hambro

James A. Hughes

Craig Kennedy

James F. Nolan

William J. Post

J. Thomas Presby

Paul H. Stebbins

Michael Sweeney

Required Vote

The ten nominees receiving the highest number of affirmative votes of the shares of our common stock present at the annual meeting in person or by proxy and entitled to vote shall be elected as directors. Unless marked to the contrary, proxies received will be voted **FOR** these nominees.

Recommendation

Our board of directors recommends a vote **FOR** the election to the board of directors of each of the foregoing nominees.

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PROPOSAL NO. 2:

RATIFICATION OF THE APPOINTMENT

OF PRICEWATERHOUSECOOPERS LLP

The audit committee of the board of directors has appointed PricewaterhouseCoopers LLP as the independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending December 31, 2013. During fiscal years 2010, 2011, and 2012, PricewaterhouseCoopers LLP served as our independent registered public accounting firm and also provided certain tax and other audit-related services. See Principal Accountant Fees and Services. Representatives of PricewaterhouseCoopers LLP are expected to attend the annual meeting, where they will be available to respond to appropriate questions and, if they desire, to make a statement.

Required Vote

Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2013 requires the affirmative vote of a majority of the shares of our common stock present at the annual meeting in person or by proxy and entitled to vote. Unless marked to the contrary, proxies received will be voted FOR ratification of the appointment of PricewaterhouseCoopers LLP.

Recommendation

Our board of directors recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2013.

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STOCKHOLDER PROPOSAL NO. 1:

ACCELERATED VESTING OF EQUITY AWARDS UPON CHANGE-IN-CONTROL

The Massachusetts Laborers' Pension Fund has advised us that it intends to submit the proposal set forth below for consideration at our annual meeting.

RESOLVED: The shareholders of First Solar, Inc. ask the board of directors to adopt a policy that in the event of a change in control (as defined under any applicable employment agreement, equity incentive plan or other plan), there shall be no acceleration of vesting of any equity award(s) granted to any senior executive, provided, however, that the board's Compensation Committee may provide in an applicable grant or purchase agreement that any unvested award(s) will vest on a partial, pro rata basis up to the time of the senior executive's termination, with such qualifications for an award as the Committee may determine.

For purposes of this Policy, "equity award" means an award granted under an equity incentive plan as defined in Item 402 of the SEC's Regulation S-K, which addresses executive compensation. This resolution shall be implemented so as not to affect any contractual rights in existence on the date this proposal is adopted.

Supporting Statement

First Solar allows senior executives to receive an accelerated award of unearned equity immediately upon a change of control of the Company. We do not question that some form of severance payments may be appropriate in that situation. We are concerned that current practices at First Solar may permit windfall awards that have nothing to do with a senior executive's performance.

The company's 2012 proxy statement provides:

Under the CIC ("Change in Control") Agreements, if a change in control (substantially as defined in the 2010 Omnibus Plan) occurs, the executive would become immediately entitled to accelerated vesting of all equity-based, long-term incentive and cash incentive compensation awards (other than awards which by their express terms do not accelerate under the CIC Agreements).

The section of the proxy entitled "Potential Payments Upon a Change in Control" includes a table which lists the "Value of Accelerated Equity Awards" for three of the Company's Named Executive Officers if a change in control had occurred prior to December 31, 2011. The total amount listed for the three officers is over \$6.7 million. The other two NEOs, including the former CEO, were not listed in the table because their employment terminated prior to that date.

We are not persuaded by the argument that executives somehow "deserve" to receive unvested awards. To accelerate the vesting of unearned equity on the theory that an executive was denied the opportunity to earn those shares seems inconsistent with a "pay for performance" philosophy worthy of the name.

We do believe, however, that an affected executive should be eligible to receive an accelerated vesting of equity awards on a pro rata basis as of his or her termination date, with the details of any pro rata award to be determined by the Compensation Committee.

Other major corporations, including Apple, Chevron, Dell, ExxonMobil, IBM, Intel, Microsoft, and Occidental Petroleum have limitations on accelerated vesting of unearned equity, such as providing pro rata awards or simply forfeiting unearned awards.

Statement of the Board of Directors in Opposition to the Stockholder Proposal

Our executive compensation program is designed to attract, motivate and retain a highly qualified executive management team and to appropriately reward our executives for their contribution to the achievement of our short-term and long-term business goals and the creation and enhancement of stockholder value. For the reasons outlined below, we believe this proposal would conflict with and potentially undermine the objectives of our executive compensation program and would not be in the best interests of the Company or our stockholders. We therefore recommend that you vote **AGAINST** this proposal.

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We determined, consistent with our compensation philosophy, to make long-term incentive awards represent the largest component of our executives' compensation rather than concentrate the annual compensation of our executives in the form of fixed or short-term cash compensation, such as salary and bonuses (which are subject to significantly less risk of forfeiture in the event of a change-in-control transaction). We believe that by making such a significant portion of each executive's annual target total compensation opportunity at risk in this way, we ensure that such compensation is linked to the long-term interests of our stockholders as well as the Company's performance. We divide this long-term incentive compensation between equity-based awards of time-based restricted stock units and performance-based KSTEPP awards, each of which serve as a substantial retention tool; this approach has served the Company well in regards to hiring and retaining our leadership team during challenging times in the market. In addition to providing a retention component to our executive compensation program, we believe that placing a significant percentage of compensation at risk over extended vesting periods (which, in the case of our newly adopted KSTEPP awards, may span as many as seven years) incentivizes executives to have a long-term perspective, focus on long-term stock price performance and create long-term value for the Company and our stockholders. Nonetheless, the collateral effect of this approach is that our executives have a material amount of their compensation placed at risk of forfeiture in the event of a change-in-control transaction. The intent of our compensation philosophy is not to punish our executives for the Company performing well enough to attract interest from a third-party in a transaction that could yield a significant positive return to shareholders, and therefore the provisions we have adopted in the case of such an event are designed to address this potential risk. The provisions of these awards that address vesting (in whole or in part) upon a change-in-control transaction were included to ensure that our executives remain focused on the Company's initiatives and performance, even during times of transition. In the case of time-based restricted stock units, the acceleration of such awards upon a change-in-control transaction provides security to our executives that we believe mitigates the distractions over the potential personal impact of the transaction, as well as allowing our executives to reap the same benefits as our stockholders realize as a result of such transaction. In the case of the KSTEPP awards, in light of the unusually long vesting and performance term, our compensation committee has discretion to vest all or a portion of the award in the event of a change-in-control transaction, and it is our expectation that any such accelerated vesting would be consistent with the Company's actual performance at the time of such change-in-control transaction. Notably, the change-in-control provisions of our KSTEPP awards supersede the provisions in the CIC Agreements with respect to accelerated equity vesting. At our 2011 Annual Meeting of Stockholders, 89.3% of our stockholders approved our executive compensation program in our most recent say on pay stockholder advisory vote.

Alignment of the Interests of Our Executives and Our Stockholders

We believe that provisions allowing for the accelerated vesting of equity awards upon a change-in-control transaction are appropriate and effective to further the objectives of our executive compensation program by aligning the interests of our executives with the interests of our stockholders. Providing for accelerated vesting allows our executives to remain objective and focused on protecting stockholders' interests and maximizing stockholder value during a potential change-in-control transaction. At the same time, it ensures that executives are not penalized with a potential loss of significant incentive compensation that could occur in connection with the consummation of a transaction that is in the best interests of our stockholders. These arrangements enable our executives to avoid distractions and potential personal conflicts of interest that could otherwise arise when the Company is considering a potential change-in-control transaction, thus encouraging stability in our business operations throughout any transition and keeping our executives' objective input available to the Board during any such transaction.

Equal Opportunity to Participate in the Change-in-Control Transaction

Accelerated vesting of equity awards upon a change-in-control transaction provides our executives with the same opportunities as our stockholders. Stockholders are free to sell their stock at the time of the change-in-control transaction and thereby realize, in full, the value created at the time of the transaction. In the absence of such arrangements or under a pro rata vesting arrangement as advocated by the proposal, our executives would not have the opportunity to realize the full value of their stock awards and participate with our stockholders in the value created by the change-in-control transaction, and may become disincentivized by a transaction that creates value for

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our stockholders. We believe that the value created at the time of a change-in-control transaction should be attributed, at least in part, to the efforts and talents of our executives. We also believe that each executive, like each of our other stockholders, should participate in the value created upon the completion of the transaction.

Attracting and Retaining Top Executive Talent

Adoption of the proposal could disadvantage the Company in competing for executive talent. Unless the prohibition on accelerated vesting of equity awards advocated by the proposal is implemented by every company with which we compete for executive talent, the proposal could adversely affect our ability to attract and retain highly qualified executives, thus jeopardizing the Company's performance and ability to create and deliver maximum value to our stockholders. In addition, the proposal would also make it more difficult for the Company to retain key executives during a potential change-in-control transaction, which could make it difficult for the potential transaction to advance in a manner that would serve the best interests of our stockholders. The risk of job loss, coupled with a loss of significant equity awards, in connection with a change-in-control transaction may present an unnecessary distraction for executives and could lead key executives whose positions might be eliminated after consummation of the transaction to begin seeking new employment while our Board is in the process of negotiating the transaction or during the critical pre-closing operation and post-closing integration periods.

Accordingly, we believe that the current structure of our executive compensation program, including the provisions of the program that provide for the accelerated vesting of equity awards upon a triggering event, is appropriate and effective, is consistent with our compensation philosophy and is in the best interests of the Company and our stockholders.

Required Vote

Approval of this stockholder proposal requires the affirmative vote of a majority of the shares of our common stock present at the annual meeting in person or by proxy and entitled to vote. If stockholders return a validly executed proxy solicited by the Board, the shares represented by the proxy will be voted on this proposal in the manner specified by the stockholder. If stockholders do not specify the manner in which their shares represented by a validly executed proxy solicited by the Board are to be voted on this proposal, such shares shall be counted as abstentions. Under Delaware law, abstentions will have the same effect as a vote against the proposal.

Recommendation

Our board of directors recommends a vote AGAINST the adoption of this stockholder proposal.

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STOCKHOLDER PROPOSAL NO. 2:

MAJORITY VOTING STANDARD IN UNCONTESTED DIRECTOR ELECTIONS

California State Teachers Retirement System Investments (CalSTRS) has advised us that it intends to submit the proposal set forth below for consideration at our annual meeting.

BE IT RESOLVED: That the shareholders of First Solar, Inc., hereby request that the Board of Directors initiate the appropriate process to amend the Company's articles of incorporation and/or bylaws to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders, with a plurality vote standard retained for contested director elections, that is, when the number of director nominees exceeds the number of board seats.

SUPPORTING STATEMENT:

In order to provide shareholders a meaningful role in director elections, the Company's current director election standard should be changed from a plurality vote standard to a majority vote standard. The majority vote standard is the most appropriate voting standard for director elections where only board nominated candidates are on the ballot, will establish a challenging vote standard for board nominees, and will improve the performance of individual directors and the entire board. Under the Company's current voting system, a nominee for the board can be elected with as little as a single affirmative vote, because "withheld" votes have no legal effect. A majority vote standard would require that a nominee receive a majority of the votes cast in order to be re-elected and continue to serve as a representative for the shareholders.

In response to strong shareholder support a substantial number of the nation's leading companies have adopted a majority vote standard in company bylaws or articles of incorporation. In fact, more than 77% of the companies in the S&P 500 have adopted majority voting for uncontested elections. We believe the Company needs to join the growing list of companies that have already adopted this standard.

CalSTRS is a long-term shareholder of the Company and we believe that accountability is of utmost importance. We believe the plurality vote standard currently in place at the Company completely disenfranchises shareholders and makes the shareholders' role in director elections meaningless. Majority voting in director elections will empower shareholders with the ability to remove poorly performing directors and increase the directors' accountability to the owners of the Company, its shareholders. In addition, those directors who receive the majority support from shareholders will know they have the backing of the very shareholders they represent. We therefore ask you to join us in requesting that the Board of directors promptly adopt the majority vote standard for director elections.

Please vote **FOR** this proposal.

STATEMENT OF THE BOARD OF DIRECTORS IN OPPOSITION TO THE STOCKHOLDER PROPOSAL

We remain committed to strong corporate governance and it is our fiduciary duty to act in the best interests of our stockholders. The proponent makes a generic, one-size-fits-all argument with respect to director elections that is neither necessary nor appropriate for us. After careful consideration, we have determined that this stockholder proposal would not enhance stockholder value and would not be in the best interests of the Company or its stockholders. We therefore recommend that you vote **AGAINST** this proposal.

Our Current Process Elects Highly Qualified Directors

Adoption of a strict majority voting standard seems especially unwarranted and unnecessary in our case because we have a strong corporate governance process designed to identify and propose director nominees who will best serve the interests of First Solar and our stockholders. The Board maintains a Nominating and Governance Committee that consists entirely of independent directors, and all of the members of the Board, other than our Chairman and Chief Executive Officer, are independent. The Nominating and Governance Committee applies a

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rigorous set of criteria in identifying director nominees and has established procedures to consider and evaluate persons recommended by stockholders. As a result of these practices, our stockholders have consistently elected, by strong majorities, highly qualified directors with a diverse set of experiences, qualifications, attributes and skills, substantially all of whom have been independent within standards adopted by the NASDAQ. Because our stockholders have a history of electing highly-qualified and independent directors using our current voting system, a change in the director election process is not necessary to improve our corporate governance.

The Proponent's characterization of plurality voting, particularly the statement that a director may be elected by a single vote even if a substantial majority of the votes cast are withheld, is improbable especially in light of our past voting results. First Solar's stockholders have an excellent history of electing strong and independent directors. At last year's Annual Meeting of Stockholders, each of the current nominees received an affirmative vote of greater than 83% of the shares voted. Changing our current voting system to strict majority voting would have had no effect on director elections in any election since our initial public offering in 2006. As a result, the outcome of director elections in these years would not have been any different under a majority voting standard. The Board believes that the votes over this period reflect our stockholders confidence in the Board and in the strong corporate governance protections the Board has implemented.

The Stockholder Proposal May Adversely Impact Us

The majority voting standard suggested by the Proponent creates the potential for failed elections in an uncontested election where a nominee does not receive a majority of the votes cast. A failed election would either result in the existing director continuing to serve as a holdover director or create a vacancy for the Board to fill. It is possible that the Board could be faced with a potentially large number of vacancies at one time that could adversely affect our ability to comply with applicable NASDAQ listing standards or federal securities law requirements regarding qualified Audit and Compensation Committees, the number of independent directors and financial experts. Similarly, the majority voting standard could leave the Board with an insufficient number of directors to conduct business or perform its duties. We do not believe such a result furthers stockholder democracy. By contrast, the plurality voting standard promotes stability in our governance processes by ensuring that a full slate of directors is elected at each annual meeting of stockholders and that we can remain in compliance with the applicable NASDAQ listing standards and federal securities laws.

A further complication is the NASDAQ's broker non-vote rule, which prohibits a broker from voting a customer's shares in a director election when the stockholder customer has provided no direction to the broker, thus effectively reducing the total number of shares voted for directors.

The Board is also concerned that the majority vote requirement sought by the proposal could result in undue influence of certain activist stockholders whose interests and agenda may differ from those of our stockholders generally. The solar energy sector faces many obstacles in the coming few years. We expect our directors to support policies that are in the long-term best interests of First Solar and our stockholders, even if such choices could lead to withhold vote campaigns against qualified directors. As a Board, we strongly believe that a stringent majority voting policy, and the potential distraction that ensues therefrom, does not enhance the ability of our directors to act in the long-term best interests of First Solar and our stockholders.

The Stockholder Proposal Creates Uncertainty

The legal community, stockholder advocates, governance experts, public companies and other groups continue to evaluate the consequences of majority voting. Plurality voting has long been the accepted standard, and the rules governing plurality voting are well established and widely understood. A majority voting standard involves potential issues for which there is little precedent, including with respect to the NASDAQ's broker non-vote rule. Any change in voting standards should not be undertaken without a complete understanding of the full ramifications of its adoption.

We have been proactive in monitoring, and we will continue to monitor, the ongoing debate and developments on this topic. For example, Congress decided not to mandate majority voting as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. We do not believe that our interests, or our stockholders' interests, would be

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best served by adopting majority voting at this time and abandoning a director election process that has served First Solar well to date. If the need arises in the future with respect to either a particular vote or a series of votes in which one or more directors receives a particularly low percentage of votes cast, the Board will, of course, consider all available facts and take action that is most appropriate given these facts.

Required Vote

Approval of this stockholder proposal requires the affirmative vote of a majority of the shares of our common stock present at the annual meeting in person or by proxy and entitled to vote. If stockholders return a validly executed proxy solicited by the Board, the shares represented by the proxy will be voted on this proposal in the manner specified by the stockholder. If stockholders do not specify the manner in which their shares represented by a validly executed proxy solicited by the Board are to be voted on this proposal, such shares shall be counted as abstentions. Under Delaware law, abstentions will have the same effect as a vote against the proposal.

Recommendation

Our board of directors recommends a vote AGAINST the adoption of this stockholder proposal.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act, requires our directors, executive officers and holders of more than 10% of our common stock to file with the Commission reports regarding their ownership and changes in ownership of our securities. We believe that, with respect to the fiscal year ended December 31, 2012, our directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements, except that one Form 4 in respect of one transaction was filed late on behalf of Raffi Garabedian, our chief technology officer, and one Form 5 in respect of one transaction was filed late on behalf of Paul Stebbins, a director.

In making these statements, we have relied upon examination of the copies of Forms 3, 4 and 5 provided to us and the written representations of our directors, executive officers and 10% stockholders.

OTHER MATTERS

It is not anticipated that any matters other than those described in this proxy statement will be brought before the annual meeting. If any other matters are presented, however, it is the intention of the persons named in the proxy to vote the proxy in accordance with the discretion of the persons named in the proxy.

HOUSEHOLDING

The Commission permits companies to send a single set of certain disclosure documents to any household at which two or more stockholders reside, unless contrary instructions have been received, but only if the Company provides advance notice and follows certain procedures. In such cases, each stockholder continues to receive a separate notice of the meeting and proxy card. This householding process reduces the volume of duplicate information and reduces printing and mailing expenses. We will promptly deliver a separate copy of the proxy materials to each stockholder who has been householded if he or she requests the Company to do so. If you desire to receive separate copies of any of our future proxy materials, or if you are receiving multiple copies of such proxy materials and would like to receive only one copy for your household, you should contact your brokerage firm, bank, broker-dealer, trust or other similar organization, or you may contact us by telephone at (602) 414-9300 or by mail at First Solar, Inc., 350 West Washington Street, Suite 600, Tempe, Arizona 85281, Attn: Investor Relations. Our proxy materials are also available on the internet free of charge at <http://www.edocumentview.com/fslr>.

STOCKHOLDER PROPOSALS

A stockholder who would like to have a proposal considered for inclusion in our 2014 proxy statement must submit the proposal so that it is received by us no later than December 11, 2013. Commission rules set standards for eligibility and specify the types of stockholder proposals that may be excluded from a proxy statement. Stockholder proposals should be addressed to the Corporate Secretary, First Solar, Inc., 350 West Washington Street, Suite 600, Tempe, Arizona 85281.

If a stockholder does not submit a proposal for inclusion in next year's proxy statement, but instead wishes to present it directly at next year's annual meeting of stockholders, our bylaws require that the stockholder notify us in writing on or before February 21, 2014, but no earlier than January 22, 2014, to be included in our materials relating to that meeting. Proposals received after February 21, 2014 will not be voted on at the annual meeting. In addition, such proposal must also include, among other things, a brief description of the business desired to be brought before the annual meeting; the text of the proposal or business (including the text of any resolutions proposed for consideration) and the reasons for conducting such business at the annual meeting; the name and address, as they appear on the Company's books, of the stockholder proposing such business or nomination and the name and address of the beneficial owner, if any, on whose behalf the nomination or proposal is being made; the class or series and number of shares of the Company which are beneficially owned or owned of record by the stockholder and the beneficial owner; any material interest of the stockholder in such business; and a representation that the stockholder is a holder of record of stock of the Company entitled to vote at such annual meeting and intends to appear in person or by proxy at such meeting to propose such business. If the stockholder wishes to nominate one or

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more persons for election as a director, such stockholder's notice must comply with the deadlines for stockholder proposals presented directly at next year's annual meeting of stockholders as set forth above and with additional provisions as set forth in our bylaws, including certain information with respect to the persons nominated for election as directors and any information relating to the stockholder that would need to be disclosed in a proxy filing. Any such proposals should be directed to the Corporate Secretary at First Solar, Inc., 350 West Washington Street, Suite 600, Tempe, Arizona 85281.

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REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The following report of the audit committee is not soliciting material, is not deemed filed with the Commission and is not to be incorporated by reference into any other of the Company's filings under the Securities Act or the Exchange Act, except to the extent we specifically incorporate this report by reference therein.

The Audit Committee is comprised of three non-management directors, each of whom is independent as that term is defined in the NASDAQ Marketplace Rules and satisfies the audit committee independence standard under Rule 10A-3(b)(1) of the Exchange Act.

The Audit Committee was formed by a resolution of the board of directors on October 3, 2006 and held 11 meetings during 2012.

The Audit Committee operates under a written Audit Committee Charter that was approved by the Audit Committee and approved by the board.

The Audit Committee has reviewed and discussed with management of the Company and PricewaterhouseCoopers LLP, the independent registered public accounting firm for the Company, the audited financial statements of the Company for the fiscal year ended December 31, 2012 (the Audited Financial Statements). The Audit Committee has discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (as amended by SAS 89 and SAS 90), as in effect on the date of this proxy statement.

PricewaterhouseCoopers LLP provided to the Audit Committee the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board (PCAOB) regarding the independent accountant's communication with the Audit Committee concerning independence, and the Audit Committee discussed with PricewaterhouseCoopers LLP the latter's independence, including whether its provision of non-audit services compromised such independence.

Based on the reviews and discussions described above, the Audit Committee recommended to the board of directors of the Company that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 for filing with the Securities and Exchange Commission.

Submitted by the Members of the Audit Committee

J. Thomas Presby (Chair)

Craig Kennedy

Paul H. Stebbins

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DIRECTIONS TO THE 2013 ANNUAL MEETING OF STOCKHOLDERS

From North

Take I-17 South towards Tucson. Merge onto I-10 East via the exit on the left towards Globe/Tucson. Exit at 40th Street. Turn right onto South 40th Street and left onto east Cotton Center Boulevard. Desert Willow will be on your left.

From Tucson (South)

Take I-10 West towards Phoenix and exit at Broadway Road. Turn left onto Broadway Road and left onto South 48th Street. Turn right onto East Cotton Center Boulevard, pass through 1 roundabout and Desert Willow will be on your right.

From East Valley

Take US-60 West, merge onto I-10 West and exit at Broadway Road. Turn left onto Broadway Road and left onto South 48th Street. Turn right onto East Cotton Center Boulevard, pass through 1 roundabout and Desert Willow will be on your right.

From West

Take I-10 East to 40th Street. Turn right onto 40th Street and turn left onto east Cotton Center Boulevard. Desert Willow will be on your left.

From Airport

Go East on East Sky Harbor Boulevard, and merge onto AZ-153 South towards AZ-143 / I-10. Take the University Drive exit on the left and bear left onto East University Drive. Merge onto AZ 143 South. Stay straight towards South 48th Street for 0.2 miles and turn right onto East Cotton Center Boulevard. Desert Willow will be on your right.

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