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

FORM 10-Q

T **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended July 1, 2018

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-34166

SUNPOWER®

SunPower Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**94-3008969**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
77 Rio Robles, San Jose, California	**95134**
(Address of Principal Executive Offices and Zip Code)	(Zip Code)

(408) 240-5500
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes T No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes T No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No T

The total number of outstanding shares of the registrant’s common stock as of July 23, 2018 was 140,992,510.

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PART I. FINANCIAL INFORMATION
ITEM 1. *FINANCIAL STATEMENTS*

SunPower Corporation
Consolidated Balance Sheets
(In thousands, except share data)
(unaudited)

	July 1, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 256,689	$ 435,097
Restricted cash and cash equivalents, current portion	36,941	43,709
Accounts receivable, net[1]	205,795	204,966
Contract assets[1]	70,449	35,074
Inventories	368,407	352,829
Advances to suppliers, current portion	83,771	30,689
Project assets - plants and land, current portion[1]	76,347	103,063
Prepaid expenses and other current assets[1]	121,348	146,209
Total current assets	1,219,747	1,351,636
Restricted cash and cash equivalents, net of current portion	70,970	65,531
Restricted long-term marketable securities	5,838	6,238
Property, plant and equipment, net	757,071	1,147,845
Solar power systems leased and to be leased, net	359,095	369,218
Advances to suppliers, net of current portion	117,096	185,299
Long-term financing receivables, net	379,076	330,672
Other intangible assets, net	20,878	25,519
Other long-term assets[1]	140,039	546,698
Total assets	$ 3,069,810	$ 4,028,656
Liabilities and Equity		
Current liabilities:		
Accounts payable[1]	$ 349,819	$ 406,902
Accrued liabilities[1]	196,405	229,208
Contract liabilities, current portion[1]	91,794	104,286
Short-term debt	58,194	58,131
Convertible debt, current portion[1]	—	299,685
Total current liabilities	696,212	1,098,212
Long-term debt	463,696	430,634
Convertible debt, net of current portion[1]	817,405	816,454
Contract liabilities, net of current portion[1]	148,182	171,610
Other long-term liabilities[1]	799,339	804,122
Total liabilities	2,924,834	3,321,032
Commitments and contingencies (Note 9)		
Redeemable noncontrolling interests in subsidiaries	14,335	15,236
Equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; none issued and outstanding as of both July 1, 2018 and December 31, 2017	—	—
Common stock, $0.001 par value, 367,500,000 shares authorized; 151,829,011 shares issued, and 140,985,344 outstanding as of July 1, 2018; 149,818,442 shares issued, and 139,660,635 outstanding as of December 31, 2017	141	140
Additional paid-in capital	2,455,813	2,442,513
Accumulated deficit	(2,232,988)	(1,669,897)
Accumulated other comprehensive loss	(1,676)	(3,008)
Treasury stock, at cost; 10,843,667 shares of common stock as of July 1, 2018; 10,157,807 shares of common stock as of December 31, 2017	(186,439)	(181,539)
Total stockholders' equity	34,851	588,209
Noncontrolling interests in subsidiaries	95,790	104,179
Total equity	130,641	692,388

Total liabilities and equity	$ 3,069,810	$ 4,028,656

[1]The Company has related-party balances for transactions made with Total S.A. and its affiliates as well as unconsolidated entities in which the Company has a direct equity investment. These related-party balances are recorded within the "Accounts receivable, net," "Contract assets," "Project assets - plants and land, current portion," "Prepaid expenses and other current assets," "Other long-term assets," "Accounts payable," "Accrued liabilities," "Contract liabilities, current portion," "Convertible debt, current portion," "Convertible debt, net of current portion," "Contract liabilities, net of current portion," and "Other long-term liabilities" financial statement line items in the Consolidated Balance Sheets (see Note 2, Note 7, Note 9, Note 10, Note 11, and Note 12).

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

SunPower Corporation
Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017
Revenue[1]				
Solar power systems, components, and other	$ 353,780	$ 278,578	$ 682,640	$ 559,783
Residential leasing	95,317	49,403	158,345	97,293
	$ 449,097	$ 327,981	$ 840,985	$ 657,076
Cost of revenue[1]				
Solar power systems, components, and other[2]	692,894	278,469	1,031,824	621,068
Residential leasing	66,418	33,345	109,128	65,425
	759,312	311,814	1,140,952	686,493
Gross profit (loss)	(310,215)	16,167	(299,967)	(29,417)
Operating expenses:				
Research and development[1]	31,210	19,754	50,101	40,269
Sales, general and administrative[1]	64,719	68,703	129,849	136,106
Restructuring charges	3,504	4,969	14,681	14,759
Impairment of residential lease assets	68,269	—	117,361	—
Total operating expenses	167,702	93,426	311,992	191,134
Operating loss	(477,917)	(77,259)	(611,959)	(220,551)
Other income (expense), net:				
Interest income	664	387	1,193	1,325
Interest expense[1]	(26,718)	(22,505)	(51,824)	(43,407)
Other, net[3]	36,624	(14,684)	52,418	(88,772)
Other income (expense), net	10,570	(36,802)	1,787	(130,854)
Loss before income taxes and equity in earnings (losses) of unconsolidated investees	(467,347)	(114,061)	(610,172)	(351,405)
Provision for income taxes	(3,081)	(2,353)	(5,709)	(4,384)
Equity in earnings (losses) of unconsolidated investees	(13,415)	6,837	(15,559)	9,325
Net loss	(483,843)	(109,577)	(631,440)	(346,464)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	36,726	19,062	68,349	36,223
Net loss attributable to stockholders	$ (447,117)	$ (90,515)	$ (563,091)	$ (310,241)
Net loss per share attributable to stockholders:				
Basic	$ (3.17)	$ (0.65)	$ (4.01)	$ (2.23)
Diluted	$ (3.17)	$ (0.65)	$ (4.01)	$ (2.23)
Weighted-average shares:				
Basic	140,926	139,448	140,569	139,175
Diluted	140,926	139,448	140,569	139,175

[1]The Company has related-party transactions with Total S.A. and its affiliates as well as unconsolidated entities in which the Company has a direct equity investment. These related-party transactions are recorded within the "Revenue: Solar power systems, components, and other," "Cost of revenue: Solar power systems, components, and other," "Operating expenses: Research and development," "Operating expenses: Sales, general and administrative," and "Other income (expense), net: Interest expense" financial statement line items in the Consolidated Statements of Operations (see Note 2 and Note 10).

[2]During the three and six months ended July 1, 2018, the Company recognized impairment of property, plant and equipment of $369.2 million of which $355.1 million is reported in cost of revenue (see Note 5. "Balance Sheet Components-Impairment of Property, Plant and Equipment")

[3]During the three and six months ended July 1, 2018, the Company recognized profit that had previously been deferred related to historical projects sold to 8point3 Energy Partners along with a gain on the sale of its equity interest in 8point3 Energy Partners within "Other, net" (see Note 10. "Equity Method Investments").

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

SunPower Corporation
Consolidated Statements of Comprehensive Loss
(In thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	July 1, 2018	**July 2, 2017**	**July 1, 2018**	**July 2, 2017**
Net loss	$ (483,843)	$ (109,577)	$ (631,440)	$ (346,464)
Components of other comprehensive income (loss):				
Translation adjustment	(1,073)	3,412	(325)	1,424
Net change in derivatives (Note 12)	436	(16)	2,042	(1,278)
Income taxes	(142)	114	(385)	457
Total other comprehensive income (loss)	(779)	3,510	1,332	603
Total comprehensive loss	(484,622)	(106,067)	(630,108)	(345,861)
Comprehensive loss attributable to noncontrolling interests and redeemable noncontrolling interests	36,726	19,062	68,349	36,223
Comprehensive loss attributable to stockholders	$ (447,896)	$ (87,005)	$ (561,759)	$ (309,638)

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

SunPower Corporation
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Six Months Ended	
	July 1, 2018	**July 2, 2017**
Cash flows from operating activities:		
Net loss	$ (631,440)	$ (346,464)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	78,401	85,671
Stock-based compensation	13,697	15,981
Non-cash interest expense	8,262	7,735
Dividend from equity method investees	3,947	14,601
Equity in (earnings) losses of unconsolidated investees	15,559	(9,325)
Gain on sale of equity method investment	(50,025)	—
Deferred income taxes	1,431	1,285
Impairment of equity method investment	—	81,571
Impairment of property, plant and equipment	369,168	—
Impairment of residential lease assets	117,361	—
Other, net	(2,443)	4,160
Changes in operating assets and liabilities:		
Accounts receivable	(4,033)	27,482
Contract assets	(35,375)	10,181
Inventories	(75,849)	(76,444)
Project assets	11,086	(73,697)
Prepaid expenses and other assets	34,308	85,365
Long-term financing receivables, net	(109,156)	(62,405)
Advances to suppliers	15,122	32,782
Accounts payable and other accrued liabilities	(79,444)	(193,612)
Contract liabilities	(35,919)	106,441
Net cash used in operating activities	(355,342)	(288,692)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(25,362)	(45,123)
Cash paid for solar power systems, leased and to be leased	(38,688)	(41,028)
Cash paid for solar power systems	(3,436)	(8,012)
Dividend from equity method investees	12,952	1,421
Proceeds from sale of equity method investments	417,766	—
Cash paid for investments in unconsolidated investees	(14,061)	(11,603)
Net cash provided by (used in) investing activities	349,171	(104,345)
Cash flows from financing activities:		
Proceeds from bank loans and other debt	116,459	201,400
Repayment of 0.75% debentures due 2018, bank loans and other debt	(419,527)	(228,940)
Proceeds from issuance of non-recourse residential financing, net of issuance costs	67,109	30,642
Repayment of non-recourse residential financing	(9,899)	(3,024)
Contributions from noncontrolling interests and redeemable noncontrolling interests attributable to residential projects	73,290	96,625
Distributions to noncontrolling interests and redeemable noncontrolling interests attributable to residential projects	(12,582)	(8,454)
Proceeds from issuance of non-recourse power plant and commercial financing, net of issuance costs	22,286	226,661
Repayment of non-recourse power plant and commercial financing	(4,678)	(32,021)
Purchases of stock for tax withholding obligations on vested restricted stock	(4,900)	(4,215)
Net cash (used in) provided by financing activities	(172,442)	278,674
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	(1,124)	1,174
Net decrease in cash, cash equivalents, restricted cash and restricted cash equivalents	(179,737)	(113,189)
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period[1]	544,337	514,212
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period[1]	$ 364,600	$ 401,023

Non-cash transactions:				
Transaction fees funded by liability related to the sale of equity method investees	$	3,911	$	—
Costs of solar power systems, leased and to be leased, sourced from existing inventory	$	21,640	$	27,467
Costs of solar power systems, leased and to be leased, funded by liabilities	$	5,166	$	7,016
Costs of solar power systems under sale-leaseback financing arrangements, sourced from project assets	$	15,580	$	55,619
Property, plant and equipment acquisitions funded by liabilities	$	15,954	$	40,669
Contractual obligations satisfied with inventory	$	40,881	$	6,668
Assumption of debt by buyer upon sale of equity interest	$	27,321	$	—

[1]"Cash, cash equivalents, restricted cash and restricted cash equivalents" balance consisted of "Cash and cash equivalents", "Restricted cash and cash equivalents, current portion" and "Restricted cash and cash equivalents, net of current portion" financial statement line items in the Consolidated Balance Sheets for the respective periods.

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

Notes to the Consolidated Financial Statements

Note 1. *THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The Company

SunPower Corporation (together with its subsidiaries, the "Company" or "SunPower") is a leading global energy company that delivers complete solar solutions to residential, commercial, and power plant customers worldwide through an array of hardware, software, and financing options and through utility-scale solar power system construction and development capabilities, operations and maintenance ("O&M") services, and "Smart Energy" solutions. SunPower's Smart Energy initiative is designed to add layers of intelligent control to homes, buildings and grids - all personalized through easy-to-use customer interfaces. Of all the solar cells commercially available to the mass market, the Company believes its solar cells have the highest conversion efficiency, a measurement of the amount of sunlight converted by the solar cell into electricity. SunPower is a majority-owned subsidiary of Total Solar International SAS ("Total"), formerly Total Energies Nouvelles Activités USA, a subsidiary of Total S.A. ("Total S.A.") (see "Note 2. Transactions with Total and Total S.A").

The Company's Chief Executive Officer, as the chief operating decision maker ("CODM"), has organized the Company, manages resource allocations and measures performance of the Company's activities among three end-customer segments: (i) Residential Segment, (ii) Commercial Segment and (iii) Power Plant Segment. The Residential and Commercial Segments combined are referred to as Distributed Generation.

The Company’s Residential Segment refers to sales of solar energy solutions to residential end customers through a variety of means, including cash and loan sales and long-term leases directly to end customers, sales to resellers, including the Company's third-party global dealer network, and sales of the Company's O&M services. The Company’s Commercial Segment refers to sales of solar energy solutions to commercial and public entity end customers through a variety of means, including direct sales of turn-key engineering, procurement and construction ("EPC") services, sales to the Company's third-party global dealer network, sales of energy under power purchase agreements ("PPAs"), and sales of the Company's O&M services. The Power Plant Segment refers to the Company's large-scale solar products and systems business, which includes power plant project development and project sales, EPC services for power plant construction, power plant O&M services and component sales for power plants developed by third parties, sometimes on a multi-year, firm commitment basis.

Liquidity

The Company continues to face challenging industry conditions and a competitive environment. While the Company continues to focus on improving overall operating performance and liquidity, including managing cash flow and working capital, notably with cash savings resulting from restructuring actions and cost reduction initiatives put in place in the third and fourth quarters of fiscal 2016 and the first quarter of fiscal 2018, as well as additional cost reduction initiatives put in place in the second quarter of fiscal 2018, the Company's net losses continued through the second quarter of fiscal 2018 and are expected to continue through fiscal 2019. The Company has the ability to enhance its available cash by borrowing up to $95.0 million under its revolving credit facility (the "Revolver") with Credit Agricole Corporate and Investment Bank ("Credit Agricole") pursuant to the Letter Agreement executed by the Company and Total S.A. on May 8, 2017 (the "Letter Agreement") (see "Note 2. Transactions with Total and Total S.A."). The Letter Agreement and any guarantees issued under it will expire on August 26, 2019. In consideration for the commitments of Total S.A. pursuant to the Letter Agreement, the Company is required to pay Total S.A. certain commitment and guarantee fees. On May 22, 2018, the Company entered into a Term Credit Agreement with Credit Agricole (the "Term Credit Agreement"), under which the Company borrowed $300.0 million on May 29, 2018. The Company's $300.0 million 0.75% senior convertible debentures due 2018 (the “0.75% debentures due 2018”), $200.0 million of which were held by Total, matured on June 1, 2018, and were redeemed at maturity with the proceeds from the Term Credit Agreement. On June 19, 2018, the Company completed the divestiture of its equity interest in 8point3 Energy Partners LP ("8point3 Energy Partners" and, with certain affiliates, collectively, the "8point3 Group," and such transaction, "Divestiture Transaction"; see "Note 10. Equity Method Investments"). The proceeds of the Divestiture Transaction were used to repay the amounts due under the Term Credit Agreement immediately after closing, with the Company retaining the excess proceeds.

During the quarter ended July 1, 2018, tariffs imposed pursuant to Section 201 of the Trade Act of 1974 and uncertainty surrounding whether specific products may be excluded continue to significantly and adversely affect the Company’s business, results of operations and cash flows. These events and conditions indicate that the Company may not have the liquid funds necessary to satisfy its estimated liquidity needs within the 12 months from the date of issuance of the interim financial statements contained herein. In connection with its short-term liquidity needs, the Company decided to divest certain assets. On June 12, 2018, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement") with Enphase Energy, Inc.

(“Enphase”) pursuant to which the Company will sell and Enphase will purchase certain assets and intellectual property related to the production of microinverters for the following consideration: (i) $15.0 million payable in cash at the closing under the Purchase Agreement (the “Closing”); (ii) 7.5 million shares of Enphase common stock issuable to the Company at the Closing; and (iii) an additional cash payment of $10.0 million payable to the Company on the earlier of the four month anniversary of the Closing and December 28, 2018. The Closing is subject to the satisfaction of certain customary closing conditions. Additionally, in connection with the Company's previously announced decision to sell or refinance its interest in its residential lease portfolio, which is comprised of assets under operating leases and financing receivables related to sales-type leases, the Company is in the process of securing a source of financing in the form of a subordinated mezzanine loan of at least $93.0 million. Subject to execution of definitive documentation and closing of the proposed mezzanine loan, the Company will be required to pay interest quarterly on outstanding borrowings in an amount equal to 12.0% per annum. The Company's interest in the residential lease portfolio will serve as collateral securing the loan and the loan will be repaid pursuant to an amortization schedule over the term of the loan. The closing of the mezzanine loan is subject to certain closing conditions, including obtaining consent from the lenders and tax equity investors who invested in the residential lease portfolio and finalization of the financial model which determines the loan proceeds. The Company believes it has sufficiently evaluated the closing conditions in concluding that the Purchase Agreement with Enphase and the mezzanine loan are probable of occurring and will generate sufficient proceeds to satisfy the Company’s working capital needs and fund its committed capital expenditures over the next 12 months from the date of the issuance of the interim financial statements. However, the Company cannot predict, with certainty, the outcome of its actions to generate liquidity as planned.

Basis of Presentation and Preparation

Principles of Consolidation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("United States" or "U.S.," and such accounting principles, "U.S. GAAP") and include the accounts of the Company, all of its subsidiaries and special purpose entities, as appropriate under consolidation accounting guidelines. Intercompany transactions and balances have been eliminated in consolidation. The assets of the special purpose entities that the Company establishes in connection with certain project financing arrangements for customers are not designed to be available to service the general liabilities and obligations of the Company.

Reclassifications

Certain prior period balances have been reclassified to conform to the current period presentation in the Company's consolidated financial statements and the accompanying notes. In the first quarter of fiscal 2018, the Company adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("ASC 606") as well as Accounting Standards Update No. 2017-05, *Other income - Gain and Losses from the Derecognition of Nonfinancial Assets* (Subtopic ASC 610-20, "ASU 2017-05"), such reclassifications are discussed in this Note 1.

Fiscal Years

The Company has a 52-to-53-week fiscal year that ends on the Sunday closest to December 31. Accordingly, every fifth or sixth year will be a 53-week fiscal year. Both fiscal 2018 and 2017 are 52-week fiscal years. The second quarter of fiscal 2018 ended on July 1, 2018, while the second quarter of fiscal 2017 ended on July 2, 2017. The second quarters of fiscal 2018 and 2017 were both 13-week quarters. The first halves of fiscal 2018 and 2017 were both 26-week periods.

Management Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates in these consolidated financial statements include revenue recognition, specifically the nature and timing of satisfaction of performance obligations, standalone selling price of performance obligations and variable consideration; allowances for doubtful accounts receivable; recoverability of financing receivables related to residential leases, inventory and project asset write-downs; stock-based compensation; long-lived asset impairment, specifically estimates for valuation assumptions including discount rates and future cash flows, economic useful lives of property, plant and equipment, intangible assets, and investments; fair value and residual value of solar power systems, including those subject to residential operating leases; fair value of financial instruments; valuation of contingencies such as accrued warranty; the fair value of indemnities provided to customers and other parties, and income taxes and tax valuation allowances. Actual results could materially differ from those estimates.

Summary of Significant Accounting Policies

Long-Lived Assets

The Company evaluates its long-lived assets, including property, plant and equipment, solar power systems leased and to be leased, and other intangible assets with finite lives, for impairment whenever events or changes in circumstances arise, including consideration of technology obsolescence, that may indicate that the carrying value of such assets may not be recoverable, and these assessments require significant judgment in determining whether such events or changes have occurred. Factors considered important that could result in an impairment review include significant changes in the manner of use of a long-lived asset or in its physical condition, a significant adverse change in the business climate or economic trends that could affect the value of a long-lived asset, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset, significant under-performance relative to expected historical or projected future operating results, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

For purposes of the impairment evaluation, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, and the Company must exercise judgment in assessing such groupings and levels. The Company then compares the estimated future undiscounted net cash flows expected to be generated by the asset group, including the eventual disposition of the asset group at residual value, to the asset group’s carrying value to determine if the asset group is recoverable. If the Company's estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the asset group, the Company records an impairment loss in the amount by which the carrying value of the asset group exceeds the fair value. Fair value is generally measured based on (i) internally developed discounted cash flows for the asset group, (ii) third-party valuations, as well as (iii) quoted market prices, if available. If the fair value of an asset group is determined to be less than its carrying value, an impairment in the amount of the difference is recorded in the period that the impairment indicator occurs. Estimating future cash flows requires significant judgment, and such projections may vary from the cash flows eventually realized. For additional information on the impairment charge recorded in the three and six months ended July 1, 2018, see "Note 5. Balance Sheet Components-Impairment of Property, Plant and Equipment" and "Note 6. Leasing-Impairment of Residential Lease Assets."

Revenue Recognition

Effective January 1, 2018, the Company adopted ASC 606. For additional information on the new standard and the impact to the Company's financial results, refer to Impacts to Previously Reported Results below.

Module and Component Sales

The Company sells its solar panels and balance of system components primarily to dealers, system integrators and distributors, and recognizes revenue at a point in time when control of such products transfers to the customer, which generally occurs upon shipment or delivery depending on the terms of the contracts with the customer. There are no rights of return, and other than standard warranty obligations, there are no significant post-shipment obligations, including installation, training or customer acceptance clauses with any of the Company's customers that could have an impact on revenue recognition. The Company's revenue recognition policy is consistent across all geographic areas.

Solar Power System Sales and Engineering, Procurement, and Construction Services

The Company designs, manufactures, and sells rooftop and ground-mounted solar power systems under construction and development agreements. EPC projects governed by customer contracts that require the Company to deliver functioning solar power systems are generally completed within three to twelve months from commencement of construction. Construction on large projects may be completed within eighteen to thirty-six months, depending on the size and location. The Company recognizes revenue from EPC services over time as our performance creates or enhances an energy generation asset controlled by the customer. The Company uses an input method based on cost incurred as it faithfully depicts the Company’s progress toward satisfaction of the performance obligation. Under this method, revenue arising from fixed-price construction contracts is recognized as work is performed based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligations.

Incurred costs include all direct material, labor and subcontract costs, and those indirect costs related to contract performance, such as indirect labor, supplies, and tools. Project material costs are included in incurred costs when the project materials have been installed by being permanently attached or fitted to the solar power system as required by the project’s engineering design. Cost-based input methods of revenue recognition require the Company to make estimates of net contract

revenues and costs to complete the projects. In making such estimates, significant judgment is required to evaluate assumptions related to the amount of net contract revenues, including the impact of any performance incentives, liquidated damages, and other payments to customers. Significant judgment is also required to evaluate assumptions related to the costs to complete the projects, including materials, labor, contingencies, and other system costs. If the estimated total costs on any contract are greater than the net contract revenues, the Company recognizes the entire estimated loss in the period the loss becomes known and can be reasonably estimated.

For sales of solar power systems in which the Company sells a controlling interest in the project to a customer, the Company recognizes all of the revenue for the consideration received, including the fair value of the noncontrolling interest obtained or retained, and defers any profit associated with the Company's retained equity stake through "Equity in earnings of unconsolidated investees." The deferred profit is subsequently recognized on a straight-line basis over the useful life of the underlying system. The Company estimates the fair value of the noncontrolling interest using an income approach based on the valuation of the entire solar project. Further, in situations where the Company sells membership interests in its project entities to third-party tax equity investors in return for tax benefits, such as investment tax credits and accelerated depreciation, the Company views the sale of tax credits as a distinct performance obligation which is recognized at a point in time when the customers are eligible to claim the benefits, generally at substantial completion of the solar power projects. The fair value of the tax attributes generally begins with an independent third-party appraisal which supports the eligible cost basis for the qualifying solar energy property. In certain circumstances, the Company has provided indemnification to customers and investors under which the Company is contractually obligated to compensate these parties for losses they may suffer as a result of reduction in tax benefits received under the investment tax credit and U.S. Treasury Department cash grant programs. Refer to "Note 9. Commitments and Contingencies" for further details.

The Company's arrangements may contain clauses such as contingent repurchase options, delay liquidated damages or early performance bonus, most favorable pricing, or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics or milestones. The Company estimates variable consideration at which the Company expects to be entitled and it is probable that a significant reversal of cumulative revenue recognized will not occur.

Operations and Maintenance

The Company offers its customers various levels of post-installation O&M services with the objective of optimizing our customers' electrical energy production over the life of the system. The Company determines if the post-installation systems monitoring and maintenance qualifies as separate performance obligation. Such post-installation monitoring and maintenance are deferred at the time the contract is executed based on the estimate of selling price on a standalone basis and are recognized to revenue over time as customers receive and consume benefits of such services. The non-cancellable term of the O&M contracts are typically 90 days for commercial and residential customers and 180 days for power plant customers.

The Company typically provides a system output performance warranty, separate from its standard solar panel product warranty, to customers that have subscribed to its post-installation O&M services. In connection with system output performance warranties, the Company agrees to pay liquidated damages in the event the system does not perform to the stated specifications, with certain exclusions. The warranty excludes system output shortfalls attributable to force majeure events, customer curtailment, irregular weather, and other similar factors. In the event that the system output falls below the warrantied performance level during the applicable warranty period, and provided that the shortfall is not caused by a factor that is excluded from the performance warranty, the warranty provides that SunPower will pay the customer an amount based on the value of the shortfall of energy produced relative to the applicable warrantied performance level. Such liquidated damages represent a form of variable consideration and are estimated at contract inception and recognized over time as customers receive and consume the benefits of the O&M services.

Shipping and Handling Costs

The Company accounts for shipping and handling activities related to contracts with customers as costs to fulfill its promise to transfer goods and, accordingly, records such costs in cost of revenue.

Taxes Collected from Customers and Remitted to Governmental Authorities

The Company excludes from its measurement of transaction prices all taxes assessed by governmental authorities that are both (i) imposed on and concurrent with a specific revenue-producing transaction and (ii) collected from customers. Accordingly, such tax amounts are not included as a component of revenue or cost of revenue.

Financing Receivables

Leases are classified as either operating or sales-type leases in accordance with the relevant accounting guidelines. Financing receivables are generated by solar power systems leased to residential customers under sales-type leases. Financing receivables are initially recorded based on the expected gross minimum lease payments to be received from customers over a period commensurate with the remaining lease term of up to 20 years and the systems estimated residual value, net of unearned income and allowance for estimated losses. Initial direct costs for sales-type leases are recognized as cost of sales when the solar power systems are placed in service.

Due to the homogeneous nature of its leasing transactions, SunPower manages its financing receivables on an aggregate basis when assessing credit risk. SunPower also considers the credit risk profile for its lease customers to be homogeneous due to the criteria the Company uses to approve customers for its residential leasing program, which among other things, requires a minimum "fair" FICO credit quality. Accordingly, the Company does not regularly categorize its financing receivables by credit risk.

The Company recognizes an allowance for losses on financing receivables in an amount equal to the probable losses net of recoveries. SunPower maintains reserve percentages on past-due receivable aging buckets and bases such percentages on several factors, including consideration of historical credit losses and information derived from industry benchmarking. The Company also places doubtful financing receivables on nonaccrual status and discontinues recognition of interest revenue.

For the six months ended July 1, 2018, events and circumstances continued to indicate that the Company might not be able to collect all amounts due according to the contractual terms of the underlying lease agreements given its decision to sell or refinance its interest in its residential lease portfolio. The Company determined it was necessary to evaluate the potential for allowances in its ability to collect these receivables. Estimates and judgments about future cash flows were made using an income approach defined as Level 3 inputs under fair value measurement standards. The income approach, specifically a discounted cash flow analysis, included assumptions for, among others, forecasted lease income, expenses, default rates, residual value of these lease assets and long-term discount rates, all of which require significant judgment by the Company. In accordance with such evaluation, the Company recognized an allowance for losses on the consolidated statement of operations. For additional information on the related impairment charge, see "Note 6. Leasing—Impairment of Residential Lease Assets."

See "Item 8. Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note 1. The Company and Summary of Significant Accounting Policies" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for a summary of our other significant accounting policies.

Recently Adopted Accounting Pronouncements

In August 2017, the FASB issued Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815)* to target improvements to accounting for hedging activities. The improvements include (i) alignment of risk management activities and financial reporting, and (ii) other simplifications in the application of hedge accounting guidance. The new guidance is effective for the Company no later than the first quarter of fiscal 2019 and requires a modified retrospective approach to adoption. The Company elected early adoption of the updated accounting standard on a modified retrospective basis in the first quarter of fiscal 2018. The adoption of this updated accounting standard did not result in a significant impact to the Company’s consolidated financial statements.

In May 2017, the FASB issued Accounting Standards Update No. 2017-09, *Compensation - Stock Compensation (Topic 718)* to clarify which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The Company adopted the updated accounting standard in the first quarter of fiscal 2018 which did not result in a significant impact to the Company's consolidated financial statements.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07, *Compensation - Retirement Benefits (Topic 715)* to provide final guidance on the presentation of net periodic pension and postretirement benefit cost. The amendment requires the bifurcation of net benefit cost. The service cost component will be presented with other employee compensation costs in operating income or capitalized in assets. The other components will be recorded separately outside of operations and will not be eligible for capitalization. The guidance is required to be applied on a retrospective basis for the presentation of the service cost component and the other components of net benefit cost and on a prospective basis for the capitalization of only the service cost component of net benefit cost. The Company adopted the updated accounting standard in the first quarter of fiscal 2018 which did not result in a significant impact to the Company's consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05 to clarify the scope and application of the sale or transfer of nonfinancial assets to noncustomers, including partial sales and also to define what constitutes an “in substance nonfinancial asset” which can include financial assets. The new guidance eliminates several accounting differences between transactions involving assets and transactions involving businesses. Further, the guidance aligns the accounting for derecognition of a nonfinancial asset with that of a business. The Company adopted the updated accounting standard in the first quarter of fiscal 2018 which did not result in a significant impact to the Company's consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-01, *Business Combinations (Topic 805)* to clarify the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new guidance is effective for the Company no later than the first quarter of fiscal 2018 and requires a prospective approach to adoption. The Company adopted the updated accounting standard in the first quarter of fiscal 2018 which did not result in a significant impact to the Company’s consolidated financial statements.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10)* ("ASU 2016-01") to require equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). In February 2018, the FASB issued Accounting Standards Update No. 2018-03, T*echnical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10)*, which provided clarifications to ASU 2016-01. The Company adopted the updated accounting standard in the first quarter of fiscal 2018 by electing the allowed measurement alternative to use cost, impairment (if any), and observable price changes in orderly transactions for the identical or similar investment of the same issuer (referred to as the measurement alternative method). The adoption did not result in a significant impact to the Company's consolidated financial statements.

In May 2014, the FASB issued ASC 606. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted ASC 606 on January 1, 2018, using the full retrospective method, which required the Company to restate each prior period presented. The Company implemented key system functionality and internal controls to enable the preparation of financial information upon adoption.

The most significant impact of the standard relates to the sales of solar power systems that include the sale or lease of related real estate previously accounted for under the guidance for real estate sales ASC 360-20 "Property, Plant, and Equipment." ASC 360-20 required the Company to evaluate whether such arrangements had any forms of continuing involvement that may have affected the revenue or profit recognition of the transactions, including arrangements with prohibited forms of continuing involvement requiring the Company to reduce the potential profit on a project sale by its maximum exposure to loss. The adoption of ASC 606, which supersedes the real estate sales guidance under ASC 360-20, generally results in the earlier recognition of revenue and profit than the Company's historical practice under ASC 360-20. For sales arrangements in which the Company obtains or retains an interest in the project sold to the customer, the Company recognizes all the revenue for the consideration received, including the fair value of the noncontrolling interests obtained or retained, and defers any profits associated with the interest retained through "Equity in earnings (loss) of unconsolidated investees." The Company then recognizes any deferred profit on a straight-line basis over the useful life of the underlying system, with any remaining amount recognized upon the sale of the noncontrolling interest to a third party. Following the adoption of ASC 606, the revenue recognition for the Company's other sales arrangements, including the sales of components, sales and construction of solar systems, and O&M services, remained materially consistent. The revenue recognition for residential leasing and sale-leaseback arrangements remained consistent as they follow other U.S. GAAP guidance.

As part of the Company's adoption of ASC 606 in the first quarter of fiscal 2018, the Company elected to apply the following practical expedients:

- The Company has not restated contracts that begin and are completed within the same annual reporting period;
- For completed contracts that have variable consideration, the Company used the transaction price at the date upon which the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods;
- The Company has excluded disclosures of transaction prices allocated to remaining performance obligations and when the Company expects to recognize such revenue for all periods prior to the date of initial application;
- The Company has not retrospectively restated its contracts to account for those modifications that were entered into before January 3, 2016, the earliest reporting period impacted by ASC 606;

- The Company has expensed costs as incurred for costs to obtain a contract when the amortization period would have been one year or less. These costs are included in selling, general, and administrative expenses; and
- The Company has not assessed a contract asset or contract liability for a significant financing component if the period between the customer's payment and the Company's transfer of goods or services is one year or less.

Refer to Impacts to Previously Reported Results below for the impact of adoption of the standard on the condensed consolidated financial statements as of December 31, 2017 and for the three and six months ended July 2, 2017.

Impact to Previously Reported Results

Adoption of ASC 606 impacted our previously reported results as follows:

	December 31, 2017		
(In thousands)	**As Reported**	**Adoption of ASC 606**	**As Adjusted**
Accounts receivable, net	$ 215,479	$ (10,513)	$ 204,966
Costs and estimated earnings in excess of billings	18,203	(18,203)	—
Contract assets	—	35,074	35,074
Prepaid expenses and other current assets	152,444	(6,235)	146,209
Property, plant and equipment, net	1,148,042	(197)	1,147,845
Solar power systems leased and to be leased, net	428,149	(58,931)	369,218
Long-term financing receivables, net	338,877	(8,205)	330,672
Other long-term assets	80,146	466,552	546,698
Accrued liabilities	267,760	(38,552)	229,208
Billings in excess of costs and estimated earnings	8,708	(8,708)	—
Contract liabilities, current portion	—	104,286	104,286
Customer advances, current portion	54,999	(54,999)	—
Customer advances, net of current portion	69,062	(69,062)	—
Contract liabilities, net of current portion	—	171,610	171,610
Other long-term liabilities	954,646	(150,524)	804,122
Accumulated deficit	(2,115,188)	445,291	(1,669,897)

(In thousands)	Three Months Ended July 2, 2017		
	As Reported	Adoption of ASC 606	As Adjusted
Revenue			
Solar power systems, components, and other	$ 286,724	$ (8,146)	$ 278,578
Residential leasing	50,722	(1,319)	49,403
Cost of revenue			
Solar power systems, components, and other	288,022	(9,553)	278,469
Residential leasing	34,189	(844)	33,345
Gross margin	15,235	932	16,167
Interest expense	(22,370)	(135)	(22,505)
Other, net	(15,744)	1,060	(14,684)
Other expense, net	(37,727)	925	(36,802)
Loss before income taxes and equity in earnings of unconsolidated investees	(115,918)	1,857	(114,061)
Provision for income taxes	(2,353)	—	(2,353)
Equity in earnings of unconsolidated investees	5,449	1,388	6,837
Net loss	(112,822)	3,245	(109,577)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	19,062	—	19,062
Net loss attributable to stockholders	$ (93,760)	$ 3,245	$ (90,515)
Net loss per share attributable to stockholders:			
Basic	$ (0.67)	$ 0.02	$ (0.65)
Diluted	$ (0.67)	$ 0.02	$ (0.65)

(In thousands)	Six Months Ended July 2, 2017		
	As Reported	Adoption of ASC 606	As Adjusted
Revenue			
Solar power systems, components, and other	$ 636,573	$ (76,790)	$ 559,783
Residential leasing	99,949	(2,656)	97,293
Cost of revenue			
Solar power systems, components, and other	685,113	(64,045)	621,068
Residential leasing	67,106	(1,681)	65,425
Gross margin	(15,697)	(13,720)	(29,417)
Interest expense	(43,139)	(268)	(43,407)
Other, net	(17,934)	(70,838)	(88,772)
Other expense, net	(59,748)	(71,106)	(130,854)
Loss before income taxes and equity in earnings of unconsolidated investees	(266,579)	(84,826)	(351,405)
Provision for income taxes	(4,384)	—	(4,384)
Equity in earnings of unconsolidated investees	6,501	2,824	9,325
Net loss	(264,462)	(82,002)	(346,464)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	36,223	—	36,223
Net loss attributable to stockholders	$ (228,239)	$ (82,002)	$ (310,241)
Net loss per share attributable to stockholders:			
Basic	$ (1.64)	$ (0.59)	$ (2.23)
Diluted	$ (1.64)	$ (0.59)	$ (2.23)

(In thousands)	Six Months Ended July 2, 2017		
	As Reported	Adoption of ASC 606	As Adjusted
Net loss	$ (264,462)	$ (82,002)	$ (346,464)
Adjustments to reconcile net loss to net cash used in operating activities, net of effect of acquisitions:			
Depreciation and amortization	87,353	(1,682)	85,671
Impairment of equity method investment	8,607	72,964	81,571
Equity in earnings of unconsolidated investees	(6,501)	(2,824)	(9,325)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable	24,445	3,037	27,482
Costs and estimated earnings in excess of billings	13,157	(13,157)	—
Contract assets	—	10,181	10,181
Project assets	(59,830)	(13,867)	(73,697)
Prepaid expenses and other assets	139,103	(53,738)	85,365
Long-term financing receivables, net	(62,515)	110	(62,405)
Accounts payable and other accrued liabilities	(207,873)	14,261	(193,612)
Billings in excess of costs and estimated earnings	(65,433)	65,433	—
Customer advances	105,157	(105,157)	—
Contract liabilities	—	106,441	106,441
Net cash used in operating activities	(288,692)	—	(288,692)
Net decrease in cash, cash equivalents, restricted cash and restricted cash equivalents	(113,189)	—	(113,189)
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period	514,212	—	514,212
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period	$ 401,023	$ —	$ 401,023

Recent Accounting Pronouncements Not Yet Adopted

In February 2018, the FASB issued Accounting Standards Update No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220)* to permit companies to reclassify disproportionate tax effects in accumulated other comprehensive income ("AOCI") caused by the Tax Cuts and Jobs Act of 2017 (the "Tax Cuts and Jobs Act") to retained earnings. Companies may adopt the new guidance using one of two transition methods: retrospective to each period in which the income tax effects of the Tax Cuts and Jobs Act related to items remaining in AOCI are recognized or at the beginning of the period of adoption. The new guidance is effective for the Company no later than the first quarter of fiscal 2019 with early adoption permitted. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Intangibles - Goodwill and Other (Topic 350)* to simplify the subsequent measurement of goodwill by eliminating Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation to measure goodwill impairment. Goodwill impairment loss is now measured at the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. The new guidance is effective for the Company no later than the first quarter of fiscal 2020. Early adoption is permitted beginning in the first quarter of fiscal 2017. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02") to require all lessees to recognize a right-of-use asset and a liability for the obligation to make payments for all leases (except for short-term leases) on their balance sheet. All leases in scope will be classified as either operating or financing. Operating and financing leases will require the recognition of an asset and liability to be measured at the present value of the lease payments. ASU 2016-02 also makes a distinction between operating and financing leases for purposes of reporting expenses on the income statement. This guidance will be effective for the Company in the first quarter of 2019 on a modified retrospective basis

and early adoption is permitted. The Company will adopt the new standard effective January 1, 2019. The Company is currently assessing the impact of adopting this standard and the effect on the consolidated financial statements will depend on the volume and nature of the Company's lease portfolio and transactions that are impacted by ASU 2016-02 as of the adoption date.

Note 2. ***TRANSACTIONS WITH TOTAL AND TOTAL S.A.***

In June 2011, Total completed a cash tender offer to acquire 60% of the Company's then outstanding shares of common stock at a price of $23.25 per share, for a total cost of approximately $1.4 billion. In December 2011, the Company entered into a Private Placement Agreement with Total (the "Private Placement Agreement"), under which Total purchased, and the Company issued and sold, 18.6 million shares of the Company's common stock for a purchase price of $8.80 per share, thereby increasing Total's ownership to approximately 66% of the Company's outstanding common stock as of that date. As of July 1, 2018, through the increase of the Company's total outstanding common stock due to the exercise of warrants and issuance of restricted and performance stock units, Total's ownership of the Company's outstanding common stock has decreased to approximately 56%.

Supply Agreements

In November 2016, the Company and Total entered into a four-year, up to 200 megawatt ("MW") supply agreement to support the solarization of Total facilities. The agreement covers the supply of 150 MW of E-Series panels with an option to purchase up to another 50 MW of P-Series panels. In March 2017, the Company received a prepayment totaling $88.5 million. The prepayment is secured by certain of the Company's assets located in the United States and in Mexico.

The Company recognizes revenue for the solar panels consistent with its revenue recognition policy for solar power components at a point in time when control of such products transfers to the customer, which generally occurs upon shipment or delivery depending on the terms of the contracts. In the second quarter of fiscal 2017, the Company started to supply Total with panels under the supply agreement and as of July 1, 2018, the Company had $14.3 million of "Contract liabilities, current portion" and $54.4 million of "Contract liabilities, net of current portion" on its Consolidated Balance Sheets related to the aforementioned supply agreement (see Note 9. Commitments and Contingencies").

In March 2018, the Company and Total, each through certain affiliates, entered into an agreement whereby the Company agreed to sell 3.42 MW of photovoltaic modules to Total for a development project in Chile. This agreement provided for payment from Total in the amount of approximately $1.3 million, 10% of which was paid upon execution of the agreement.

Amended and Restated Credit Support Agreement

In June 2016, the Company and Total S.A. entered into an Amended and Restated Credit Support Agreement (the "Credit Support Agreement"), which amended and restated the Credit Support Agreement dated April 28, 2011, by and between the Company and Total S.A., as amended. Under the Credit Support Agreement, Total S.A. agreed to enter into one or more guarantee agreements (each a "Guaranty") with banks providing letter of credit facilities to the Company. At any time until December 31, 2018, Total S.A. will, at the Company's request, guarantee the payment to the applicable issuing bank of the Company's obligation to reimburse a draw on a letter of credit and pay interest thereon in accordance with the letter of credit facility between such bank and the Company. Such letters of credit must be issued no later than December 31, 2018 and expire no later than March 31, 2020. Total is required to issue and enter into a Guaranty requested by the Company, subject to certain terms and conditions. In addition, Total will not be required to enter into the Guaranty if, after giving effect to the Company’s request for a Guaranty, the sum of (a) the aggregate amount available to be drawn under all guaranteed letter of credit facilities, (b) the amount of letters of credit available to be issued under any guaranteed facility, and (c) the aggregate amount of draws (including accrued but unpaid interest) on any letters of credit issued under any guaranteed facility that have not yet been reimbursed by the Company, would exceed $500 million in the aggregate. Such maximum amounts of credit support available to the Company can be reduced upon the occurrence of specified events.

In consideration for the commitments of Total S.A. pursuant to the Credit Support Agreement, the Company is required to pay Total S.A. a guaranty fee for each letter of credit that is the subject of a Guaranty under the Credit Support Agreement and was outstanding for all or part of the preceding calendar quarter. The Credit Support Agreement will terminate following December 31, 2018, after the later of the satisfaction of all obligations thereunder and the termination or expiration of each Guaranty provided thereunder.

In addition to the Credit Support Agreement, the Company and Total S.A. entered into the Letter Agreement in May 2017 to facilitate the issuance by Total S.A. of one or more guaranties of the Company's payment obligations of up to $100.0 million (the "Support Amount") under the Revolver with Credit Agricole, as "administrative agent," and the other lenders party thereto; See "Note 11. Debt and Credit Sources" for additional information on the Revolver with Credit Agricole. In consideration for the commitments of Total S.A. pursuant to the Letter Agreement, the Company is required to pay a guarantor commitment fee of 0.50% per annum for the unutilized Support Amount and a guaranty fee of 2.35% per annum of the Guaranty outstanding. The maturity date of the Letter Agreement is August 26, 2019.

Affiliation Agreement

The Company and Total have entered into an Affiliation Agreement that governs the relationship between Total and the Company (the "Affiliation Agreement"). Until the expiration of a standstill period specified in the Affiliation Agreement (the "Standstill Period"), and subject to certain exceptions, Total, Total S.A., any of their respective affiliates and certain other related parties (collectively, the "Total Group") may not effect, seek, or enter into discussions with any third party regarding any transaction that would result in the Total Group beneficially owning shares of the Company in excess of certain thresholds, or request the Company or the Company's independent directors, officers or employees, to amend or waive any of the standstill restrictions applicable to the Total Group. The Standstill Period ends when Total holds less than 15% ownership of the Company.

The Affiliation Agreement imposes certain limitations on the Total Group's ability to seek to effect a tender offer or merger to acquire 100% of the outstanding voting power of the Company and imposes certain limitations on the Total Group's ability to transfer 40% or more of the outstanding shares or voting power of the Company to a single person or group that is not a direct or indirect subsidiary of Total S.A. During the Standstill Period, no member of the Total Group may, among other things, solicit proxies or become a participant in an election contest relating to the election of directors to the Company's Board of Directors.

The Affiliation Agreement provides Total with the right to maintain its percentage ownership in connection with any new securities issued by the Company, and Total may also purchase shares on the open market or in private transactions with disinterested stockholders, subject in each case to certain restrictions.

The Affiliation Agreement also imposes certain restrictions with respect to the ability of the Company and its board of directors to take certain actions, including specifying certain actions that require approval by the directors other than the directors appointed by Total and other actions that require stockholder approval by Total.

Research & Collaboration Agreement

Total and the Company have entered into a Research & Collaboration Agreement (the "R&D Agreement") that establishes a framework under which the parties engage in long-term research and development collaboration ("R&D Collaboration"). The R&D Collaboration encompasses a number of different projects, with a focus on advancing the Company's technology position in the crystalline silicon domain, as well as ensuring the Company's industrial competitiveness. The R&D Agreement enables a joint committee to identify, plan and manage the R&D Collaboration.

Upfront Warrant

In February 2012, the Company issued a warrant (the "Upfront Warrant") to Total S.A. to purchase 9,531,677 shares of the Company's common stock with an exercise price of $7.8685, subject to adjustment for customary anti-dilution and other events. The Upfront Warrant, which is governed by the Private Placement Agreement and a Compensation and Funding Agreement, dated February 28, 2012, as amended, is exercisable at any time for seven years after its issuance, provided that, so long as at least $25.0 million in aggregate of the Company's convertible debt remains outstanding, such exercise will not cause any "person," including Total S.A., to, directly or indirectly, including through one or more wholly-owned subsidiaries, become the "beneficial owner" (as such terms are defined in Rule 13d-3 and Rule 13d-5 under the Securities Exchange Act of 1934, as amended) (the "Exchange Act"), of more than 74.99% of the voting power of the Company's common stock at such time, a circumstance which would trigger the repurchase or conversion of the Company's existing convertible debt.

0.75% Debentures Due 2018

In May 2013, the Company issued $300.0 million in principal amount of the 0.75% debentures due 2018. An aggregate principal amount of $200.0 million of the 0.75% debentures due 2018 were acquired by Total. The 0.75% debentures due 2018 were convertible into shares of the Company's common stock at any time based on an initial conversion price equal to $24.95

per share, which provided Total the right to acquire up to 8,017,420 shares of the Company's common stock. The applicable conversion rate could adjust in certain circumstances, including a fundamental change, as described in the indenture governing the 0.75% debentures due 2018. On June 1, 2018, the Company redeemed the 0.75% debentures due 2018 at maturity in full with proceeds from the Term Credit Agreement.

0.875% Debentures Due 2021

In June 2014, the Company issued $400.0 million in principal amount of its 0.875% senior convertible debentures due 2021 (the "0.875% debentures due 2021"). An aggregate principal amount of $250.0 million of the 0.875% debentures due 2021 were acquired by Total. The 0.875% debentures due 2021 are convertible into shares of the Company's common stock at any time based on an initial conversion price equal to $48.76 per share, which provides Total the right to acquire up to 5,126,775 shares of the Company's common stock. The applicable conversion rate may adjust in certain circumstances, including a fundamental change, as described in the indenture governing the 0.875% debentures due 2021.

4.00% Debentures Due 2023

In December 2015, the Company issued $425.0 million in principal amount of its 4.00% senior convertible debentures due 2023 (the "4.00% debentures due 2023"). An aggregate principal amount of $100.0 million of the 4.00% debentures due 2023 were acquired by Total. The 4.00% debentures due 2023 are convertible into shares of the Company's common stock at any time based on an initial conversion price equal to $30.53 per share, which provides Total the right to acquire up to 3,275,680 shares of the Company's common stock. The applicable conversion rate may adjust in certain circumstances, including a fundamental change, as described in the indenture governing the 4.00% debentures due 2023.

Joint Projects with Total and its Affiliates:

The Company enters into various EPC and O&M agreements relating to solar projects, including EPC and O&M services agreements relating to projects owned or partially owned by Total and its affiliates. As of July 1, 2018, the Company had $0.2 million of "Contract assets" and $5.4 million of "Accounts receivable, net" on its Consolidated Balance Sheets related to projects in which Total and its affiliates have a direct or indirect material interest.

During the first quarter of fiscal 2017, in connection with a co-development project between the Company and Total, Total paid $0.5 million to the Company in exchange for the Company's ownership interest in the co-development project.

During the first quarter of fiscal 2018, in connection with a co-development project between the Company and Total, the Company paid $0.5 million to Total for development fees for the co-development project.

Related-Party Transactions with Total and its Affiliates:

The following related party balances and amounts are associated with transactions entered into with Total and its Affiliates:

	As of	
(In thousands)	**July 1, 2018**	**December 31, 2017**
Accounts receivable	$ 5,362	$ 2,366
Contract assets	$ 215	$ 154
Contract liabilities, current portion[1]	$ 14,337	$ 12,744
Contract liabilities, net of current portion[1]	$ 54,407	$ 68,880

[1] Refer to Note 9. Commitments and Contingencies - Advances from Customers.

(In thousands)	Three Months Ended		Six Months Ended	
	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017
Revenue:				
EPC, O&M, and components revenue	$ 5,369	$ 3,051	$ 18,099	$ 7,183
Cost of revenue:				
EPC, O&M, and components cost of revenue	$ 5,638	$ 3,370	$ 9,188	$ 4,405
Research and development expense:				
Offsetting contributions received under the R&D Agreement	$ (50)	$ (37)	$ (87)	$ (104)
Interest expense:				
Guarantee fees incurred under the Credit Support Agreement	$ 1,376	$ 1,580	$ 2,783	$ 3,379
Interest expense incurred on the 0.75% debentures due 2018	$ 172	$ 375	$ 547	$ 750
Interest expense incurred on the 0.875% debentures due 2021	$ 547	$ 547	$ 1,094	$ 1,094
Interest expense incurred on the 4.00% debentures due 2023	$ 1,000	$ 1,000	$ 2,000	$ 2,000

Note 3. ***REVENUE FROM CONTRACTS WITH CUSTOMERS***

The following tables represent a disaggregation of revenue from contracts with customers for the three and six months ended July 1, 2018 and July 2, 2017 along with the reportable segment for each category:

(In thousands)	Three Months Ended					
	Residential		Commercial		Power Plant	
Category	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017
Module and component sales	$ 107,278	$ 103,902	$ 68,846	$ 38,213	$ 66,877	$ 52,330
Solar power systems sales and EPC services	610	790	44,669	43,760	39,094	18,715
Operations and maintenance	1,976	1,711	1,627	1,254	9,217	8,157
Leasing[1]	95,317	49,403	12,730	8,599	856	1,147
Net Revenue	$ 205,181	$ 155,806	$ 127,872	$ 91,826	$ 116,044	$ 80,349

[1]Leasing revenue is accounted for in accordance with the lease accounting guidance.

(In thousands)	Six Months Ended					
	Residential		Commercial		Power Plant	
Category	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017
Module and component sales	$ 212,848	$ 190,513	$ 126,131	$ 67,156	$ 119,090	$ 65,505
Solar power systems sales and EPC services	925	820	101,394	112,750	76,220	85,858
Operations and maintenance	2,495	1,874	2,884	2,002	18,643	16,291
Leasing[1]	158,345	97,293	20,799	15,364	1,211	1,650
Net Revenue	$ 374,613	$ 290,500	$ 251,208	$ 197,272	$ 215,164	$ 169,304

[1]Leasing revenue is accounted for in accordance with the lease accounting guidance.

The Company recognizes revenue for sales of modules and components at the point that control transfers to the customer, which typically occurs upon shipment or delivery to the customer, depending on the terms of the contract. For EPC revenue and solar power systems sales, the Company commences recognizing revenue when control of the underlying system transfers to the customer and continues recognizing revenue over time as work is performed based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligations.

Judgment is required to evaluate assumptions including the amount of net contract revenues and the total estimated costs to determine our progress towards contract completion and to calculate the corresponding amount of revenue to recognize. If estimated total costs on any contract are greater than the net contract revenues, the Company recognizes the entire estimated loss in the period the loss becomes known. For contracts with post-installation systems monitoring and maintenance, the Company recognizes revenue related to systems monitoring and maintenance over the contract term on a straight-line basis.

Changes in estimates for sales of systems and EPC services occur for a variety of reasons, including but not limited to (i) construction plan accelerations or delays, (ii) product cost forecast changes, (iii) cost related change orders, or (iv) changes in other information used to estimate costs. Changes in estimates may have a material effect on the Company's consolidated statements of operations. The table below outlines the impact on revenue of net changes in estimated transaction prices and input costs for systems related sales contracts (both increases and decreases) for the three and six months ended July 1, 2018 and July 2, 2017 as well as the number of projects that comprise such changes. For purposes of the following table, only projects with changes in estimates that have a net impact on revenue of at least $1.0 million during the periods were presented. Also included in the table is the net change in estimate as a percentage of the aggregate revenue for such projects.

	Three Months Ended		Six Months Ended	
(In thousands)	**July 1, 2018**	**July 2, 2017**	**July 1, 2018**	**July 2, 2017**
Decrease in revenue from net changes in transaction prices	$ (4,639)	$ —	$ (4,639)	$ —
Increase (decrease) in revenue from net changes in input cost estimates	(10,876)	7,381	(9,165)	9,599
Net increase (decrease) in revenue from net changes in estimates	$ (15,515)	$ 7,381	$ (13,804)	$ 9,599
Number of projects	3	2	4	3
Net change in estimate as a percentage of aggregate revenue for associated projects	(17.9)%	2.6%	(4.2)%	2.0%

For the three and six months ended July 1, 2018, revenue decreased $15.5 million and $13.8 million, respectively, from net changes in transaction prices and input cost estimates. The changes were primarily due to product cost forecast changes related to the redesign of certain project materials. For the three and six months ended July 2, 2017, revenue increased $7.4 million and $9.6 million, respectively, from net changes in input cost estimates. The changes in input cost estimates were primarily due to product cost forecast changes as PV installation related to certain project has been completed.

Contract Assets and Liabilities

Contract assets consist of (i) retainage which represents the earned, but unbilled, portion of a construction and development project for which payment is deferred by the customer until certain contractual milestones are met; and (ii) unbilled receivables which represent revenue that has been recognized in advance of billing the customer, which is common for long-term construction contracts. Contract liabilities consist of deferred revenue and customer advances, which represent consideration received from a customer prior to transferring control of goods or services to the customer under the terms of a sales contract. Contract liabilities exclude deferred revenue related to the Company's residential lease program which are accounted for under the lease accounting guidance. Refer to "Note 5. Balance Sheet Components" for further details.

During the six months ended July 1, 2018, the increase in contract assets of $35.4 million was primarily driven by unbilled receivables for commercial projects where certain milestones had not yet been reached, but the criteria to recognize revenue had been met. During the six months ended July 1, 2018, the decrease in contract liabilities of $35.9 million was primarily due to the attainment of milestones billings for a variety of projects. During the three months ended July 1, 2018, the Company recognized revenue of $53.0 million that was included in contract liabilities as of April 1, 2018. During the six months ended July 1, 2018, the Company recognized revenue of $91.6 million that was included in contract liabilities as of December 31, 2017.

The following table represents the Company's remaining performance obligations as of July 1, 2018 for sales of solar power systems, including projects under sales contracts subject to conditions precedent, and EPC agreements for developed projects that the Company is constructing or expects to construct. The Company expects to recognize $172.5 million of revenue for such contracts upon transfer of control of the projects.

Project	Revenue Category	EPC Contract/Partner Developed Project	Expected Year Revenue Recognition Will Be Completed	Percentage of Revenue Recognized
Joint Base Anacostia Bolling (JBAB)	EPC revenue and solar power systems	Constellation	2018	83.8%
Distribution Generation	EPC revenue and solar power systems	Various	2020	72.1%*

*denotes average percentage of revenue recognized

As of July 1, 2018, the Company entered into contracts with customers for the future sale of modules and components for an aggregate transaction price of $330.9 million, the substantial majority of which the Company expects to recognize as revenue through 2019. As of July 1, 2018, the Company had entered into O&M contracts of utility-scale PV solar power systems. The Company expects to recognize $10.4 million of revenue during the non-cancellable term of these O&M contracts over an average period of three months.

Note 4. ***OTHER INTANGIBLE ASSETS***

Other Intangible Assets

The following tables present details of the Company's acquired other intangible assets:

(In thousands)	Gross	Accumulated Amortization	Net
As of July 1, 2018			
Patents and purchased technology	$ 52,944	$ (32,066)	$ 20,878
As of December 31, 2017			
Patents and purchased technology	$ 52,313	$ (26,794)	$ 25,519

During the three and six months ended July 1, 2018, aggregate amortization expense for intangible assets totaled $2.6 million and $5.3 million, respectively. During the three and six months ended July 2, 2017, aggregate amortization expense for intangible assets totaled $4.4 million and $7.5 million, respectively.

As of July 1, 2018, the estimated future amortization expense related to intangible assets with finite useful lives is as follows:

(In thousands)	Amount
Fiscal Year	
2018 (remaining six months)	$ 5,081
2019	9,247
2020	6,515
Thereafter	35
	$ 20,878

Note 5. ***BALANCE SHEET COMPONENTS***

	As of	
(In thousands)	July 1, 2018	December 31, 2017
Accounts receivable, net:		
Accounts receivable, gross[1,2]	$ 255,068	$ 242,327
Less: allowance for doubtful accounts[3]	(45,626)	(35,387)
Less: allowance for sales returns	(3,647)	(1,974)
	$ 205,795	$ 204,966

[1]Includes short-term financing receivables associated with solar power systems leased of $22.7 million and $19.1 million as of July 1, 2018 and December 31, 2017, respectively (see "Note 6. Leasing").

[2]The Company pledged accounts receivable of $1.5 million and $1.7 million as of July 1, 2018 and December 31, 2017, respectively, to third-party investors as security for the Company's contractual obligations.

[3]Includes allowance for losses of $8.5 million on the short-term financing receivables associated with solar power systems leased, out of which $1.8 million and $2.7 million were recognized during the three and six months ended July 1, 2018, respectively.

	As of	
(In thousands)	**July 1, 2018**	**December 31, 2017**
Inventories:		
Raw materials	$ 55,353	$ 59,288
Work-in-process	90,120	111,164
Finished goods	222,934	182,377
	$ 368,407	$ 352,829

	As of	
(In thousands)	**July 1, 2018**	**December 31, 2017**
Prepaid expenses and other current assets:		
Deferred project costs[1]	$ 23,218	$ 33,534
VAT receivables, current portion	9,441	11,561
Deferred costs for solar power systems to be leased	31,599	25,076
Derivative financial instruments	532	2,612
Other receivables	35,583	49,015
Prepaid taxes	18	426
Other prepaid expenses	20,519	23,434
Other current assets	438	551
	$ 121,348	$ 146,209

[1]As of July 1, 2018 and December 31, 2017, the Company had pledged deferred project costs of $1.0 million, and $2.9 million, respectively, to third-party investors as security for the Company's contractual obligations.

	As of	
(In thousands)	**July 1, 2018**	**December 31, 2017**
Project assets - plants and land:		
Project assets — plants	$ 72,386	$ 90,879
Project assets — land	4,011	12,184
	$ 76,397	$ 103,063
Project assets — plants and land, current portion	$ 76,347	$ 103,063

As a result of the Company's evaluation of its ability to recover the costs incurred to date for its solar development assets, management determined that $24.7 million of costs should be written off. Such charges were recorded as a component of cost of goods sold for the six months ended July 1, 2018. While the Company considered all reasonably available information, the estimate includes significant risks and uncertainties as the pricing environment in the solar industry is currently volatile with increased uncertainty brought about by the tariffs imposed pursuant to the Section 201 trade case. As more information becomes available, it is reasonably possible that the Company's estimate of fair value may change resulting in the need to further write down the solar development assets, or resulting in the recognition of gains in the future if industry conditions have improved at the time of sale.

(In thousands)	As of July 1, 2018	As of December 31, 2017
Property, plant and equipment, net[2]:		
Manufacturing equipment	$ 92,399	$ 406,026
Land and buildings	133,808	197,084
Leasehold improvements	118,958	297,522
Solar power systems[1]	470,390	451,678
Computer equipment	102,132	111,183
Furniture and fixtures	10,435	12,621
Construction-in-process	15,345	14,166
	943,467	1,490,280
Less: accumulated depreciation	(186,396)	(342,435)
	$ 757,071	$ 1,147,845

[1]Includes $438.2 million and $419.0 million of solar power systems associated with sale-leaseback transactions under the financing method as of July 1, 2018 and December 31, 2017, respectively, which are depreciated using the straight-line method to their estimated residual values over the lease terms of up to 25 years (see "Note 6. Leasing").

[2]Includes a non-cash impairment charge of $369.2 million recorded during the second quarter of fiscal 2018 associated with upstream asset group, which excludes all solar power systems as these are part of the downstream asset group. Impairment and accumulated depreciation are included in each asset category, representing the new cost basis in accordance with ASC 360.

(In thousands)	As of July 1, 2018	As of December 31, 2017
Property, plant and equipment, net by geography[1]:		
United States	$ 480,289	$ 488,970
Philippines	109,951	325,601
Malaysia	130,452	233,824
Mexico	23,527	80,560
Europe	12,701	18,767
Other	151	123
	$ 757,071	$ 1,147,845

[1]Property, plant and equipment, net by geography is based on the physical location of the assets.

Impairment of Property, Plant and Equipment

In the second quarter of fiscal 2018, the Company announced its proposed plan to change its corporate structure into upstream and downstream business units, and long-term strategy to upgrade its interdigitated back contact (“IBC”) technology to new generation technology (“NGT”). Accordingly, the Company expects to upgrade the equipment associated with its manufacturing operations for the production of NGT over the next several years. In connection with these planned changes that will impact the utilization of its manufacturing assets, continued pricing challenges in the industry, as well as the ongoing uncertainties associated with the Section 201 trade case, the Company determined indicators of impairment existed and therefore performed a recoverability test by estimating future undiscounted net cash flows expected to be generated from the use of these asset groups. Based on the test performed, the Company determined that its estimate of future undiscounted net cash flows was insufficient to recover the carrying value of the upstream business unit’s assets and consequently performed an impairment analysis by comparing the carrying value of the asset group to its estimated fair value.

In estimating the fair value of the long-lived assets, the Company made estimates and judgments that it believes reasonable market participants would make, using Level 3 inputs under ASC 820. The impairment evaluation utilized a discounted cash flow analysis inclusive of assumptions for forecasted profit, operating expenses, capital expenditures, remaining useful life of the Company's manufacturing assets, a discount rate, as well as market and cost approach valuations performed by a third-party valuation specialist, all of which require significant judgment by management.

In accordance with such evaluation, the Company recognized a non-cash impairment charge of $369.2 million for the three and six months ended July 1, 2018. The total impairment loss was allocated to the long-lived assets of the group on a pro

rata basis using the relative carrying amounts of those assets, except that the loss allocated to an individual long-lived asset of the group did not reduce the carrying amount of that asset below its determined fair value. As a result, non-cash impairment charges of $355.1 million, $12.8 million and $1.2 million were allocated to "Cost of revenue", "Research and development" and "Sales, general and administrative", respectively, on the consolidated statement of operations for the three and six months ended July 1, 2018 based on the departments such assets are servicing. Further, the $355.1 million non-cash impairment charge in "Cost of revenue" was allocated among the Company's three end-customer segments based on megawatts deployed in the second quarter of fiscal 2018. As a result, non-cash impairment charges of $92.5 million, $103.8 million and $158.8 million were allocated to the Residential Segment, Commercial Segment and Power Plant Segment, respectively, for the three and six months ended July 1, 2018.

	As of	
(In thousands)	**July 1, 2018**	**December 31, 2017**
Other long-term assets:		
Equity method investments[1]	$ 41,921	$ 450,000
Equity investments without readily determinable fair value	35,832	35,840
Other[2]	62,286	60,858
	$ 140,039	$ 546,698

[1]On June 19, 2018, the Company completed its previously announced Divestiture Transaction. As of July 1, 2018 and December 31, 2017, the Company's investment in the 8point3 Group had a carrying value of zero and $382.7 million, respectively (see "Note 10. Equity Method Investments").

[2]As of July 1, 2018 and December 31, 2017, the Company had pledged deferred project costs of $6.3 million and $6.4 million, respectively, to third-party investors as security for the Company's contractual obligations.

	As of	
(In thousands)	**July 1, 2018**	**December 31, 2017**
Accrued liabilities:		
Employee compensation and employee benefits	$ 44,152	$ 53,225
Deferred revenue[1]	2,182	3,242
Interest payable	14,598	15,396
Short-term warranty reserves	20,959	25,222
Restructuring reserve	9,526	3,886
VAT payables	10,174	8,691
Derivative financial instruments	998	1,452
Legal expenses	27,183	48,503
Taxes payable	17,299	21,307
Liability due to AU Optronics	28,234	21,389
Other	21,100	26,895
	$ 196,405	$ 229,208

[1] Consists of advance consideration received from customers under the residential lease program which is accounted for in accordance with the lease accounting guidance.

(In thousands)	As of July 1, 2018	As of December 31, 2017
Other long-term liabilities:		
Deferred revenue[1]	$ 60,475	$ 67,001
Long-term warranty reserves	155,826	156,082
Long-term sale-leaseback financing	500,309	479,597
Unrecognized tax benefits	19,997	19,399
Long-term pension liability	4,914	4,465
Derivative financial instruments	102	1,175
Long-term liability due to AU Optronics	38,599	57,611
Other	19,117	18,792
	$ 799,339	$ 804,122

[1] Consists of advance consideration received from customers under the residential lease program which is accounted for in accordance with the lease accounting guidance.

(In thousands)	As of July 1, 2018	As of December 31, 2017
Accumulated other comprehensive loss:		
Cumulative translation adjustment	$ (6,955)	$ (6,631)
Net unrealized gain (loss) on derivatives	1,501	(541)
Net gain on long-term pension liability adjustment	4,164	4,164
Deferred taxes	(386)	—
	$ (1,676)	$ (3,008)

Note 6. ***LEASING***

Residential Lease Program

The Company offers a solar lease program, which provides U.S. residential customers with SunPower systems under 20-year lease agreements that include system maintenance and warranty coverage. Leases are classified as either operating or sales-type leases in accordance with the relevant accounting guidelines.

Operating Leases

The following table summarizes "Solar power systems leased and to be leased, net" under operating leases on the Company's Consolidated Balance Sheets as of July 1, 2018 and December 31, 2017:

(In thousands)	As of July 1, 2018	As of December 31, 2017
Solar power systems leased and to be leased, net[1,2]:		
Solar power systems leased	$ 786,121	$ 749,697
Solar power systems to be leased	20,515	26,830
	806,636	776,527
Less: accumulated depreciation and impairment[3]	(447,541)	(407,309)
	$ 359,095	$ 369,218

[1]Solar power systems leased and to be leased, net are physically located exclusively in the United States.

[2]As of July 1, 2018 and December 31, 2017, the Company had pledged solar assets with an aggregate book value of $109.1 million and $112.4 million, respectively, to third-party investors as security for the Company's contractual obligations. The book value of pledged assets represents assets legally held by the respective flip partnerships.

[3] For the six months ended July 1, 2018, the Company recognized a non-cash impairment charge of $51.2 million on solar power systems leased and to be leased.

The following table presents the Company's minimum future rental receipts on operating leases placed in service as of July 1, 2018:

(In thousands)	Fiscal 2018 (remaining six months)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Thereafter	Total
Minimum future rentals on operating leases placed in service[1]	$ 18,990	36,266	36,343	36,421	36,502	488,398	$ 652,920

[1]Minimum future rentals on operating leases placed in service does not include contingent rentals that may be received from customers under agreements that include performance-based incentives.

Sales-Type Leases

As of July 1, 2018 and December 31, 2017, the Company's net investment in sales-type leases presented in "Accounts receivable, net" and "Long-term financing receivables, net" on the Company's Consolidated Balance Sheets was as follows:

	As of	
(In thousands)	July 1, 2018	December 31, 2017
Financing receivables[1]:		
Minimum lease payments receivable[2]	$ 814,189	$ 690,249
Unguaranteed residual value	86,619	73,344
Unearned income	(137,597)	(115,854)
Allowance for estimated losses	(361,447)	(297,972)
Net financing receivables	$ 401,764	$ 349,767
Current	$ 22,688	$ 19,095
Long-term	$ 379,076	$ 330,672

[1]As of July 1, 2018 and December 31, 2017, the Company had pledged financing receivables of $111.8 million and $113.4 million, respectively, to third-party investors as security for the Company's contractual obligations. The book value of pledged assets represents assets legally held by the respective flip partnerships.

[2]Net of allowance for doubtful accounts amounting to $7.8 million and $6.1 million, as of July 1, 2018 and December 31, 2017, respectively.

As of July 1, 2018, future maturities of net financing receivables for sales-type leases are as follows:

(In thousands)	Fiscal 2018 (remaining six months)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Thereafter	Total
Scheduled maturities of minimum lease payments receivable[1]	$ 22,497	42,634	42,984	43,341	43,705	619,028	$ 814,189

[1]Minimum future rentals on sales-type leases placed in service does not include contingent rentals that may be received from customers under agreements that include performance-based incentives.

Impairment of Residential Lease Assets

Financing receivables are generated by solar power systems leased to residential customers under sales-type leases. Financing receivables represent gross minimum lease payments to be received from customers over a period commensurate with the remaining lease term and the systems estimated residual value, net of unearned income and allowance for estimated losses. The Company’s evaluation of the recoverability of these financing receivables is based on evaluation of the likelihood, based on current information and events, and whether the Company will be able to collect all amounts due according to the contractual terms of the underlying lease agreements. In accordance with this evaluation, the Company recognizes an allowance for losses on financing receivables based on its estimate of the amount equal to the probable losses net of recoveries. The combination of the leased solar power systems discussed in the preceding paragraph together with the lease financing receivables is referred to as the "residential lease portfolio."

In conjunction with its efforts to generate more available liquid funds and simplify its balance sheets, the Company made the decision to sell or refinance its interest in the residential lease asset portfolio, which is comprised of assets under operating leases and financing receivables related to sales-type leases, and engaged an external investment banker to assist with its related marketing efforts in the fourth quarter of fiscal 2017. The Company continues to negotiate deal terms and structures with a potential purchaser. As a result of these events, in the fourth quarter of fiscal 2017, the Company determined it was necessary to evaluate the potential for impairment in its ability to recover the carrying amount of its residential lease portfolio. The Company first performed a recoverability test by estimating future undiscounted net cash flows expected to be generated by the assets based on its own specific alternative courses of action under consideration. The alternative courses were either to sell or refinance the Company's interest in the residential lease portfolio or hold the assets until the end of their previously estimated useful lives. Upon consideration of the alternatives, the Company considered the probability of selling the portfolio and factored the indicative value obtained from a prospective purchaser together with the probability of retaining the portfolio and the estimated future undiscounted net cash flows expected to be generated by holding the assets until the end of their previously estimated useful lives in the recoverability test.

Based on the test performed, the Company determined that as of December 31, 2017, the estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the assets and consequently performed an impairment analysis by comparing the carrying value of the assets to their estimated fair value. In estimating the fair value of the residential lease portfolio, the Company made estimates and judgments that it believes reasonable market participants would make in determining the fair value of the residential lease portfolio based on expected future cash flows. The impairment evaluation was based on the income approach and included assumptions for contractual lease rentals, lease expenses, residual value, forecasted default rate over the lease term and discount rates, some of which require significant judgment by management.

During the first half of fiscal 2018, the Company updated the impairment test discussed above to include new leases that were placed in service since the last test was performed. In accordance with such evaluation, the Company recognized an additional non-cash impairment charge of $68.3 million and $117.4 million as "Impairment of residential lease assets" on the consolidated statement of operations for the three and six months ended July 1, 2018, respectively. Due to the fact that the residential lease portfolio assets are held in partnership flip structures with noncontrolling interests, the Company allocated the portion of the impairment charge related to such noncontrolling interests through the hypothetical liquidation at book value ("HLBV") method. This allocation resulted in an additional net loss attributable to noncontrolling interests and redeemable controlling interests of $13.8 million and $13.9 million for the three and six months ended July 1, 2018, respectively. As a result, the net impairment charges attributable to SunPower stockholders totaled $54.5 million and $103.5 million for the three and six months July 1, 2018, respectively, and were recorded within the Residential Segment.

The impairment evaluation includes uncertainty because it requires management to make assumptions and to apply judgment to estimate future cash flows and assumptions. If actual results are not consistent with our estimates and assumptions used in estimating future cash flows and asset fair values, and if and when a divestiture transaction occurs, the details and timing of which are subject to change as the sales and marketing process continue, the Company may be exposed to additional impairment charges in the future, which could be material to the results of operations.

Sale-Leaseback Arrangements

The Company enters into sale-leaseback arrangements under which solar power systems are sold to third parties and subsequently leased back by the Company over lease terms of up to 25 years. Separately, the Company enters into PPAs with end customers, who host the leased solar power systems and buy the electricity directly from the Company under PPAs with terms of up to 25 years. At the end of the lease term, the Company has the option to purchase the systems at fair value or may be required to remove the systems and return them to the third parties.

The Company has classified its sale-leaseback arrangements of solar power systems not involving integral equipment as operating leases for which the deferred profit on the sale of these systems is recognized over the term of the lease. As of July 1, 2018, future minimum lease obligations associated with these systems were $69.9 million, which will be recognized over the minimum lease terms. Future minimum payments to be received from customers under PPAs associated with the solar power systems under sale-leaseback arrangements classified as operating leases will also be recognized over the lease terms of up to 25 years and are contingent upon the amounts of energy produced by the solar power systems.

Certain sale-leaseback arrangements of solar power systems involve integral equipment, as defined under the accounting guidance for such transactions, as the Company has continuing involvement with the solar power systems throughout the lease due to purchase option rights in the arrangements. As a result of such continuing involvement, the Company accounts for each

of these transactions as a financing. Under the financing method, the proceeds received from the sale of the solar power systems are recorded by the Company as financing liabilities. The financing liabilities are subsequently reduced by the Company's payments to lease back the solar power systems, less interest expense calculated based on the Company's incremental borrowing rate adjusted to the rate required to prevent negative amortization. The solar power systems under the sale-leaseback arrangements remain on the Company's balance sheet and are classified within "Property, plant and equipment, net" (see "Note 5. Balance Sheet Components"). As of July 1, 2018, future minimum lease obligations for the sale-leaseback arrangements accounted for under the financing method were $425.3 million, which will be recognized over the lease terms of up to 30 years. During the three and six months ended July 1, 2018 the Company had net financing proceeds of $7.7 million and $16.8 million, respectively, in connection with these sale-leaseback arrangements. During the three and six months ended July 2, 2017, the Company had net financing proceeds of $3.9 million and $42.1 million, respectively, in connection with these sale-leaseback arrangements. As of July 1, 2018 and December 31, 2017, the carrying amount of the sale-leaseback financing liabilities presented in "Other long-term liabilities" on the Company's Consolidated Balance Sheets was $500.3 million and $479.6 million, respectively (see "Note 5. Balance Sheet Components").

Note 7. *FAIR VALUE MEASUREMENTS*

Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement (observable inputs are the preferred basis of valuation):

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Measurements are inputs that are observable for assets or liabilities, either directly or indirectly, other than quoted prices included within Level 1.
- Level 3 — Prices or valuations that require management inputs that are both significant to the fair value measurement and unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company measures certain assets and liabilities at fair value on a recurring basis. There were no transfers between fair value measurement levels during any presented period. The Company did not have any assets or liabilities measured at fair value on a recurring basis requiring Level 3 inputs as of July 1, 2018 or December 31, 2017.

The following table summarizes the Company's assets and liabilities measured and recorded at fair value on a recurring basis as of July 1, 2018 and December 31, 2017:

	July 1, 2018		December 31, 2017	
(In thousands)	**Total**	**Level 2**	**Total**	**Level 2**
Assets				
Prepaid expenses and other current assets:				
Derivative financial instruments (Note 12)	532	532	2,579	2,579
Other long-term assets:				
Derivative financial instruments (Note 12)	1,680	1,680	—	—
Total assets	$ 2,212	$ 2,212	$ 2,579	$ 2,579
Liabilities				
Accrued liabilities:				
Derivative financial instruments (Note 12)	$ 998	$ 998	$ 1,452	$ 1,452
Other long-term liabilities:				
Derivative financial instruments (Note 12)	102	102	1,174	1,174
Total liabilities	$ 1,100	$ 1,100	$ 2,626	$ 2,626

Other financial instruments, including the Company's accounts receivable, accounts payable and accrued liabilities, are carried at cost, which generally approximates fair value due to the short-term nature of these instruments.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company measures certain investments and non-financial assets (including property, plant and equipment, and other intangible assets) at fair value on a non-recurring basis in periods after initial measurement in circumstances when the fair value of such asset is impaired below its recorded cost. As of July 1, 2018, there were no such items recorded at fair value, with the exception of the Company's property, plant and equipment (see "Note 5. Balance Sheet Components") and residential lease assets (see "Note 6. Leasing"). As of July 2, 2017, the Company did not have any other significant assets or liabilities that were measured at fair value on a non-recurring basis in periods subsequent to initial recognition.

Held-to-Maturity Debt Securities

The Company's debt securities, classified as held-to-maturity, are Philippine government bonds that the Company maintains as collateral for business transactions within the Philippines. These bonds have various maturity dates and are classified as "Restricted long-term marketable securities" on the Company's Consolidated Balance Sheets. As of July 1, 2018 and December 31, 2017, these bonds had a carrying value of $5.8 million and $6.2 million, respectively. The Company records such held-to-maturity investments at amortized cost based on its ability and intent to hold the securities until maturity. The Company monitors for changes in circumstances and events that would affect its ability and intent to hold such securities until the recorded amortized costs are recovered. No other-than-temporary impairment loss was incurred during any presented period. The held-to-maturity debt securities were categorized in Level 2 of the fair value hierarchy.

Equity Investments

The Company holds equity investments in non-consolidated entities that are accounted for under both the equity method and measurement alternative method. The Company monitors these investments, which are included in "Other long-term assets" in its Consolidated Balance Sheets, for impairment and records reductions in the carrying values when necessary. Circumstances that indicate an other-than-temporary decline include Level 1, Level 2 and Level 3 measurements such as the valuation ascribed to the issuing company in subsequent financing rounds, decreases in quoted market prices, and declines in the results of operations of the issuer.

The Company adopted ASC 606 on January 1, 2018, using the full retrospective method, which required the Company to restate each prior period presented. The Company's carrying value in the 8point3 Group materially increased upon adoption which required the Company to amend its historical evaluations of the potential for other-than-temporary impairment on its investment in the 8point3 Group. In accordance with such updated evaluations, the Company recognized other-than-temporary losses on the 8point3 investment balance during the first and fourth quarters of fiscal 2017 using a combination of Level 1 and Level 3 measurements. In June 2018, the Company completed the Divestiture Transaction (see "Note 10. Equity Method Investments").

As of July 1, 2018 and December 31, 2017, the Company had $41.9 million and $450.0 million, respectively, in investments accounted for under the equity method (see "Note 10. Equity Method Investments"). As of both July 1, 2018 and December 31, 2017, the Company had $35.8 million in investments accounted for under the measurement alternative method.

Note 8. *RESTRUCTURING*

February 2018 Restructuring Plan

On February 21, 2018, the Company adopted a restructuring plan and began implementing initiatives to reduce operating expenses and cost of revenue overhead in light of the known shorter-term impact of tariffs imposed on photovoltaic cells and modules pursuant to Section 201 of the Trade Act of 1974 and broader initiatives to control costs and improve cash flow. In connection with the plan, which is expected to be completed by mid-2019, the Company expects between 150 and 250 non-manufacturing employees to be affected, representing approximately 3% of the Company’s global workforce, with a portion of those employees exiting the Company as part of a voluntary departure program. The changes to the Company’s workforce will vary by country, based on local legal requirements and consultations with employee works councils and other employee representatives, as appropriate. The Company expects to incur restructuring charges totaling approximately $20 million to $30 million, consisting primarily of severance benefits (between $11 million and $16 million) and real estate lease termination and other associated costs (between $9 million and $14 million). A substantial portion of such charges are expected to be incurred in fiscal 2018, and the Company expects between $17 million and $25 million of the charges to be cash. The actual timing and costs of the plan may differ from the Company’s current expectations and estimates.

December 2016 Restructuring Plan

On December 2, 2016, the Company adopted a restructuring plan to reduce costs and focus on improving cash flow. As part of the plan, the Board of Directors approved the closure of the Company's Philippine-based Fab 2 manufacturing facility. The restructuring activities were substantially complete as of July 1, 2018, and the remaining costs to be incurred are not expected to be material.

August 2016 Restructuring Plan

On August 9, 2016, the Company adopted a restructuring plan in response to expected near-term challenges primarily relating to the Company's Power Plant Segment. In connection with the realignment, the Company expects to incur restructuring charges totaling approximately $35 million to $45 million, consisting primarily of severance benefits, asset impairments, lease and related termination costs, and other associated costs. The Company expects more than 50% of total charges to be cash. The realignment is expected to be substantially complete by the third quarter of fiscal 2018, the Company does not expect a significant number of employees to be affected by remaining actions.

Legacy Restructuring Plans

During prior fiscal years, the Company implemented approved restructuring plans, related to all segments, to align with changes in the global solar market, which included the consolidation of the Company's Philippine manufacturing operations, as well as actions to accelerate operating cost reduction and improve overall operating efficiency. These restructuring activities were substantially complete as of April 2, 2017, and the remaining costs to be incurred are not expected to be material.

The following table summarizes the restructuring charges recognized in the Company's Consolidated Statements of Operations:

	Six Months Ended		
(In thousands)	**July 1, 2018**	**July 2, 2017**	**Cumulative To Date**
February 2018 Plan:			
Severance and benefits	$ 10,493	$ —	$ 10,493
Other costs[1]	340	—	340
	$ 10,833	$ —	$ 10,833
December 2016 Plan:			
Non-cash impairment charges	$ —	$ (741)	$ 148,938
Severance and benefits	(715)	2,707	20,829
Lease and related termination costs	6	557	713
Other costs[1]	2,890	12,569	24,533
	$ 2,181	$ 15,092	$ 195,013
August 2016 Plan:			
Non-cash impairment charges	$ —	$ —	$ 17,926
Severance and benefits	1,552	(984)	16,901
Lease and related termination costs	—	2	559
Other costs[1]	118	637	1,471
	$ 1,670	$ (345)	$ 36,857
Legacy Restructuring Plans	$ (3)	$ 13	$ 143,653
Total restructuring charges	$ 14,681	$ 14,760	$ 386,356

[1]Other costs primarily represent associated legal and advisory services, and costs of relocating employees.

The following table summarizes the restructuring reserve activities during the six months ended July 1, 2018:

(In thousands)	Six Months Ended December 31, 2017	Charges (Benefits)	(Payments) Recoveries	July 1, 2018
February 2018 Plan:				
Severance and benefits	$ —	$ 10,493	$ (3,919)	$ 6,574
Other costs[1]	—	340	(14)	326
	$ —	$ 10,833	$ (3,933)	$ 6,900
December 2016 Plan:				
Severance and benefits	$ 1,862	$ (715)	$ (492)	$ 655
Lease and related termination costs	—	6	(6)	—
Other costs[1]	54	2,890	(1,334)	1,610
	$ 1,916	$ 2,181	$ (1,832)	$ 2,265
August 2016 Plan:				
Severance and benefits	$ 1,735	$ 1,552	$ (1,575)	$ 1,712
Other costs[1]	39	118	(88)	69
	$ 1,774	$ 1,670	$ (1,663)	$ 1,781
Legacy Restructuring Plans	$ 196	$ (3)	$ (3)	$ 190
Total restructuring liability	$ 3,886	$ 14,681	$ (7,431)	$ 11,136

[1]Other costs primarily represent associated legal and advisory services, and costs of relocating employees.

Note 9. ***COMMITMENTS AND CONTINGENCIES***

Facility and Equipment Lease Commitments

The Company leases certain facilities under non-cancellable operating leases from unaffiliated third parties. As of July 1, 2018, future minimum lease payments for facilities under operating leases were $38.7 million, to be paid over the remaining contractual terms of up to 9 years. The Company also leases certain buildings, machinery and equipment under non-cancellable capital leases. As of July 1, 2018, future minimum lease payments for assets under capital leases were $3.3 million, to be paid over the remaining contractual terms of up to 5 years.

Purchase Commitments

The Company purchases raw materials for inventory and manufacturing equipment from a variety of vendors. During the normal course of business, in order to manage manufacturing lead times and help assure adequate supply, the Company enters into agreements with contract manufacturers and suppliers that either allow them to procure goods and services based on specifications defined by the Company, or that establish parameters defining the Company's requirements. In certain instances, these agreements allow the Company the option to cancel, reschedule or adjust the Company's requirements based on its business needs before firm orders are placed. Consequently, purchase commitments arising from these agreements are excluded from the Company's disclosed future obligations under non-cancellable and unconditional commitments.

The Company also has agreements with several suppliers, including some of its non-consolidated investees, for the procurement of polysilicon, ingots, and wafers, among others, which specify future quantities and pricing of products to be supplied by two vendors for periods of up to 3 years and provide for certain consequences, such as forfeiture of advanced deposits and liquidated damages relating to previous purchases, in the event that the Company terminates the arrangements.

Future purchase obligations under non-cancellable purchase orders and long-term supply agreements as of July 1, 2018 are as follows:

(In thousands)	Fiscal 2018 (remaining six months)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Thereafter	Total[1]
Future purchase obligations	$ 326,273	226,366	336,490	1,000	1,000	1,000	$ 892,129

[1]Total future purchase obligations were composed of $181.2 million related to non-cancellable purchase orders and $710.9 million related to long-term supply agreements.

The Company expects that all obligations related to non-cancellable purchase orders for manufacturing equipment will be recovered through future cash flows of the solar cell manufacturing lines and solar panel assembly lines when such long-lived assets are placed in service. Factors considered important that could result in an impairment review include significant under-performance relative to expected historical or projected future operating results, significant changes in the manner of use of acquired assets, and significant negative industry or economic trends. Obligations related to non-cancellable purchase orders for inventories match current and forecasted sales orders that will consume these ordered materials and actual consumption of these ordered materials are regularly compared to expected demand. The Company anticipates total obligations related to long-term supply agreements for inventories, some of which (in the case of polysilicon) are at purchase prices significantly above current market prices for similar materials, will be recovered because the quantities required to be purchased are expected to be utilized in the manufacture and profitable sale of solar power products in the future based on the Company's long-term operating plans. Additionally, in order to reduce inventory and improve working capital, the Company has periodically elected to sell polysilicon inventory in the marketplace at prices below the Company's purchase price, thereby incurring a loss. The terms of the long-term supply agreements are reviewed by management and the Company assesses the need for any accruals for estimated losses on adverse purchase commitments, such as lower of cost or net realizable value adjustments that will not be recovered by future sales prices, forfeiture of advanced deposits and liquidated damages, as necessary.

Advances to Suppliers

As noted above, the Company has entered into agreements with various vendors, some of which are structured as "take or pay" contracts, that specify future quantities and pricing of products to be supplied. Certain agreements also provide for penalties or forfeiture of advanced deposits in the event the Company terminates the arrangements. Under certain agreements, the Company was required to make prepayments to the vendors over the terms of the arrangements. As of July 1, 2018 and December 31, 2017, advances to suppliers totaled $200.9 million and $216.0 million, respectively, of which $83.8 million and $30.7 million, respectively, is classified as short-term in the Company's Consolidated Balance Sheets. One supplier accounted for 99% of total advances to suppliers as of both July 1, 2018 and December 31, 2017.

Advances from Customers

The estimated utilization of advances from customers included in "Contract liabilities, current portion" and "Contract liabilities, net of current portion" on the Company's Consolidated Balance Sheets as of July 1, 2018 is as follows:

(In thousands)	Fiscal 2018 (remaining six months)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Thereafter	Total
Estimated utilization of advances from customers	$ 38,422	17,882	32,096	11,691	—	—	$ 100,091

The Company has entered into other agreements with customers who have made advance payments for solar power products and systems. These advances will be applied as shipments of product occur or upon completion of certain project milestones. In November 2016, the Company and Total entered into a four-year, up to 200-MW supply agreement to support the solarization of Total facilities (see "Note 2. Transactions with Total and Total S.A."); in March 2017, the Company received a prepayment totaling $88.5 million. As of July 1, 2018, the advance payment from Total was $68.7 million, of which $14.3 million was classified as short-term in the Company's Consolidated Balance Sheets, based on projected shipment dates.

Product Warranties

The following table summarizes accrued warranty activity for the three and six months ended July 1, 2018 and July 2, 2017:

(In thousands)	Three Months Ended		Six Months Ended	
	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017
Balance at the beginning of the period	$ 179,169	$ 168,113	$ 181,303	$ 161,209
Accruals for warranties issued during the period	3,662	5,776	7,500	15,436
Settlements and adjustments during the period	(6,046)	(1,423)	(12,018)	(4,179)
Balance at the end of the period	$ 176,785	$ 172,466	$ 176,785	$ 172,466

In some cases, the Company may offer customers the option to purchase extended warranties to ensure protection beyond the standard warranty period. In those circumstances, the warranty is a distinct service and the Company accounts for the extended warranty as a performance obligation and allocates a portion of the transaction price to that performance obligation. More frequently, customers do not purchase a warranty separately. In those situations, the Company accounts for the warranty as assurance-type warranty, which provides customers with assurance that the product complies with agreed-upon specifications, and this does not represent a separate performance obligation.

Contingent Obligations

Project agreements entered into with the Company's Commercial and Power Plant customers often require the Company to undertake obligations including: (i) system output performance warranties and (ii) penalty payments or customer termination rights if the system the Company is constructing is not commissioned within specified timeframes or other milestones are not achieved. Historically, the Company's systems have performed significantly above the performance warranty thresholds, and there have been no cases in which the Company has had to buy back a system. As of July 1, 2018 and December 31, 2017, the Company had $3.3 million and $6.4 million, respectively, classified as "Accrued liabilities," and $4.8 million and $3.1 million, respectively, classified as "Other long-term liabilities" in the consolidated balance sheets for such obligations.

Future Financing Commitments

The Company is required to provide certain funding under agreements with unconsolidated investees, subject to certain conditions (see "Note 10. Equity Method Investments"). As of July 1, 2018, the Company has future financing obligations related to these agreements as follows:

(In thousands)	Amount
Year	
2018 (remaining six months)	$ 11,397
2019	300
2020	2,900
	$ 14,597

Liabilities Associated with Uncertain Tax Positions

Total liabilities associated with uncertain tax positions were $20.0 million and $19.4 million as of July 1, 2018 and December 31, 2017, respectively. These amounts are included in "Other long-term liabilities" in the Company's Consolidated Balance Sheets in their respective periods as they are not expected to be paid within the next 12 months. Due to the complexity and uncertainty associated with its tax positions, the Company cannot make a reasonably reliable estimate of the period in which cash settlement, if any, would be made for its liabilities associated with uncertain tax positions in Other long-term liabilities.

Indemnifications

The Company is a party to a variety of agreements under which it may be obligated to indemnify the counterparty with respect to certain matters. Typically, these obligations arise in connection with contracts and license agreements or the sale of assets, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of warranties, representations and covenants related to such matters as title to assets sold, negligent acts, damage to property, validity of certain intellectual property rights, non-infringement of third-party rights, and certain tax related matters including indemnification to customers under Section 48(c) of the Internal Revenue Code of 1986, as amended, regarding solar commercial investment tax credits ("ITCs") and U.S. Treasury Department ("Treasury") grant payments under Section 1603 of the American Recovery and Reinvestment Act (each a "Cash Grant"). In each of these circumstances, payment by the Company

is typically subject to the other party making a claim to the Company that is contemplated by and valid under the indemnification provisions of the particular contract, which provisions are typically contract-specific, as well as bringing the claim under the procedures specified in the particular contract. These procedures usually allow the Company to challenge the other party's claims or, in case of breach of intellectual property representations or covenants, to control the defense or settlement of any third-party claims brought against the other party. Further, the Company's obligations under these agreements may be limited in terms of activity (typically to replace or correct the products or terminate the agreement with a refund to the other party), duration or amount. In some instances, the Company may have recourse against third parties or insurance covering certain payments made by the Company.

In certain circumstances, the Company has provided indemnification to customers and investors under which the Company is contractually obligated to compensate these parties for losses they may suffer as a result of reductions in benefits received under ITCs and Treasury Cash Grant programs. The Company applies for ITCs and Cash Grant incentives based on guidance provided by the Internal Revenue Service ("IRS") and the Treasury, which include assumptions regarding the fair value of the qualified solar power systems, among others. Certain of the Company’s development agreements, sale-leaseback arrangements, and financing arrangements with tax equity investors, incorporate assumptions regarding the future level of incentives to be received, which in some instances may be claimed directly by the Company's customers and investors. Generally, such obligations would arise as a result of reductions to the value of the underlying solar power systems as assessed by the IRS. At each balance sheet date, the Company assesses and recognizes, when applicable, the potential exposure from these obligations based on all the information available at that time, including any audits undertaken by the IRS. The maximum potential future payments that the Company could have to make under this obligation would depend on the difference between the eligible basis claimed on the tax filing for the solar energy systems sold or transferred to indemnified parties and the values that the IRS may redetermine as the eligible basis for the systems for purposes of claiming ITCs or Cash Grants. The Company uses the eligible basis for tax filing purposes determined with the assistance of independent third-party appraisals to determine the ITCs that are passed-through to and claimed by the indemnified parties. For sales contracts that have such indemnification provisions, the Company recognizes a liability under ASC 460, "Guarantees," for the estimated premium that would be required by a guarantor to issue the same guarantee in a standalone arm’s-length transaction with an unrelated party. The Company recognizes such liabilities at the greater of the fair value of the indemnity or the contingent liability required to be recognized under ASC 450, "Contingencies," and reduce the revenue recognized in the related transaction. The Company initially estimates the fair value of any such indemnities provided based on the cost of insurance policies that cover the underlying risks being indemnified and may purchase such policies to mitigate our exposure to potential indemnification payments. After an indemnification liability is recorded, the Company derecognizes such amount typically upon expiration or settlement of the arrangement. Changes to any such indemnification liabilities provided are recorded as adjustments to revenue. As of July 1, 2018, and December 31, 2017, the Company's provision was $4.2 million and $12.8 million, respectively, for tax related indemnifications. On June 19, 2018, the Company completed the Divestiture Transaction resulting in the sale of its equity interest in the 8point3 Group. In connection with the transaction, the Company released approximately $8.3 million of tax related indemnifications previously recorded as a result of the ASC 606 adoption effective January 1, 2018.

Defined Benefit Pension Plans

The Company maintains defined benefit pension plans for the majority of its non-U.S. employees. Benefits under these plans are generally based on an employee’s years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances. The funded status of the pension plans, which represents the difference between the benefit obligation and fair value of plan assets, is calculated on a plan-by-plan basis. The benefit obligation and related funded status are determined using assumptions as of the end of each fiscal year. The Company recognizes the overfunded or underfunded status of its pension plans as an asset or liability on its Consolidated Balance Sheets. As of July 1, 2018 and December 31, 2017, the underfunded status of the Company’s pension plans presented in "Other long-term liabilities" on the Company’s Consolidated Balance Sheets was $4.9 million and $4.5 million, respectively. The impact of transition assets and obligations and actuarial gains and losses are recorded in "Accumulated other comprehensive loss" and are generally amortized as a component of net periodic cost over the average remaining service period of participating employees. Total other comprehensive loss related to the Company’s benefit plans was zero for the three and six months ended July 1, 2018 and July 2, 2017.

Legal Matters

Class Action and Derivative Suits

On August 16, 2016, a class action lawsuit was filed against the Company and certain of its officers and directors (the "Defendants") in the United States District Court for the Northern District of California on behalf of a class consisting of those who acquired the Company's securities from February 17, 2016 through August 9, 2016 (the "Class Period"). On December 9,

2016, the court appointed a lead plaintiff. Following the withdrawal of the original lead plaintiff, on August 21, 2017, the court appointed an investor group as lead plaintiff. An amended complaint was filed on October 17, 2017. The complaint alleged violations of Sections 10(b) and 20(a) of the Exchange Act, and Securities and Exchange Commission ("SEC") Rule 10b-5. The complaints were filed following the issuance of the Company's August 9, 2016 earnings release and revised guidance and generally allege that throughout the Class Period, the Defendants made materially false and/or misleading statements and failed to disclose material adverse facts about the Company's business, operations, and prospects. On April 18, 2018, the court dismissed the complaint for failure to state a claim, with leave to amend. On May 8, 2018, a second amended complaint was filed. A motion to dismiss is pending.

Four shareholder derivative actions have been filed in federal court, purporting to be brought on the Company's behalf against certain of the Company's current and former officers and directors based on the same events alleged in the securities class action lawsuits described above. The Company is named as a nominal defendant. The plaintiffs assert claims for alleged breaches of fiduciary duties, unjust enrichment, and waste of corporate assets for the period from February 2016 through the present and generally allege that the defendants made or caused the Company to make materially false and/or misleading statements and failed to disclose material adverse facts about the Company's business, operations, and prospects. The plaintiffs also claim that the alleged conduct is a breach of the Company's Code of Business Conduct and Ethics, and that the defendants, including members of the Company's Audit Committee, breached their fiduciary duties by failing to ensure the adequacy of the Company's internal controls, and by causing or allowing the Company to disseminate false and misleading statements in the Company's SEC filings and other disclosures. The securities class action lawsuits and the federal derivative actions have all been related by the court and assigned to one judge. The derivative cases are stayed.

Shareholder derivative actions purporting to be brought on the Company's behalf were brought in the Superior Court of California for the County of Santa Clara against certain of the Company's current and former officers and directors based on the same events alleged in the securities class action and federal derivative lawsuits described above and alleging breaches of fiduciary duties. The state court cases are stayed.

The Company is currently unable to determine if the resolution of these matters will have a material adverse effect on the Company's financial position, liquidity, or results of operations.

Other Litigation

The Company is also a party to various other litigation matters and claims that arise from time to time in the ordinary course of its business. While the Company believes that the ultimate outcome of such matters will not have a material adverse effect on the Company, their outcomes are not determinable and negative outcomes may adversely affect the Company's financial position, liquidity, or results of operations.

Note 10. ***EQUITY METHOD INVESTMENTS***

As of July 1, 2018 and December 31, 2017, the carrying value of the Company's equity method investments totaled $41.9 million and $450.0 million, respectively, and is classified as "Other long-term assets" in its Consolidated Balance Sheets. The Company's share of its earnings (loss) from equity method investments is reflected as "Equity in earnings of unconsolidated investees" in its Consolidated Statements of Operations.

Equity Investment in Huaxia CPV (Inner Mongolia) Power Co., Ltd. ("CCPV")

In December 2012, the Company entered into an agreement with Tianjin Zhonghuan Semiconductor Co. Ltd., Inner Mongolia Power Group Co. Ltd. and Hohhot Jinqiao City Development Company Co., Ltd. to form CCPV, a jointly owned entity to manufacture and deploy the Company's low-concentration PV (LCPV) concentrator technology in Inner Mongolia and other regions in China. CCPV is based in Hohhot, Inner Mongolia. The establishment of the entity was subject to approval of the Chinese government, which was received in the fourth quarter of fiscal 2013. In December 2013, the Company made a $16.4 million equity investment in CCPV, for a 25% equity ownership.

The Company has concluded that it is not the primary beneficiary of CCPV because, although the Company is obligated to absorb losses and has the right to receive benefits, the Company alone does not have the power to direct the activities of CCPV that most significantly impact its economic performance. The Company accounts for its investment in CCPV using the equity method because the Company is able to exercise significant influence over CCPV due to its board position.

Equity Investment in Diamond Energy Pty Ltd. ("Diamond Energy")

In October 2012, the Company made a $3.0 million equity investment in Diamond Energy, an alternative energy project developer and clean electricity retailer headquartered in Melbourne, Australia, in exchange for a 25% equity ownership.

The Company has concluded that it is not the primary beneficiary of Diamond Energy because, although the Company is obligated to absorb losses and has the right to receive benefits, the Company alone does not have the power to direct the activities of Diamond Energy that most significantly impact its economic performance. The Company accounts for its investment in Diamond Energy using the equity method because the Company is able to exercise significant influence over Diamond Energy due to its board position.

Equity Investment in 8point3 Energy Partners

In June 2015, 8point3 Energy Partners, a joint YieldCo vehicle formed by the Company and First Solar, (together with the Company, the "Sponsors") to own, operate and acquire solar energy generation assets, consummated its initial public offering ("IPO").

The Company has concluded that it was not the primary beneficiary of the 8point3 Group or any of its individual subsidiaries because, although the Sponsors are both obligated to absorb losses or have the right to receive benefits, the Company alone does not have the power to direct the activities of the 8point3 Group that most significantly impact its economic performance. In making this determination, the Company considered, among other factors, the equal division between the Sponsors of management rights in the 8point3 Group and the corresponding equal influence over its significant decisions, the role and influence of the independent directors on the board of directors of the general partner of 8point3 Energy Partners, and how both Sponsors contributed to the activities that most significantly impacted the 8point3 Group's economic performance. The Company accounted for its investment in the 8point3 Group using the equity method because the Company determined that, notwithstanding the division of management and ownership interests between the Sponsors, the Company exercised significant influence over the operations of the 8point3 Group.

During the three and six months ended July 1, 2018, the Company received $8.1 million and $16.2 million, respectively, in dividend distributions from the 8point3 Group. During the three and six months ended July 2, 2017, the Company received $7.4 million and $14.6 million, respectively, in dividend distributions from the 8point3 Group.

Under previous guidance for leasing transactions, the Company treated the portion of the sale of the residential lease portfolio originally sold to the 8point3 Group in connection with the IPO transaction, composed of operating leases and unguaranteed sales-type lease residual values, as a borrowing and reflected the cash proceeds attributable to this portion of the residential lease portfolio as liabilities recorded within “Accrued liabilities” and “Other long-term liabilities” in the Consolidated Balance Sheets. Upon adoption of ASC 606 on January 1, 2018, the Company deconsolidated the residential lease portfolio and as a result, the operating leases and the unguaranteed sales-type lease residual values that were sold to the 8point3 Group had an aggregate carrying value of zero as presented on the Company's Consolidated Balance Sheets as of both July 1, 2018 and December 31, 2017.

On June 19, 2018, the Company completed the previously announced Divestiture Transaction. As a result of this transaction, the Company received, after the payment of fees, expenses and other amounts, merger proceeds of approximately $359.9 million in cash and no longer directly or indirectly owns any equity interests in the 8point3 Group. In connection with the sale, the Company recognized a $34.4 million gain in "Other, net" for the three and six months ended July 1, 2018, respectively. As of July 1, 2018 and December 31, 2017, the Company's investment in the 8point3 Group had a carrying value of zero and $382.7 million, respectively.

Equity Investments in Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.

In March 2016, the Company entered into an agreement with Dongfang Electric Corporation and Tianjin Zhonghuan Semiconductor Co., Ltd. to form Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd., a jointly owned cell manufacturing facility to manufacture the Company's P-Series modules in China. The joint venture is based in Yixing City in Jiangsu Province, China. In March 2016, the Company made an initial $9.2 million investment for a 15% equity ownership interest in the joint venture, which was accounted for under the cost method. In February 2017, the Company invested an additional $9.0 million which included an investment of $7.7 million and reinvested dividends of $1.3 million, bringing the Company's equity ownership to 20% of the joint venture. In February and April 2018, the Company invested an additional $6.3 million and $7.0 million (net of $0.7 million of dividends reinvested), respectively, maintaining the Company's equity ownership at 20% of the joint venture. The Company has concluded that it is not the primary beneficiary of the joint venture because, although the

Company is obligated to absorb losses and has the right to receive benefits, the Company alone does not have the power to direct the activities of the joint venture that most significantly impact its economic performance. The Company accounts for its investment in the joint venture using the equity method because the Company is able to exercise significant influence over the joint venture due to its board position.

Equity Investments in Project Entities

The Company has from time to time maintained noncontrolling interests in project entities, which may be accounted for as either cost or equity method investments depending on whether the Company exercises significant influence over the investee. The Company's involvement in these entities primarily takes two forms. First, the Company may take a noncontrolling interest in an early-stage project and maintain that investment over the development cycle, often in situations in which the Company's products are also sold to the entity under separate agreements. Second, the Company may retain a noncontrolling interest in a development project after a controlling interest is sold to a third party. In either form, the Company may maintain its investment for all or part of the operational life of the project or may seek to subsequently dispose of its investment. For sales of solar power systems where the Company maintains an equity interest in the project sold to the customer, the Company recognizes all of the consideration received, including the fair value of the noncontrolling interest it obtained, as revenue and defers any profits associated with the Company's retained equity stake through "Equity in earnings (loss) of unconsolidated investees." During the first half of fiscal 2018, the Company sold its remaining noncontrolling interests in the Boulder Solar I project, which was accounted for as equity method investment, resulting in a gain of $15.6 million in "Other income (expense), net" of the Consolidated Statements of Operations. As of July 1, 2018 and December 31, 2017, the Company's investments in such projects had a carrying value of $7.1 million and $45.6 million, of which zero and $38.5 million were accounted for under the equity method with the remainder accounted for under the measurement alternative method and the cost method, respectively.

Related-Party Transactions with Investees:

	As of	
(In thousands)	**July 1, 2018**	**December 31, 2017**
Accounts receivable	$ —	$ 1,275
Accounts payable	16,536	3,764
Accrued liabilities	9,831	4,161
Contract liabilities	—	175

	Three Months Ended		Six Months Ended	
(In thousands)	**July 1, 2018**	**July 2, 2017**	**July 1, 2018**	**July 2, 2017**
Payments made to investees for products/services	$ 12,712	$ —	$ 21,131	$ —
Revenues and fees received from investees for products/services[1]	1,542	8,439	3,299	25,208

[1]Includes a portion of proceeds received from tax equity investors in connection with 8point3 Energy Partners transactions.

Equity Investment in Tendril Networks, Inc. ("Tendril")

In November 2014, the Company invested in Tendril by purchasing $20.0 million of its preferred stock. In the first half of fiscal 2017, the Company invested an additional $3.0 million in Tendril by purchasing $1.5 million of preferred stock in February 2017 and then again in April 2017. The Company's total investment in Tendril constitutes a minority stake and is accounted for under the measurement alternative method because the preferred stock is deemed not to be in-substance common stock. In connection with the initial investment, the Company acquired warrants to purchase up to approximately 14 million shares of Tendril common stock exercisable through November 23, 2024. The number of shares of Tendril common stock that may be purchased pursuant to the warrants is subject to the Company's and Tendril's achievement of certain financial and operational milestones and other conditions.

In connection with the initial investment in Tendril, the Company also entered into commercial agreements with Tendril under a master services agreement and related statements of work. Under these commercial agreements, Tendril will use up to $13.0 million of the Company's initial investment to develop, jointly with the Company, certain solar software solution products.

Note 11. ***DEBT AND CREDIT SOURCES***

The following table summarizes the Company's outstanding debt on its Consolidated Balance Sheets:

	July 1, 2018				December 31, 2017			
(In thousands)	**Face Value**	**Short-term**	**Long-term**	**Total**	**Face Value**	**Short-term**	**Long-term**	**Total**
Convertible debt:								
4.00% debentures due 2023	$ 425,000	$ —	$ 419,337	$ 419,337	$ 425,000	$ —	$ 418,715	$ 418,715
0.875% debentures due 2021	400,000	—	398,069	398,069	400,000	—	397,739	397,739
0.75% debentures due 2018	—	—	—	—	300,000	299,685	—	299,685
CEDA loan	30,000	—	28,711	28,711	30,000	—	28,538	28,538
Non-recourse financing and other debt[1]	503,224	57,424	432,483	489,907	466,766	57,131	399,134	456,265
	$ 1,358,224	$ 57,424	$ 1,278,600	$ 1,336,024	$ 1,621,766	$ 356,816	$ 1,244,126	$ 1,600,942

[1]Other debt excludes payments related to capital leases, which are disclosed in "Note 9. Commitments and Contingencies."

As of July 1, 2018, the aggregate future contractual maturities of the Company's outstanding debt, at face value, were as follows:

(In thousands)	**Fiscal 2018 (remaining six months)**	**Fiscal 2019**	**Fiscal 2020**	**Fiscal 2021**	**Fiscal 2022**	**Thereafter**	**Total**
Aggregate future maturities of outstanding debt	$ 54,843	10,613	15,788	415,694	83,695	777,591	$ 1,358,224

Convertible Debt

The following table summarizes the Company's outstanding convertible debt:

	July 1, 2018			December 31, 2017		
(In thousands)	**Carrying Value**	**Face Value**	**Fair Value[1]**	**Carrying Value**	**Face Value**	**Fair Value[1]**
Convertible debt:						
4.00% debentures due 2023	$ 419,337	$ 425,000	$ 362,359	$ 418,715	$ 425,000	$ 368,399
0.875% debentures due 2021	398,068	400,000	319,500	397,739	400,000	315,132
0.75% debentures due 2018	—	—	—	299,685	300,000	299,313
	$ 817,405	$ 825,000	$ 681,859	$ 1,116,139	$ 1,125,000	$ 982,844

[1]The fair value of the convertible debt was determined using Level 2 inputs based on quarterly market prices as reported by an independent pricing source.

The Company's outstanding convertible debentures are senior, unsecured obligations of the Company, ranking equally with all existing and future senior unsecured indebtedness of the Company.

4.00% Debentures Due 2023

In December 2015, the Company issued $425.0 million in principal amount of its 4.00% debentures due 2023. Interest is payable semi-annually, beginning on July 15, 2016. Holders may exercise their right to convert the debentures at any time into

shares of the Company's common stock at an initial conversion price approximately equal to $30.53 per share, subject to adjustment in certain circumstances. If not earlier repurchased or converted, the 4.00% debentures due 2023 mature on January 15, 2023.

0.875% Debentures Due 2021

In June 2014, the Company issued $400.0 million in principal amount of its 0.875% debentures due 2021. Interest is payable semi-annually, beginning on December 1, 2014. Holders may exercise their right to convert the debentures at any time into shares of the Company's common stock at an initial conversion price approximately equal to $48.76 per share, subject to adjustment in certain circumstances. If not earlier repurchased or converted, the 0.875% debentures due 2021 mature on June 1, 2021.

0.75% Debentures Due 2018

In May 2013, the Company issued $300.0 million in principal amount of its 0.75% debentures due 2018. Interest is payable semi-annually, beginning on December 1, 2013. Holders were able to exercise their right to convert the debentures at any time into shares of the Company's common stock at an initial conversion price approximately equal to $24.95 per share, subject to adjustment in certain circumstances. If not earlier repurchased or converted, the 0.75% debentures due 2018 matured on June 1, 2018. The 0.75% debentures due 2018 were redeemed at maturity on June 1, 2018 with proceeds from the Term Credit Agreement. On June 19, 2018, the Company completed the Divestiture Transaction, the proceeds of which were used to repay the loan under the Term Credit Agreement.

Other Debt and Credit Sources

Loan Agreement with California Enterprise Development Authority ("CEDA")

In 2010, the Company borrowed the proceeds of the $30.0 million aggregate principal amount of CEDA's tax-exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (the "Bonds") maturing April 1, 2031 under a loan agreement with CEDA. The Bonds mature on April 1, 2031, bear interest at a fixed rate of 8.50% through maturity, and include customary covenants and other restrictions on the Company. As of July 1, 2018, the fair value of the Bonds was $33.0 million, determined by using Level 2 inputs based on quarterly market prices as reported by an independent pricing source.

Revolving Credit Facility with Credit Agricole

On June 23, 2017, the Company entered into an Amended and Restated Revolving Credit Agreement (the “Revolver”) with Credit Agricole, as administrative agent, and the other lenders party thereto, which amends and restates the Revolving Credit Agreement dated July 3, 2013, as amended.

The Revolver was entered into in connection with the Letter Agreement, to facilitate the issuance by Total S.A. of one or more guaranties of the Company’s payment obligations of up to $100.0 million under the Revolver. The maturity date of the Letter Agreement and the Revolver is August 26, 2019. In consideration for the commitments of Total S.A. pursuant to the Letter Agreement, the Company is required to pay a guarantor commitment fee of 0.50% per annum for the unutilized support amount and a guaranty fee of 2.35% per annum of the Guaranty outstanding. Available borrowings under the Revolver are $300.0 million; provided that the aggregate principal amount of all amounts borrowed under the facility cannot exceed 95.0% of the amounts guaranteed by Total under the Letter Agreement. Amounts borrowed may be repaid and reborrowed until the maturity date.

The Company is required to pay (a) interest on outstanding borrowings under the facility of (i) with respect to any LIBOR rate loan, an amount equal to 0.6% plus the LIBOR rate divided by a percentage equal to one minus the stated maximum rate of all reserves required to be maintained against “Eurocurrency liabilities” as specified in Regulation D; and (ii) with respect to any alternate base rate loan, an amount equal to 0.25% plus the greater of (1) the prime rate, (2) the Federal Funds rate plus 0.50%, and (3) the one-month LIBOR rate plus 1%; and (b) a commitment fee of 0.06% per annum on funds available for borrowing and not borrowed. The Revolver includes representations, covenants, and events of default customary for financing transactions of this type.

As of both July 1, 2018 and December 31, 2017, the Company had no outstanding borrowings under the revolving credit facility.

2016 Letter of Credit Facility Agreements

In June 2016, the Company entered into a Continuing Agreement for Standby Letters of Credit and Demand Guarantees with Deutsche Bank AG New York Branch and Deutsche Bank Trust Company Americas (the “2016 Non-Guaranteed LC Facility”) which provides for the issuance, upon request by the Company, of letters of credit to support the Company’s obligations in an aggregate amount not to exceed $50.0 million. The 2016 Non-Guaranteed LC Facility will terminate on June 29, 2018. In March 2018, the Company entered into a letter agreement in connection with the 2016 Non-Guaranteed LC Facility. Pursuant to the letter agreement, the Company has advised Deutsche Bank AG New York Branch and Deutsche Bank Trust Company Americas ("Issuer"), and the Issuer has acknowledged, that one or more outstanding letters of credit or demand guarantees issued under the letter agreement may remain outstanding, at the Company's request, after the scheduled termination date set forth in the letter agreement. As of July 1, 2018 and December 31, 2017, letters of credit issued and outstanding under the 2016 Non-Guaranteed LC Facility totaled $28.2 million and $30.1 million, respectively.

In June 2016, the Company entered into bilateral letter of credit facility agreements (the “2016 Guaranteed LC Facilities”) with Bank of Tokyo-Mitsubishi UFJ ("BTMU"), Credit Agricole, and HSBC USA Bank, National Association ("HSBC"). Each letter of credit facility agreement provides for the issuance, upon the Company’s request, of letters of credit by the issuing bank thereunder in order to support certain of the Company’s obligations until December 31, 2018. Payment of obligations under the 2016 Guaranteed Letter of Credit Facilities is guaranteed by Total S.A. pursuant to the Credit Support Agreement. Aggregate letter of credit amounts may be increased upon the agreement of the respective parties but, otherwise, may not exceed $75.0 million with BTMU, $75.0 million with Credit Agricole and $175.0 million with HSBC. Each letter of credit issued under one of the letter of credit facilities generally must have an expiration date, subject to certain exceptions, no later than the earlier of (a) two years from completion of the applicable project and (b) March 31, 2020.

In June 2016, in connection with the 2016 Guaranteed LC Facilities, the Company entered into a transfer agreement to transfer to the 2016 Guaranteed LC Facilities all existing outstanding letters of credit issued under the Company’s letter of credit facility agreement with Deutsche Bank AG New York Branch and Deutsche Bank Trust Company Americas, as administrative agent, and certain financial institutions, entered into in August 2011 and amended from time to time. In connection with the transfer of the existing outstanding letters of credit, the aggregate commitment amount under the August 2011 letter of credit facility was permanently reduced to zero on June 29, 2016. As of July 1, 2018 and December 31, 2017, letters of credit issued and outstanding under the 2016 Guaranteed LC Facilities totaled $165.6 million and $173.7 million, respectively.

September 2011 Letter of Credit Facility with Deutsche Bank and Deutsche Bank Trust Company Americas (together, "Deutsche Bank Trust")

In September 2011, the Company entered into a letter of credit facility with Deutsche Bank Trust which provides for the issuance, upon request by the Company, of letters of credit to support obligations of the Company in an aggregate amount not to exceed $200.0 million. Each letter of credit issued under the facility is fully cash-collateralized and the Company has entered into a security agreement with Deutsche Bank Trust, granting them a security interest in a cash collateral account established for this purpose.

As of July 1, 2018 and December 31, 2017, letters of credit issued and outstanding under the Deutsche Bank Trust facility totaled $1.6 million and $7.1 million, respectively, which were fully collateralized with restricted cash on the Consolidated Balance Sheets.

Revolving Credit Facility with Mizuho Bank Ltd. ("Mizuho") and Goldman Sachs Bank USA ("Goldman Sachs")

On May 4, 2016, the Company entered into a revolving credit facility (as amended, the “Construction Revolver”) with Mizuho, as administrative agent, and Goldman Sachs, under which the Company could borrow up to $200 million. The Construction Revolver also included a $100 million accordion feature. On October 27, 2017, the Company and Mizuho entered into an amendment to the Construction Revolver, which reduced the amount that the Company could borrow to up to $50 million. On June 28, 2018, all outstanding loans under the Construction Revolver were repaid and the facility was terminated. As of July 1, 2018 and December 31, 2017, the aggregate carrying value of the Construction Revolver totaled zero and $3.2 million, respectively. As of July 1, 2018, the Company also had $75.0 million in additional borrowing capacity under other limited recourse construction financing facilities.

Non-recourse Financing and Other Debt

In order to facilitate the construction, sale or ongoing operation of certain solar projects, including the Company's residential leasing program, the Company regularly obtains project-level financing. These financings are secured either by the assets of the specific project being financed or by the Company's equity in the relevant project entity and the lenders do not have recourse to the general assets of the Company for repayment of such debt obligations, and hence the financings are referred to as non-recourse. Non-recourse financing is typically in the form of loans from third-party financial institutions, but also takes other forms, including partnership flip structures, sale-leaseback arrangements, or other forms commonly used in the solar or similar industries. The Company may seek non-recourse financing covering solely the construction period of the solar project or may also seek financing covering part or all of the operating life of the solar project. The Company classifies non-recourse financings in the Consolidated Balance Sheets in accordance with their terms; however, in certain circumstances, the Company may repay or refinance these financings prior to stated maturity dates in connection with the sale of the related project or similar such circumstances. In addition, in certain instances, the customer may assume the loans at the time that the project entity is sold to the customer. In these instances, subsequent debt assumption is reflected as a financing outflow and operating inflow in the Consolidated Statements of Cash Flows to reflect the substance of the assumption as a facilitation of customer financing from a third party.

The following presents a summary of the Company's non-recourse financing arrangements, including arrangements that are not classified as debt:

	Aggregate Carrying Value[1]		
(In thousands)	**July 1, 2018**	**December 31, 2017**	**Balance Sheet Classification**
Residential Lease Program			
Bridge loans	$ 16,627	$ 17,068	Short-term debt and Long-term debt
Long-term loans	414,792	356,622	Short-term debt and Long-term debt
Tax equity partnership flip facilities	110,125	119,415	Redeemable non-controlling interests in subsidiaries and Non-controlling interests in subsidiaries
Power Plant and Commercial Projects			
Boulder I credit facility	—	28,168	Short-term debt and Long-term debt
Construction Revolver	5,499	3,240	Short-term debt and Long-term debt
Arizona loan	7,054	7,161	Short-term debt and Long-term debt

[1] Based on the nature of the debt arrangements included in the table above, and the Company's intention to fully repay or transfer the obligations at their face values plus any applicable interest, the Company believes their carrying value materially approximates fair value, which is categorized within Level 3 of the fair value hierarchy.

For the Company’s residential lease program, non-recourse financing is typically accomplished by aggregating an agreed-upon volume of solar power systems and leases with residential customers into a specific project entity. The Company has entered into the following non-recourse financings with respect to its residential lease program:

In fiscal 2016, the Company entered into bridge loans to finance solar power systems and leases under its residential lease program. The loans are repaid over terms ranging from two to seven years. Some loans may be prepaid without penalties at the Company's option at any time, while other loans may be prepaid, subject to a prepayment fee, after one year. During the three and six months ended July 1, 2018, the Company had net repayments of $0.3 million and $0.5 million, respectively, in connection with these loans. During the three and six months ended July 2, 2017, the Company had net proceeds of $3.5 million and $5.6 million, respectively, in connection with these loans. As of July 1, 2018 and December 31, 2017, the aggregate carrying amount of these loans, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $16.6 million and $17.1 million, respectively.

The Company enters into long-term loans to finance solar power systems and leases under its residential lease program. The loans are repaid over their terms of between 4 and 18 years, and may be prepaid without significant penalty at the Company’s option any time for some loans or beginning four years after the original issuance for others. During the three and six months ended July 1, 2018, the Company had net proceeds of $28.6 million and $57.7 million, respectively, in connection with these loans. During the three and six months ended July 2, 2017, the Company had net proceeds of $4.8 million and $22.0 million, respectively, in connection with these loans. As of July 1, 2018, and December 31, 2017, the aggregate carrying amount of these loans, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $414.8 million and $356.6 million, respectively.

The Company also enters into facilities with third-party tax equity investors under which the investors invest in a structure known as a "partnership flip." The Company holds controlling interests in these less-than-wholly-owned entities and therefore fully consolidates these entities. The Company accounts for the portion of net assets in the consolidated entities attributable to the investors as noncontrolling interests in its consolidated financial statements. Noncontrolling interests in subsidiaries that are redeemable at the option of the noncontrolling interest holder are classified accordingly as redeemable between liabilities and equity on the Company's Consolidated Balance Sheets. During the three and six months ended July 1, 2018, the Company had net contributions of $29.4 million and $60.7 million, respectively, under these facilities and attributed losses of $36.7 million and $68.3 million, respectively, to the noncontrolling interests corresponding principally to certain assets, including tax credits, which were allocated to the noncontrolling interests during the periods. During the three and six months ended July 2, 2017, the Company had net contributions of $42.9 million and $88.2 million, respectively, under these facilities and attributed losses of $19.0 million and $36.3 million, respectively, to the non-controlling interests corresponding principally to certain assets, including tax credits, which were allocated to the non-controlling interests during the periods. As of July 1, 2018 and December 31, 2017, the aggregate carrying amount of these facilities, presented in “Redeemable noncontrolling interests in subsidiaries” and “Noncontrolling interests in subsidiaries” on the Company’s Consolidated Balance Sheets, was $110.1 million and $119.4 million, respectively.

For the Company’s power plant and commercial solar projects, non-recourse financing is typically accomplished using an individual solar power system or a series of solar power systems with a common end customer, in each case owned by a specific project entity. The Company has entered into the following non-recourse financings with respect to its power plant and commercial projects:

In fiscal 2016, the Company entered into a long-term credit facility to finance the 125 MW utility-scale Boulder power plant project in Nevada. In February of 2018, the Company sold its equity interest in Boulder Solar I where the buyer repaid the remaining principal loan balance of $27.3 million upon the sale of the project. As of July 1, 2018 and December 31, 2017, the aggregate carrying amount of this facility, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was zero and $28.2 million, respectively.

In fiscal 2013, the Company entered into a long-term loan agreement to finance a 5.4 MW utility and power plant operating in Arizona. As of July 1, 2018 and December 31, 2017, the aggregate carrying amount under this loan, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $7.1 million and $7.2 million, respectively.

Other debt is further composed of non-recourse project loans in Europe, the Middle East, and Africa, which are scheduled to mature through 2028, and of limited recourse construction financing loans made in the ordinary course of business to individual projects in the United States, which are scheduled to mature through 2021.

See "Note 6. Leasing" for discussion of the Company’s sale-leaseback arrangements accounted for under the financing method.

Note 12. *DERIVATIVE FINANCIAL INSTRUMENTS*

The following tables present information about the Company's hedge instruments measured at fair value on a recurring basis as of July 1, 2018 and December 31, 2017, all of which utilize Level 2 inputs under the fair value hierarchy:

(In thousands)	Balance Sheet Classification	July 1, 2018	December 31, 2017
Assets:			
Derivatives designated as hedging instruments:			
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	—	61
		$ —	$ 61
Derivatives not designated as hedging instruments:			
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	532	2,518
Interest rate contracts	Other long-term assets	1,680	—
		$ 2,212	$ 2,518
Liabilities:			
Derivatives designated as hedging instruments:			
Interest rate contracts	Other long-term liabilities	102	715
		$ 102	$ 715
Derivatives not designated as hedging instruments:			
Foreign currency forward exchange contracts	Accrued liabilities	998	1,452
Interest rate contracts	Other long-term liabilities	—	459
		$ 998	$ 1,911

Foreign Currency Exchange Risk

Designated Derivatives Hedging Cash Flow Exposure

The Company's cash flow exposure primarily relates to anticipated third-party foreign currency revenues and expenses and interest rate fluctuations. To protect financial performance, the Company enters into foreign currency forward and option contracts designated as cash flow hedges to hedge certain forecasted revenue transactions denominated in currencies other than their functional currencies.

As of July 1, 2018, the Company had no designated outstanding cash flow hedge forward contracts. As of December 31, 2017, the Company had designated outstanding cash flow hedge forward contracts with an aggregate notional value of $2.1 million. The Company designates either gross external or intercompany revenue up to its net economic exposure. These derivatives have a maturity of a month or less and consist of foreign currency forward contracts. The effective portion of these cash flow hedges is reclassified into revenue when third-party revenue is recognized in the Consolidated Statements of Operations.

Non-Designated Derivatives Hedging Transaction Exposure

Derivatives not designated as hedging instruments consist of forward and option contracts used to hedge re-measurement of foreign currency denominated monetary assets and liabilities primarily for intercompany transactions, receivables from customers, and payables to third parties. Changes in exchange rates between the Company's subsidiaries' functional currencies and the currencies in which these assets and liabilities are denominated can create fluctuations in the Company's reported consolidated financial position, results of operations and cash flows. As of July 1, 2018, to hedge balance sheet exposure, the Company held forward contracts with an aggregate notional value of $43.9 million. The maturity dates of these contracts are in July 2018. As of December 31, 2017, to hedge balance sheet exposure, the Company held forward contracts with an aggregate notional value of $8.2 million. The maturity dates of these contracts ranged from January 2, 2018 to January 30, 2018.

Interest Rate Risk

The Company also enters into interest rate swap agreements to reduce the impact of changes in interest rates on its project specific non-recourse floating rate debt. As of July 1, 2018 and December 31, 2017, the Company had interest rate swap agreements designated as cash flow hedges with aggregate notional values of $7.1 million and $58.1 million, respectively, and interest rate swap agreements not designated as cash flow hedges with aggregate notional values of $45.6 million and $21.1 million, respectively. These swap agreements allow the Company to effectively convert floating-rate payments into fixed rate payments periodically over the life of the agreements. These derivatives have a maturity of more than 12 months. The effective portion of these swap agreements designated as cash flow hedges is reclassified into interest expense when the hedged transactions are recognized in the Consolidated Statements of Operations. The Company analyzes its designated interest rate swaps quarterly to determine if the hedge transaction remains effective or ineffective. The Company may discontinue hedge accounting for interest rate swaps prospectively if certain criteria are no longer met, the interest rate swap is terminated or exercised, or if the Company elects to remove the cash flow hedge designation. If hedge accounting is discontinued, and the forecasted hedged transaction is considered possible to occur, the previously recognized gain or loss on the interest rate swaps will remain in accumulated other comprehensive loss and will be reclassified into earnings during the same period the forecasted hedged transaction affects earnings or is otherwise deemed improbable to occur. All changes in the fair value of non-designated interest rate swap agreements are recognized immediately in current period earnings.

Credit Risk

The Company's option and forward contracts do not contain any credit-risk-related contingent features. The Company is exposed to credit losses in the event of nonperformance by the counterparties to these option and forward contracts. The Company enters into derivative contracts with high-quality financial institutions and limits the amount of credit exposure to any single counterparty. In addition, the Company continuously evaluates the credit standing of its counterparties.

Note 13. ***INCOME TAXES***

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act, which significantly changed U.S. tax law. The Tax Cuts and Jobs Act lowered the Company’s U.S. statutory federal income tax rate from 35% to 21% effective January 1, 2018, while also imposing a deemed repatriation tax on deferred foreign income. The Tax Cuts and Jobs Act also created a new minimum “base erosion and anti-abuse tax” on certain foreign payments made by a U.S. parent company, and the “global intangible low-taxed income” rules tax foreign subsidiary income earned over a 10% rate of routine return on tangible business assets.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act, which allows the Company to record provisional amounts for the Tax Cut and Jobs Act during a measurement period not to extend beyond one year of the enactment date. As of July 1, 2018, the Company did not have any significant adjustments to its provisional amounts. The Company will continue its analysis of these provisional amounts, which are still subject to change during the measurement period, and anticipate further guidance on accounting interpretations from the FASB and application of the law from the Department of the Treasury.

For the three months ended July 1, 2018, the Company's income tax provision of $3.1 million on a loss before income taxes and equity in earnings of unconsolidated investees of $467.3 million was primarily due to projected tax expense in foreign jurisdictions that are profitable. The Company's income tax provision of $2.4 million in the three months ended July 2, 2017 on a loss before income taxes and equity in earnings of unconsolidated investees of $114.1 million was also primarily due to projected tax expense in profitable jurisdictions.

For the six months ended July 1, 2018, the Company's income tax provision of $5.7 million on a loss before income taxes and equity in earnings of unconsolidated investees of $610.2 million was primarily due to projected tax expense in foreign jurisdictions that are profitable. The Company's income tax provision of $4.4 million in the six months ended July 2, 2017 on a loss before income taxes and equity in earnings of unconsolidated investees of $351.4 million was also primarily due to projected tax expense in profitable jurisdictions.

For the three and six months ended July 1, 2018, in accordance with FASB guidance for interim reporting of income tax, the Company has computed its provision for income taxes based on a projected annual effective tax rate while excluding loss jurisdictions which cannot be benefited.

Note 14. ***NET LOSS PER SHARE***

The Company calculates net loss per share by dividing earnings allocated to common stockholders by the weighted average number of common shares outstanding for the period.

Diluted weighted average shares is computed using basic weighted average shares plus any potentially dilutive securities outstanding during the period using the treasury-stock-type method and the if-converted method, except when their effect is anti-dilutive. Potentially dilutive securities include stock options, restricted stock units, the Upfront Warrants held by Total, and the outstanding senior convertible debentures.

The following table presents the calculation of basic and diluted net loss per share:

	Three Months Ended		Six Months Ended	
(In thousands, except per share amounts)	**July 1, 2018**	**July 2, 2017**	**July 1, 2018**	**July 2, 2017**
Basic net loss per share:				
Numerator				
Net loss attributable to stockholders	$ (447,117)	$ (90,515)	$ (563,091)	$ (310,241)
Denominator				
Basic weighted-average common shares	$ 140,926	139,448	140,569	139,175
Basic net loss per share	$ (3.17)	$ (0.65)	$ (4.01)	$ (2.23)
Diluted net loss per share:				
Numerator				
Net loss available to common stockholders	$ (447,117)	$ (90,515)	$ (563,091)	$ (310,241)
Denominator				
Dilutive weighted-average common shares	$ 140,926	$ 139,448	140,569	139,175
Diluted net loss per share	$ (3.17)	$ (0.65)	$ (4.01)	$ (2.23)

The following is a summary of outstanding anti-dilutive potential common stock that was excluded from loss per diluted share in the following periods:

	Three Months Ended		Six Months Ended	
(In thousands)	**July 1, 2018[1]**	**July 2, 2017[1]**	**July 1, 2018[1]**	**July 2, 2017[1]**
Stock options	—	106	—	106
Restricted stock units	3,616	3,585	5,549	3,585
Upfront Warrants (held by Total)	9,532	9,532	9,532	9,532
4.00% debentures due 2023	13,922	13,922	13,922	13,922
0.75% debentures due 2018	8,061	12,026	10,033	12,026
0.875% debentures due 2021	8,203	8,203	8,203	8,203

[1]As a result of the net loss per share for the three and six months ended July 1, 2018 and July 2, 2017, the inclusion of all potentially dilutive stock options, restricted stock units, and common shares under noted warrants and convertible debt would be anti-dilutive. Therefore, those stock options, restricted stock units and shares were excluded from the computation of the weighted-average shares for diluted net loss per share for such periods.

Note 15. *STOCK-BASED COMPENSATION*

The following table summarizes the consolidated stock-based compensation expense by line item in the Consolidated Statements of Operations:

(In thousands)	Three Months Ended July 1, 2018	Three Months Ended July 2, 2017	Six Months Ended July 1, 2018	Six Months Ended July 2, 2017
Cost of Residential revenue	$ 471	$ 314	$ 666	$ 524
Cost of Commercial revenue	570	293	953	542
Cost of Power Plant revenue	586	445	1,064	1,170
Research and development	1,054	1,036	4,000	2,564
Sales, general and administrative	3,963	6,518	8,719	11,181
Total stock-based compensation expense	$ 6,644	$ 8,606	$ 15,402	$ 15,981

The following table summarizes the consolidated stock-based compensation expense by type of award:

(In thousands)	Three Months Ended July 1, 2018	Three Months Ended July 2, 2017	Six Months Ended July 1, 2018	Six Months Ended July 2, 2017
Restricted stock units	$ 6,025	$ 9,675	$ 15,234	$ 16,911
Change in stock-based compensation capitalized in inventory	619	(1,069)	168	(930)
Total stock-based compensation expense	$ 6,644	$ 8,606	$ 15,402	$ 15,981

Note 16. *SEGMENT AND GEOGRAPHICAL INFORMATION*

The Company's Chief Executive Officer, as the CODM, has organized the Company, manages resource allocations and measures performance of the Company's activities among three end-customer segments: (i) Residential Segment, (ii) Commercial Segment and (iii) Power Plant Segment (see "Note 1. The Company and Summary of Significant Accounting Policies"). The Residential and Commercial Segments combined are referred to as Distributed Generation.

The CODM assesses the performance of the three end-customer segments using information about their revenue, gross margin, and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") after certain adjustments, described below in further detail. Additionally, for purposes of calculating Adjusted EBITDA, the calculation includes equity in earnings of unconsolidated investees and net loss attributable to noncontrolling interests and redeemable noncontrolling interests and excludes cash interest expense, net of interest income, and depreciation. The CODM does not review asset information by segment.

Adjustments Made for Segment Purposes

8point3 Energy Partners

The Company includes adjustments related to the sales of projects contributed to 8point3 Energy Partners based on the difference between the fair market value of the consideration received and the net carrying value of the projects contributed, of which, a portion is deferred in proportion to the Company’s retained equity interest in 8point3 Energy Partners. Prior to the adoption of ASC 606, these sales are recognized under either real estate, lease, or consolidation accounting guidance depending upon the nature of the individual asset contributed, with outcomes ranging from no, partial, or full profit recognition. The Company adopted ASC 606 on January 1, 2018, using the full retrospective method, which required the Company to restate each prior period presented. The Company recorded a material amount of deferred profit associated with projects sold to 8point3 Energy Partners in 2015, the majority of which had previously been deferred under real estate accounting. Accordingly, the Company's carrying value in the 8point3 Group materially increased upon adoption which required the Company to evaluate its investment in 8point3 Energy Partners for other-than-temporary impairment ("OTTI"). In accordance with such evaluation, the Company recognized an OTTI charge on the 8point3 investment balance in fiscal 2017. On June 19, 2018, the Company sold its equity interest in 8point3.

Utility and power plant projects

The Company includes adjustments related to the revenue recognition of certain utility and power plant projects based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligations and, when relevant, the allocation of revenue and margin to the Company’s project development efforts at the time of initial project sale. Prior to the adoption of ASC 606, such projects are accounted for under real estate accounting guidance, under which no separate allocation to the Company’s project development efforts occurs and the amount of revenue and margin that is recognized may be limited in circumstances where the Company has certain forms of continuing involvement in the project. Under ASC 606, such projects are accounted for when the customer obtains control of the promised goods or services which generally results in earlier recognition of revenue and profit than previous U.S. GAAP. Over the life of each project, cumulative revenue and gross profit will eventually be equivalent under both ASC 606 and segment treatments once these projects are completed.

Sale-leaseback transactions

The Company includes adjustments related to the revenue recognition on certain sale-leaseback transactions based on the net proceeds received from the buyer-lessor. Under U.S. GAAP, these transactions are accounted for under the financing method in accordance with real estate accounting guidance. Under such guidance, no revenue or profit is recognized at the inception of the transaction, and the net proceeds from the buyer-lessor are recorded as a financing liability. Imputed interest is recorded on the liability equal to the Company’s incremental borrowing rate adjusted solely to prevent negative amortization.

Impairment of property, plant and equipment

In the second quarter of fiscal 2018, the Company announced its proposed plan to change its corporate structure into upstream and downstream business units, and its long-term strategy to upgrade its existing IBC technology to NGT. Accordingly, the Company expects to upgrade the equipment associated with its manufacturing operations for the production of NGT over the next several years. In connection with these planned changes that will impact

the utilization of its manufacturing assets, continued pricing challenges in the industry, as well as the ongoing uncertainties associated with the Section 201 trade case, the Company determined indicators of impairment existed and therefore performed a recoverability test by estimating future undiscounted net cash flows expected to be generated from the use of these assets groups. Based on the test performed, the Company determined that its estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the upstream business unit's assets and consequently performed an impairment analysis by comparing the carrying value of the asset group to its estimated fair value. In accordance with such evaluation, the Company recognized a non-cash impairment charge on its property, plant and equipment. Such asset impairment is excluded from the Company's segment results as it is non-cash in nature and not reflective of ongoing segment results.

Impairment of residential lease assets

In the fourth quarter of fiscal 2017, the Company made the decision to sell or refinance its interest in its residential lease portfolio and as a result of this triggering event, determined it was necessary to evaluate the potential for impairment in its ability to recover the carrying amount of the residential lease portfolio. In accordance with such evaluation, the Company recognized a non-cash impairment charge on its solar power systems leased and to be leased and an allowance for losses related financing receivables. In connection with the impairment loss, the carrying values of the Company's solar power systems leased and to be leased were reduced which resulted in lower depreciation charges. Such asset impairment and its corresponding depreciation savings are excluded from the Company's segment results as they are non-cash in nature and not reflective of ongoing segment results.

Cost of above-market polysilicon

As described in "Note 9. Commitments and Contingencies," the Company has entered into multiple long-term, fixed-price supply agreements to purchase polysilicon for periods of up to ten years. The prices in select legacy supply agreements, which include a cash portion and a non-cash portion attributable to the amortization of prepayments made under the agreements, significantly exceed current market prices. Additionally, in order to reduce inventory and improve working capital, the Company has periodically elected to sell polysilicon inventory in the marketplace at prices below the Company's purchase price, thereby incurring a loss. Starting in the first quarter of fiscal 2017, the Company has excluded the impact of its above-market cost of polysilicon, including the effect of above-market polysilicon on product costs, losses incurred on sales of polysilicon to third parties, and inventory reserves and project asset impairments recorded as a result of above-market polysilicon, from its segment results.

Stock-based compensation

The Company incurs stock-based compensation expense related primarily to the Company's equity incentive awards. The Company excludes this expense from its segment results.

Amortization of intangible assets

The Company incurs amortization expense on intangible assets as a result of acquisitions, which include patents, project assets, purchased technology, in-process research and development and trade names. The Company excludes this expense from its segment results.

Depreciation of idle equipment

In the fourth quarter of 2017, the Company changed the deployment plan for its next generation of solar cell technology, and revised its depreciation estimates to reflect the use of certain assets over its shortened useful life. Such asset depreciation is excluded from the Company's non-GAAP financial measures as it is non-cash in nature and not reflective of ongoing operating results.

Non-cash interest expense

The Company incurs non-cash interest expense related to the amortization of items such as original issuance discounts on certain of its convertible debt. The Company excludes this expense from its segment results.

Restructuring expense

The Company incurs restructuring expense related to reorganization plans aimed towards realigning resources consistent with the Company's global strategy and improving its overall operating efficiency and cost structure. The Company excludes this expense from its segment results.

IPO-related costs

The Company incurred legal, accounting, advisory, valuation, and other costs related to the IPO of 8point3 Energy Partners. The Company excludes these costs from its segment results.

Other

The Company combines amounts previously disclosed under separate captions into "Other" when amounts do not have a significant impact on the presented fiscal periods.

Segment and Geographical Information

The following tables present information by end-customer segment including revenue, gross margin, and Adjusted EBITDA, each as reviewed by the CODM, as well as information about significant customers and revenue by geography, based on the destination of the shipments.

Revenue and Gross profit/margin by segment (in thousands, except percentages):	Three Months Ended July 1, 2018								
	Revenue			Gross profit/margin					
	Residential	Commercial	Power Plant	Residential		Commercial		Power Plant	
As reviewed by CODM	$ 205,181	$ 133,336	$ 108,637	$ 44,791	21.8 %	$ 8,063	6.0 %	$ (640)	(0.6)%
8point3 Energy Partners	—	2,149	6,188	—		2,149		6,188	
Utility and power plant projects	—	82	1,219	—		319		250	
Sale-leaseback transactions	—	(7,695)	—	—		398		(39)	
Impairment of property, plant and equipment	—	—	—	(92,543)		(103,759)		(158,804)	
Impairment of residential lease assets	—	—	—	4,151		—		—	
Cost of above-market polysilicon	—	—	—	(4,276)		(7,043)		(5,350)	
Stock-based compensation	—	—	—	(471)		(570)		(586)	
Amortization of intangible assets	—	—	—	(922)		(698)		(823)	
GAAP	$ 205,181	$ 127,872	$ 116,044	$ (49,270)	(24.0)%	$ (101,141)	(79.1)%	$ (159,804)	(137.7)%

Revenue and Gross profit/margin by segment (in thousands, except percentages):	Three Months Ended July 2, 2017								
	Revenue			Gross profit/margin					
	Residential	Commercial	Power Plant	Residential		Commercial		Power Plant	
As reviewed by CODM	$ 155,806	$ 105,829	$ 79,850	$ 31,578	20.3%	$ 7,535	7.1%	$ 2,555	3.2 %
8point3 Energy Partners	—	(9,748)	1,622	2		(255)		1,084	
Utility and power plant projects	—	(328)	(1,123)	—		(328)		(2,819)	
Sale-leaseback transactions	—	(3,927)	—	—		2,225		45	
Cost of above-market polysilicon	—	—	—	(4,731)		(5,000)		(12,095)	
Stock-based compensation	—	—	—	(314)		(293)		(445)	
Amortization of intangible assets	—	—	—	(870)		(672)		(1,025)	
Non-cash interest expense	—	—	—	(2)		(2)		(6)	
GAAP	$ 155,806	$ 91,826	$ 80,349	$ 25,663	16.5%	$ 3,210	3.5%	$ (12,706)	(15.8)%

Revenue and Gross profit/margin by segment (in thousands, except percentages):	Six Months Ended July 1, 2018								
	Revenue			Gross profit/margin					
	Residential	Commercial	Power Plant	Residential		Commercial		Power Plant	
As reviewed by CODM	$ 374,613	$ 265,132	$ 206,357	$ 76,248	20.4 %	$ 16,397	6.2 %	$ (14,373)	(7.0)%
8point3 Energy Partners	—	2,149	6,188	—		2,149		6,188	
Utility and power plant projects	—	725	2,619	—		769		68	
Sale-leaseback transactions	—	(16,798)	—	—		3,318		80	
Impairment of property, plant and equipment	—	—	—	(92,543)		(103,759)		(158,804)	
Impairment of residential	—	—	—	8,004		—		—	

lease assets								
Cost of above-market polysilicon	—	—	—	(10,078)		(12,100)		(13,191)	
Stock-based compensation	—	—	—	(666)		(953)		(1,065)	
Amortization of intangible assets	—	—	—	(1,969)		(1,433)		(1,533)	
Depreciation of idle equipment	—	—	—	(224)		(216)		(281)	
GAAP	$ 374,613	$ 251,208	$ 215,164	$ (21,228)	(5.7)%	$ (95,828)	(38.1)%	$ (182,911)	(85.0)%

	Six Months Ended July 2, 2017								
	Revenue			Gross profit/margin					
Revenue and Gross profit/margin by segment (in thousands, except percentages):	Residential	Commercial	Power Plant	Residential		Commercial		Power Plant	
As reviewed by CODM	$ 290,500	$ 239,800	$ 240,672	$ 52,128	17.9%	$ 12,417	5.2%	$ 4,986	2.1 %
8point3 Energy Partners	—	(15,232)	1,588	5		264		238	
Utility and power plant projects	—	(328)	(42,519)	—		(328)		(45,510)	
Sale-leaseback transactions	—	(26,968)	(30,437)	—		4,890		524	
Cost of above-market polysilicon	—	—	—	(9,082)		(12,132)		(30,427)	
Stock-based compensation	—	—	—	(524)		(542)		(1,170)	
Amortization of intangible assets	—	—	—	(2,084)		(1,508)		(1,542)	
Non-cash interest expense	—	—	—	(6)		(5)		(9)	
GAAP	$ 290,500	$ 197,272	$ 169,304	$ 40,437	13.9%	$ 3,056	1.5%	$ (72,910)	(43.1)%

(In thousands):	Three Months Ended July 1, 2018	Three Months Ended July 2, 2017	Six Months Ended July 1, 2018	Six Months Ended July 2, 2017
Adjusted EBITDA as reviewed by CODM				
Distributed Generation				
Residential	$ 63,527	$ 44,874	$ 125,425	$ 86,812
Commercial	$ 2,664	$ 3,004	11,809	7,293
Power Plant	$ 2,214	$ 4,006	9,100	4,072
Total Segment Adjusted EBITDA as reviewed by CODM	$ 68,405	$ 51,884	$ 146,334	$ 98,177
Reconciliation to Consolidated Statements of Operations				
8point3 Energy Partners	8,308	1,691	8,485	(76,007)
Utility and power plant projects	569	(3,147)	837	(45,838)
Sale-leaseback transactions	(4,187)	38	(5,560)	1,747
Impairment of property, plant and equipment	(369,168)	—	(369,168)	—
Impairment of residential lease assets[1]	(50,360)	—	(95,499)	—
Cost of above-market polysilicon	(16,669)	(21,826)	(35,369)	(51,641)
Stock-based compensation	(6,643)	(8,606)	(15,401)	(15,981)
Amortization of intangible assets	(2,443)	(4,227)	(4,935)	(7,253)
Depreciation of idle equipment	—	—	(721)	—
Non-cash interest expense	(23)	(35)	(45)	(70)
Restructuring expense	(3,504)	(4,969)	(14,681)	(14,759)
IPO-related costs	—	196	—	82
Equity in earnings of unconsolidated investees	13,415	(6,837)	15,559	(9,325)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(36,726)	(19,062)	(68,349)	(36,223)
Cash interest expense, net of interest income	(21,509)	(19,886)	(41,674)	(38,415)
Depreciation	(36,983)	(40,917)	(74,559)	(79,849)
Corporate and unallocated items	(9,829)	(38,358)	(55,426)	(76,050)
Loss before taxes and equity in earnings of unconsolidated investees	$ (467,347)	$ (114,061)	$ (610,172)	$ (351,405)

[1] For the three and six months ended July 1, 2018, the Company recorded in aggregate an impairment of residential leased assets of $68.3 million and $117.4 million, respectively. As a result of the partnership flip structures with noncontrolling interests where these assets are held in, the Company allocated an insignificant portion of the impairment charge to the noncontrolling interest using the HLBV method. The net impairment charges attributable to the Company totaled $54.5 million and $103.5 million for the three and six months ended July 1, 2018, respectively. In the three and six months of fiscal 2018, the Company also recorded $4.1 million and $8.0 million of depreciation savings, respectively, as a result of the impairment charge recognized in the prior period.

(As a percentage of total revenue):		Three Months Ended July 1, 2018	Three Months Ended July 2, 2017	Six Months Ended July 1, 2018	Six Months Ended July 2, 2017
Significant Customers:	**Business Segment**				
AEP Renewables, LLC	Power Plant	*	*	*	15%

(As a percentage of total revenue):	Three Months Ended		Six Months Ended	
	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017
Revenue by geography:				
United States	68%	71%	68%	77%
Japan	3%	10%	4%	9%
Rest of World	29%	19%	28%	14%
	100%	100%	100%	100%

ITEM 2: *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Cautionary Statement Regarding Forward-Looking Statements

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that do not represent historical facts or the assumptions underlying such statements. We use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "potential," "seek," "should," "will," "would," and similar expressions to identify forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, our plans and expectations regarding future financial results, expected operating results, business strategies, the sufficiency of our cash and our liquidity, projected costs and cost reduction, development of new products and improvements to our existing products, the impact of recently adopted accounting pronouncements, our manufacturing capacity and manufacturing costs, the adequacy of our agreements with our suppliers, our ability to monetize utility projects, legislative actions and regulatory compliance, competitive positions, management's plans and objectives for future operations, our ability to obtain financing, our ability to comply with debt covenants or cure any defaults, our ability to repay our obligations as they come due, our ability to continue as a going concern, our ability to complete certain divestiture transactions, trends in average selling prices, the success of our joint ventures and acquisitions, expected capital expenditures, warranty matters, outcomes of litigation, our exposure to foreign exchange, interest and credit risk, general business and economic conditions in our markets, industry trends, the impact of changes in government incentives, expected restructuring charges, risks related to privacy and data security, and the likelihood of any impairment of project assets, long-lived assets, and investments. These forward-looking statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q and current expectations, forecasts and assumptions and involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks and uncertainties include a variety of factors, some of which are beyond our control. Factors that could cause or contribute to such differences include, but are not limited to, those identified above, those discussed in the section titled "Risk Factors" included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and our other filings with the Securities and Exchange Commission ("SEC"). These forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we are under no obligation to, and expressly disclaim any responsibility to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

Our fiscal year ends on the Sunday closest to the end of the applicable calendar year. All references to fiscal periods apply to our fiscal quarter or year, which end on the Sunday closest to the calendar month end.

Overview

SunPower Corporation (together with its subsidiaries, the "Company" or "SunPower") is a leading global energy company that delivers complete solar solutions to residential, commercial, and power plant customers worldwide through an array of hardware, software, and financing options and through utility-scale solar power system construction and development capabilities, operations and maintenance ("O&M") services, and "Smart Energy" solutions. Our Smart Energy initiative is designed to add layers of intelligent control to homes, buildings and grids—all personalized through easy-to-use customer interfaces. Of all the solar cells commercially available to the mass market, we believe our solar cells have the highest conversion efficiency, a measurement of the amount of sunlight converted by the solar cell into electricity. For more information about our business, please refer to the section titled "Part I. Item 1. Business" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Effective January 1, 2018, we adopted the requirements of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) using the full retrospective method as discussed in "Part I—Item 1. Financial Statements—Notes to the Consolidated Financial Statements—Note 1. The Company and Summary of Significant Accounting Policies" of this Form 10-Q. All amounts and disclosures set forth in this Form 10-Q reflect these changes.

Segments Overview

We operate in three end-customer segments: (i) Residential Segment, (ii) Commercial Segment and (iii) Power Plant Segment. Our Chief Executive Officer, as the chief operating decision maker, reviews our business and manages resource allocations and measures performance of our activities among these three end-customer segments. The Residential and Commercial Segments combined are referred to as Distributed Generation. In the second quarter of fiscal 2018, we announced our proposed plan to transition our corporate structure into upstream and downstream business units. We will continue to work on finalizing this plan during the remainder of fiscal 2018. For more information about our business segments, see the section titled "Part I. Item 1. Business" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. For more segment information, see "Item 1. Financial Statements—Note 16. Segment Information" in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Unit of Power

When referring to our solar power systems, our facilities' manufacturing capacity, and total sales, the unit of electricity in watts for kilowatts ("KW"), megawatts ("MW"), and gigawatts ("GW") is direct current ("DC"), unless otherwise noted as alternating current ("AC").

Levelized Cost of Energy ("LCOE")

LCOE is an evaluation of the life-cycle energy cost and life-cycle energy production of an energy producing system. It allows alternative technologies to be compared across different scales of operation, investment or operating time periods. It captures capital costs and ongoing system-related costs, along with the amount of electricity produced, and converts them into a common metric. Key drivers for LCOE reduction for photovoltaic products include panel efficiency, capacity factors, reliable system performance, and the life of the system.

Customer Cost of Energy ("CCOE")

Our customers are focused on reducing their overall cost of energy by intelligently integrating solar and other distributed generation, energy efficiency, energy management, and energy storage systems with their existing utility-provided energy. The CCOE measurement is an evaluation of a customer's overall cost of energy, taking into account the cost impact of each individual generation source (including the utility), energy storage systems, and energy management systems. The CCOE measurement includes capital costs and ongoing operating costs, along with the amount of electricity produced, stored, saved, or re-sold, and converts all of these variables into a common metric. The CCOE metric allows a customer to compare different portfolios of generation sources, energy storage, and energy management, and to tailor towards optimization.

Seasonal Trends

Our business is subject to industry-specific seasonal fluctuations including changes in weather patterns and economic incentives, among others. Sales have historically reflected these seasonal trends with the largest percentage of total revenues realized during the last two quarters of a fiscal year. The construction of solar power systems or installation of solar power components and related revenue may decline during cold and/or rainy winter months. In the United States, many customers make purchasing decisions towards the end of the year in order to take advantage of tax credits or for other budgetary reasons. In addition, revenues may fluctuate due to the timing of project sales, construction schedules, and revenue recognition of certain projects, such as those involving the sale of real estate, which may significantly impact the quarterly profile of our results of operations. We may also retain certain development projects on our balance sheet for longer periods of time than in preceding periods in order to optimize the economic value we receive at the time of sale in light of market conditions, which can fluctuate after we have committed to projects. Delays in disposing of projects, or changes in amounts realized on disposition, may lead to significant fluctuations to the period-over-period profile of our results of operations and our cash available for working capital needs.

Fiscal Years

We have a 52-to-53-week fiscal year that ends on the Sunday closest to December 31. Accordingly, every fifth or sixth year will be a 53-week fiscal year. Both fiscal 2018 and 2017 are 52-week fiscal years. The second quarter of fiscal 2018 ended on July 1, 2018, while the second quarter of fiscal 2017 ended on July 2, 2017. The second quarters of fiscal 2018 and 2017 were both 13-week quarters. The first halves of fiscal 2018 and 2017 were both 26-week periods.

Outlook

Demand

In fiscal 2017 we faced market challenges, primarily in our Power Plant Segment, which impacted our margins and prompted us to implement changes to our business in order to realign our downstream investments, optimize our supply chain, and reduce operating expenses. Our actions included the consolidation of our manufacturing operations in order to accelerate operating cost reductions and improve overall operating efficiency. Factors that impacted our margins included charges totaling $7.3 million that were recorded in fiscal 2018 in connection with the contracted sale of raw material inventory to third parties as we sought to improve our working capital. In fiscal 2018, we continue to focus on projects that we expect will be profitable in each of our three business segments; however, market conditions can deteriorate after we have committed to projects. For example, shifts in the timing of demand and changes in the internal rate of return ("IRR") that our customers expect can significantly affect project sale prices. A pronounced increase in expected customer and investor IRR rates in light of market conditions may continue to drive lower overall project sale prices in fiscal 2018. For more information, please refer to the section titled "Part I. Item 1A. Risk Factors—Risks Related to Our Sales Channels—Our operating results are subject to significant fluctuations and are inherently unpredictable" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

In the face of these near-term challenges, we remain focused on each of our three business segments as well as on continued investment in our next-generation technology ("NGT"). We plan to continue to expand the footprint of our Equinox and Helix complete solutions in our Residential and Commercial businesses. Outside of these core markets, we will continue to focus our Power Plant business on the sale of our new Oasis complete solution, incorporating P-Series panel technology, to developers and EPC companies in global markets. We have used and expect to continue to use additional financing structures and sources of demand in order to maximize economic returns.

In late fiscal 2017, the International Trade Commission made a determination of injury in connection with a Section 201 petition filed by Suniva, Inc., and later joined by SolarWorld Americas Inc., regarding foreign-manufactured photovoltaic ("PV") cells and modules and recommended certain remedies be imposed. On January 23, 2018, the President of the United States issued Proclamation 9693, which approved recommendations to provide relief to U.S. manufacturers and imposed safeguard tariffs on imported solar cells and modules, based on the investigations, findings, and recommendations of the International Trade Commission. In the near term, the uncertainty surrounding the interpretations of the ruling, including the applicability of the quotas and potential product and country exclusions, may cause market volatility, price fluctuations, supply shortages, and project delays. As more information becomes available, the implications of the remedies imposed as a result of the Section 201 trade case could materially and adversely impact our business, revenues, margins, results of operations and estimated future cash flows. For more information see "Part II. Item 1A. Risk Factors—Tariffs imposed pursuant to Section 201 of the Trade Act of 1974 could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows" in this Quarterly Report on Form 10-Q.

In late fiscal 2015, the U.S. government enacted a budget bill that extended the solar commercial investment tax credit (the "Commercial ITC") under Section 48(c) of the Internal Revenue Code of 1986, as amended (the "Code"), and the individual solar investment tax credit under Section 25D of the Code (together with the Commercial ITC, the "ITC") for five years, at rates gradually decreasing from 30% through 2019 to 22% in 2021. After 2021, the Commercial ITC is retained at 10%. The current administration and Congress passed comprehensive reform of the Code, which resulted in the reduction or elimination of various industry-specific tax incentives in return for an overall reduction in corporate tax rates. For more information about the ITC and other policy mechanisms, please refer to the section titled "Item 1. Business—Regulations—Public Policy Considerations" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. For more information about how we avail ourselves of the benefits of public policies and the risks related to public policies, please see the risk factors set forth under the caption "Part I. Item 1A. Risk Factors—Risks Related to Our Sales Channels," including "—The reduction, modification or elimination of government incentives could cause our revenue to decline and harm our financial results" and "—Existing regulations and policies and changes to these regulations and policies may present technical, regulatory, and economic barriers to the purchase and use of solar power products, which may significantly reduce demand for our products and services" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Supply

We are focused on delivering complete solutions to customers in all three of our business segments. As part of our complete solution approach, we launched our SunPower Helix product for our Commercial Segment during fiscal 2015 and our SunPower Equinox product for our Residential Segment during fiscal 2016. The Equinox and Helix systems are pre-engineered modular solutions for residential and commercial applications, respectively, that combine our high-efficiency solar module technology with integrated plug-and-play power stations, cable management systems, and mounting hardware that enable our customers to quickly and easily complete system installations and manage their energy production. Our Equinox systems utilize our latest X-Series cell and ACPV technology for residential applications, where we are also expanding our initiatives on

storage and Smart Energy solutions. During fiscal 2016 we also launched our new generation technology for our existing Oasis modular solar power blocks for power plant applications. With the addition of these modular solutions in our residential and commercial applications, we are able to provide complete solutions across all end-customer segments. Additionally, we continue to focus on producing our new lower cost, high efficiency P-Series product line, which will enhance our ability to rapidly expand our global footprint with minimal capital cost.

We continue to see significant and increasing opportunities in technologies and capabilities adjacent to our core product offerings that can significantly reduce our customers' CCOE, including the integration of energy storage and energy management functionality into our systems, and have made investments to realize those opportunities, including our investment in a data-driven Energy Services Management Platform from Tendril Networks, Inc., enabling our customers to make intelligent energy choices by addressing how they buy energy, how they use energy, and when they use it. We have added advanced module-level control electronics to our portfolio of technology designed to enable longer series strings and significant balance of system components cost reductions in large arrays. We currently offer solar panels that use microinverters designed to eliminate the need to mount or assemble additional components on the roof or the side of a building and enable optimization and monitoring at the solar panel level to ensure maximum energy production by the solar system.

We continue to improve our unique, differentiated solar cell and panel technology. We emphasize improvement of our solar cell efficiency and LCOE and CCOE performance through enhancement of our existing products, development of new products and reduction of manufacturing cost and complexity in conjunction with our overall cost-control strategies. We are now producing our solar cells with over 25% efficiency in the lab and have reached production panel efficiencies over 24%.

We have reduced our overall solar cell manufacturing output in an ongoing effort to match profitable demand levels, with increasing bias toward our highest efficiency X-Series product platform, which utilizes our latest solar cell technology, and our P-Series product, which utilizes conventional cell technology that we purchase from third parties in low-cost supply chain ecosystems such as China. We previously closed our Fab 2 cell manufacturing facility and our panel assembly facility in the Philippines and are focusing on our latest generation, lower cost panel assembly facilities in Mexico. As part of this realignment, we are reducing our back-contact panel assembly capacity while increasing production of our new P-Series technology.

We are focused on reducing the cost of our solar panels and systems and are working with our suppliers and partners along all steps of the value chain to reduce costs by improving manufacturing technologies and expanding economies of scale. We also continually focus on reducing manufacturing cost and complexity in conjunction with our overall cost-control strategies. We believe that the global demand for solar systems is highly elastic and that our aggressive, but achievable, cost reduction roadmap will reduce installed costs for our customers across all business segments and drive increased demand for our solar solutions.

We also work with our suppliers and partners to ensure the reliability of our supply chain. We have contracted with some of our suppliers for multi-year supply agreements, under which we have annual minimum purchase obligations. For more information about our purchase commitments and obligations, see "Liquidity and Capital Resources—Contractual Obligations" and "Item 1. Financial Statements—Note 9. Commitments and Contingencies" in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

We currently believe our supplier relationships and various short- and long-term contracts will afford us the volume of material and services required to meet our planned output; however, we face the risk that the pricing of our long-term contracts may exceed market value. We purchase our polysilicon under fixed-price long-term supply agreements; purchases under these agreements significantly exceed market value, which may result in inventory write-downs based on expected net realizable value. We have also elected to sell polysilicon inventory in excess of short-term needs to third parties at a loss, and may enter into further similar transactions in future periods. For more information about these risks, please see the risk factors set forth under the caption "Part 1. Item 1A. Risk Factors—Risks Related to Our Supply Chain," including "—Our long-term, firm commitment supply agreements could result in excess or insufficient inventory, place us at a competitive disadvantage on pricing, or lead to disputes, each of which could impair our ability to meet our cost reduction roadmap, and in some circumstances may force us to take a significant accounting charge" and "—We will continue to be dependent on a limited number of third-party suppliers for certain raw materials and components for our products, which could prevent us from delivering our products to our customers within required timeframes and could in turn result in sales and installation delays, cancellations, penalty payments and loss of market share" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Property, Plant and Equipment

In the second quarter of fiscal 2018, we announced our proposed plan to transition our corporate structure into upstream and downstream business units, and our long-term strategy to upgrade our interdigitated back contact (“IBC”) technology to our Next Generation Technology ("NGT"). Accordingly, we expect to upgrade the equipment associated with our manufacturing operations for the production of NGT over the next several years. In connection with these planned changes that will impact the utilization of our manufacturing assets, continued pricing challenges in the industry, as well as the ongoing uncertainties associated with the Section 201 trade case, we determined indicators of impairment existed and therefore performed a recoverability test by estimating future undiscounted net cash flows expected to be generated from the use of these asset groups. Based on the test performed, we determined that our estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the upstream business unit’s assets and consequently performed an impairment analysis by comparing the carrying value of the asset group to its estimated fair value.

In estimating the fair value of the long-lived assets, we made estimates and judgments that we believe reasonable market participants would make, using Level 3 inputs under ASC 820. The impairment evaluation utilized a discounted cash flow analysis inclusive of assumptions for forecasted profit, operating expenses, capital expenditures, remaining useful life of our manufacturing assets, a discount rate, as well as market and cost approach valuations performed by a third-party valuation specialist, all of which require significant judgment by management.

In accordance with such evaluation, we recognized a non-cash impairment charge of $369.2 million for the three and six months ended July 1, 2018. The total impairment loss was allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts of those asses, except that the loss allocated to an individual long-lived asset of the group did not reduce the carrying amount of that asset below its determined fair value. As a result, non-cash impairment charges of $355.1 million, $12.8 million and $1.2 million were allocated to "Cost of revenue", "Research and development" and "Sales, general and administrative", respectively, on the consolidated statement of operations for the three and six months ended July 1, 2018. Further, the $355.1 million non-cash impairment charge in "Cost of revenue" was allocated among our three end-customer segments based on megawatts deployed in the second quarter of fiscal 2018. As a result, non-cash impairment charges of $92.5 million, $103.8 million and $158.8 million were allocated to the Residential Segment, Commercial Segment and Power Plant Segment, respectively, for the three and six months ended July 1, 2018.

Residential Lease Assets

In conjunction with our efforts to generate more available liquid funds and simplify our balance sheets, we made the decision, as previously announced, to sell or refinance our interest in our residential lease asset portfolio, which is comprised of assets under operating leases and financing receivables related to sales-type leases, and engaged an external investment banker to assist with our related marketing efforts in the fourth quarter of fiscal 2017. We continue to negotiate deal terms and structures with a potential purchaser. As a result of these events, in the fourth quarter of fiscal 2017, we determined it was necessary to evaluate the potential for impairment in our ability to recover the carrying amount of our residential lease portfolio. We first performed a recoverability test by estimating future undiscounted net cash flows expected to be generated by the assets based on our own specific alternative courses of action under consideration. The alternative courses were either to sell or refinance our interest in our residential lease portfolio or hold the assets until the end of their previously estimated useful lives. Upon consideration of the alternatives, we considered the probability of selling the portfolio and factored the indicative value obtained from a prospective purchaser together with the probability of retaining the portfolio and the estimated future undiscounted net cash flows expected to be generated by holding the assets until the end of their previously estimated useful lives in the recoverability test.

Based on the test performed, we determined that as of December 31, 2017, the estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the assets and consequently performed an impairment analysis by comparing the carrying value of the assets to their estimated fair value. In estimating the fair value of the residential lease portfolio, we make estimates and judgments we believe reasonable market participants would make in determining the fair value of the residential lease portfolio based on expected future cash flows. The impairment evaluation was based on the income approach and included assumptions for contractual lease rentals, lease expenses, residual value, forecasted default rate over the lease term and discount rates, some of which require significant judgment by management.

During the first half of fiscal 2018, we continued the process of negotiating deal terms and transaction structures with potential financiers of the residential lease portfolio. On this basis, we updated the impairment test discussed above to include new leases that were placed in service since the last test was performed. In accordance with such evaluation, we recognized an additional non-cash impairment charge of $68.3 million and $117.4 million as "Impairment of residential lease assets" on the consolidated statement of operations for the three and six months ended July 1, 2018, respectively. Due to the fact that the residential lease portfolio assets are held in partnership flip structures with noncontrolling interests, we allocated the portion of the impairment charge related to such noncontrolling interests through the hypothetical liquidation at book value ("HLBV")

method. This allocation resulted in an additional net loss attributable to noncontrolling interests and redeemable controlling interests of $13.8 million and $13.9 million for the three and six months ended July 1, 2018, respectively. As a result, the net impairment charges attributable to SunPower stockholders totaled $55.6 million and $103.5 million for the three and six months ended July 1, 2018, respectively, and were recorded within the Residential Segment.

The impairment evaluation includes uncertainty because it requires management to make assumptions and to apply judgment to estimate future cash flows and assumptions. If actual results are not consistent with our estimates and assumptions used in estimating future cash flows and asset fair values, and if and when a divestiture transaction occurs, the details and timing of which are subject to change as the sales and marketing process continue, we may be exposed to additional impairment charges in the future, which could be material to the results of operations.

Divestment of Microinverter Assets

On June 12, 2018, we entered into an Asset Purchase Agreement (the "Purchase Agreement") with Enphase Energy, Inc. ("Enphase"), pursuant to which we will sell and Enphase will purchase certain assets and intellectual property related to the production of microinverters. Subject to the terms and conditions of the Purchase Agreement, Enphase will acquire intellectual property, technology and other related assets, for the following consideration: (i) $15.0 million payable in cash at the closing under the Purchase Agreement (the “Closing”); (ii) 7.5 million shares of Enphase common stock issuable to us at the Closing (the “Closing Shares”); and (iii) an additional cash payment of $10.0 million payable to us on the earlier of the four month anniversary of the Closing and December 28, 2018.

In addition, as conditions to the Closing, we and Enphase will enter into (i) a Master Supply Agreement under which we will exclusively procure module level power electronics and related equipment for use in the U.S. residential market from Enphase for a period of five years and (ii) a Stockholders Agreement to establish certain of our rights and obligations related to the Closing Shares, including our right to appoint one person to the Enphase board of directors, a six-month lock up period, certain additional transfer restrictions on the Closing Shares, registration rights, and voting, standstill and other undertakings by us.

Acquisition of SolarWorld Americas

On April 18, 2018, we announced that we had entered into a Sale and Purchase Agreement on April 16, 2018, pursuant to which we agreed to purchase all of the shares of SolarWorld Americas Inc., and SolarWorld Industries Deutschland GmbH’s partnership interest in SolarWorld Industries America LP.

Projects with Executed Power Purchase Agreements - Not Sold / Not Under Contract

The table below presents significant construction and development projects with executed power purchase agreements ("PPAs"), but not sold or under contract as of July 1, 2018:

Project	Location	Size (MW)	Power Purchase Agreement(s)	Expected Substantial Completion of Project[1]
Ticul Solar Projects	Mexico	399	Comision Federal Electricidad	2018

[1]Expected completion of revenue recognition assumes transfer of control or completion of construction and sale of the project in the stated fiscal year.

Our project pipeline extends beyond the projects represented in the tables above. Significant projects with development and milestone activities in progress will be excluded from the table above until an associated PPA has been executed.

Results of Operations

Revenue

(In thousands)	Three Months Ended July 1, 2018	Three Months Ended July 2, 2017	% Change	Six Months Ended July 1, 2018	Six Months Ended July 2, 2017	% Change
Distributed Generation						
Residential	$ 205,181	$ 155,806	32%	$ 374,613	$ 290,500	29%
Commercial	127,872	91,826	39%	251,208	197,272	27%
Power Plant	116,044	80,349	44%	215,164	169,304	27%
Total revenue	$ 449,097	$ 327,981	37%	$ 840,985	$ 657,076	28%

Total Revenue: Our total revenue increased by 37% and 28% during the three and six months ended July 1, 2018 as compared to the three and six months ended July 2, 2017, respectively, primarily due to an increase in the proportion of capital leases placed in service relative to total leases placed in service under our residential leasing program within the United States, as well as stronger sales of solar power systems and components to customers in our Residential Segment in North America; stronger sales of solar power projects in our Commercial Segment in North America, and stronger sales of solar power component and systems in Power Plant Segment in Europe.

Concentrations: The Residential Segment as a percentage of total revenue recognized was approximately 46% and 45% during the three and six months ended July 1, 2018 as compared to 48% and 44% during the three and six months ended July 2, 2017, respectively.

The table below represents our significant customers that accounted for greater than 10% of total revenue in each of the three and six months ended July 1, 2018 and July 2, 2017. No single customer accounted for greater than 10% of total revenue for the three and six months ended July 1, 2018.

Percent of Total Revenue		Three Months Ended July 1, 2018	Three Months Ended July 2, 2017	Six Months Ended July 1, 2018	Six Months Ended July 2, 2017
Significant Customers:	**Business Segment**				
AEP Renewables, LLC	Power Plant	*	*	*	15%

Residential Revenue: Residential revenue increased 32% and 29% during the three and six months ended July 1, 2018 as compared to the three and six months ended July 2, 2017, respectively, primarily due to an increase in the proportion of capital leases placed in service relative to total leases placed in service under our residential leasing program within the United States, as well as an increase in the sales of solar power components and systems to our residential customers in North America.

Commercial Revenue: Commercial revenue increased 39% and 27% during the three and six months ended July 1, 2018 as compared to the three and six months ended July 2, 2017, respectively, primarily because of stronger sales of solar power projects in North America, partially offset by weaker sales of EPC commercial systems in North America.

Power Plant Revenue: Power Plant revenue increased 44% and 27% during the three and six months ended July 1, 2018 as compared to the three and six months ended July 2, 2017, respectively, primarily due to stronger sales of solar power components and systems in Europe, offset by an overall decrease in the number of large-scale solar power projects in our pipeline as we shift away from global power plant development.

Cost of Revenue

(In thousands)	Three Months Ended July 1, 2018	Three Months Ended July 2, 2017	Three Months Ended % Change	Six Months Ended July 1, 2018	Six Months Ended July 2, 2017	Six Months Ended % Change
Distributed Generation						
Residential	$ 254,451	$ 130,143	96%	$ 395,841	$ 250,063	58%
Commercial	229,013	88,616	158%	347,036	194,216	79%
Power Plant	275,848	93,055	196%	398,075	242,214	64%
Total cost of revenue	$ 759,312	$ 311,814	144%	$ 1,140,952	$ 686,493	66%
Total cost of revenue as a percentage of revenue	169 %	95%		136 %	104 %	
Total gross margin percentage	(69)%	5%		(36)%	(4)%	

Total Cost of Revenue: Our total cost of revenue increased 144% and 66% during the three and six months ended July 1, 2018 as compared to the three and six months ended July 2, 2017, respectively, primarily as a result of a non-cash impairment charge of $355.1 million, total tariffs charge of approximately $5.7 million and $6.4 million, respectively, and higher volume in North America residential deals and increased cost in solar power solutions in our commercial segment. The increase was partially offset by lower project cost in our power plant segment. In addition, we incurred charges totaling $4.2 million and $7.3 million recorded in connection with the contracted sale of raw material inventory to third parties during the three and six months ended July 1, 2018, respectively. We also incurred a write-down of $24.7 million on certain solar development projects during the six months ended July 1, 2018.

In the second quarter of fiscal 2018, we announced our proposed plan to transition our corporate structure into upstream and downstream business units, and our long-term strategy to upgrade our IBC technology to NGT, and continued to face challenging macroeconomic environment surrounding the solar industry. Accordingly, we expect to upgrade the equipment associated with our manufacturing operations for the production of NGT over the next several years. In connection with these planned changes that will impact the utilization of our manufacturing assets, continued pricing challenges in the industry, as well as the ongoing uncertainties associated with the Section 201 trade case, we determined indicators of impairment existed and therefore performed a recoverability test by estimating future undiscounted net cash flows expected to be generated from the use of these assets groups. Based on the test performed, we determined that its estimate of future undiscounted net cash flows was insufficient to recover the carrying value of the upstream business unit's assets and consequently performed an impairment analysis by comparing the carrying value of the asset group to its estimated fair value. In accordance with such evaluation, we recognized a non-cash impairment charge of $355.1 million in "Cost of revenue" on the consolidated statements of operations for the three and six months ended July 1, 2018. The non-cash impairment charge in "Cost of revenue" was allocated among the Company's three end-customer segments based on megawatts deployed in the second quarter of fiscal 2018. As a result, non-cash impairment charges of $92.5 million, $103.8 million and $158.8 million were allocated to the Residential Segment, Commercial Segment and Power Plant Segment, respectively, for the three and six months ended July 1, 2018.

Gross Margin

	Three Months Ended July 1, 2018	Three Months Ended July 2, 2017	Three Months Ended % Change	Six Months Ended July 1, 2018	Six Months Ended July 2, 2017	Six Months Ended % Change
Distributed Generation						
Residential	(24)%	16 %	(40)%	(6)%	14 %	(20)%
Commercial	(79)%	3 %	(82)%	(38)%	2 %	(40)%
Power Plant	(138)%	(16)%	(122)%	(85)%	(43)%	(42)%

Residential Gross Margin: Gross margin for our Residential Segment decreased 40% and 20% during the three and six months ended July 1, 2018, as compared to the three and six months ended July 2, 2017, respectively, primarily as a result of the $92.5 million non-cash impairment charge of property, plant and equipment, partially offset by decreased product costs driven by cost savings initiatives we implemented.

Commercial Gross Margin: Gross margin for our Commercial Segment decreased 82% and 40% during the three and six months ended July 1, 2018 as compared to the three and six months ended July 2, 2017, respectively, primarily as a result of the $103.8 million non-cash impairment charge of property, plant and equipment as well as higher cost incurred related to solar power solutions deals in the rest of the world.

Power Plant Gross Margin: Gross margin for our Power Plant Segment decreased 122% and 42% during the three and six months ended July 1, 2018 as compared to the three and six months ended July 2, 2017, respectively, primarily as a result of the $158.8 million non-cash impairment charge of property, plant and equipment, partially offset by decreased product costs driven by cost savings initiatives we implemented, and a reduction in revenue in connection with a legal settlement related to NRG in the first quarter of fiscal 2017; offset by write-downs totaling $22.7 million on certain solar development projects during the first quarter of fiscal 2018.

Research and Development ("R&D")

	Three Months Ended			Six Months Ended		
(In thousands)	**July 1, 2018**	**July 2, 2017**	**% Change**	**July 1, 2018**	**July 2, 2017**	**% Change**
R&D	31,210	19,754	58%	$ 50,101	$ 40,269	24%
As a percentage of revenue	7%	6%		6%	6%	

R&D expense increased $11.5 million and $9.8 million during the three and six months ended July 1, 2018 as compared to the three and six months ended July 2, 2017, respectively, primarily due to the impairment of property, plant and equipment related to R&D facilities of $12.8 million, partially offset by a decrease in labor costs as a result of reductions in headcount and salary expenses driven by our February 2018 restructuring plan.

Sales, General and Administrative ("SG&A")

	Three Months Ended			Six Months Ended		
(In thousands)	**July 1, 2018**	**July 2, 2017**	**% Change**	**July 1, 2018**	**July 2, 2017**	**% Change**
SG&A	64,719	68,703	(6)%	$ 129,849	$ 136,106	(5)%
As a percentage of revenue	14%	21%		15%	21%	

SG&A expense decreased $4.0 million and $6.3 million during the three and six months ended July 1, 2018 as compared to the three and six months ended July 2, 2017, respectively, primarily due to lower bad debt expense in fiscal 2018 compared to prior year, and a decrease in labor costs as a result of reductions in headcount and salary expenses driven by our February 2018 restructuring plan, partially offset by the impairment of property, plant and equipment of $1.2 million.

Restructuring Charges

	Three Months Ended			Six Months Ended		
(In thousands)	**July 1, 2018**	**July 2, 2017**	**% Change**	**July 1, 2018**	**July 2, 2017**	**% Change**
Restructuring charges	3,504	4,969	(29)%	$ 14,681	$ 14,759	(1)%
As a percentage of revenue	1%	2%		2%	2%	

Restructuring charges decreased $1.5 million and $0.1 million during the three and six months ended July 1, 2018 as compared to the three and six months ended July 2, 2017, respectively, primarily because we have incurred higher facilities related expenses in the prior periods in connection with our December 2016 restructuring plan. See "Item 1. Financial Statements—Note 8. Restructuring" in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further information regarding our restructuring plans. As a result of the February 2018 restructuring plans, we expected to generate annual cost savings of approximately $20.5 million in operating expenses, which are expected to be cash savings, primarily from a reduction in global workforce, the effects which began in the first quarter of fiscal 2018. Actual savings realized may, however, differ if our assumptions are incorrect or if other unanticipated events occur.

Impairment of residential lease assets

(In thousands)	Three Months Ended July 1, 2018	Three Months Ended July 2, 2017	Three Months Ended % Change	Six Months Ended July 1, 2018	Six Months Ended July 2, 2017	Six Months Ended % Change
Impairment of residential lease assets	$ 68,269	$ —		$ 117,361	$ —	
As a percentage of revenue	15%	—%		14%	—%	

In the fourth quarter of fiscal 2017, in conjunction with our efforts to generate more available liquid funds in the near-term, we made the decision to sell or refinance our interest in our residential lease portfolio. As a result, we determined it was necessary to evaluate our residential lease portfolio for potential impairment. In connection with our evaluation, we recognized non-cash impairment charges of $68.3 million and $117.4 million as "Impairment of residential lease assets" on the consolidated statements of operations for the three and six months ended July 1, 2018.

Other Expense, Net

(In thousands)	Three Months Ended July 1, 2018	Three Months Ended July 2, 2017	Three Months Ended % Change	Six Months Ended July 1, 2018	Six Months Ended July 2, 2017	Six Months Ended % Change
Interest income	$ 664	$ 387	72 %	$ 1,193	$ 1,325	(10)%
Interest expense	(26,718)	(22,505)	19 %	(51,824)	(43,407)	19 %
Other, net	36,624	(14,684)	(349)%	52,418	(88,772)	(159)%
Other income (expense), net	$ 10,570	$ (36,802)	(129)%	$ 1,787	$ (130,854)	(101)%
As a percentage of revenue	2%	(11)%		—%	(20)%	

Other income (expense), net increased $47.4 million in the three months ended July 1, 2018 as compared to the three months ended July 2, 2017, primarily due to a $34.4 million gain on sale of our 8point3 equity method investment in June 2018, partially offset by increase in interest expense primarily related to our commercial sale-leaseback arrangements.

Other income (expense), net increased $132.6 million, in the six months ended July 1, 2018 as compared to the six months ended July 2, 2017, primarily due to a $50.0 million gain on the sale of our equity method investments in the first half of fiscal 2018, and a $73.0 million impairment charge in the first quarter of fiscal 2017 in our 8point3 Energy Partners LP ("8point3 Energy Partners and, with certain affiliates," collectively, the "8point3 Group") investment balance due to the adoption of ASC 606 which materially increased the investment balance and consequently, led to the recognition of an other-than-temporary impairment in the first quarter of fiscal 2017. The increase was partially offset by an increase in interest expense, primarily related to our commercial sale-leaseback arrangements.

Income Taxes

(In thousands)	Three Months Ended July 1, 2018	Three Months Ended July 2, 2017	Three Months Ended % Change	Six Months Ended July 1, 2018	Six Months Ended July 2, 2017	Six Months Ended % Change
Provision for income taxes	(3,081)	(2,353)	31%	$ (5,709)	$ (4,384)	30%
As a percentage of revenue	(1)%	(1)%		(1)%	(1)%	

In the three months ended July 1, 2018, our income tax provision of $3.1 million on a loss before income taxes and equity in earnings of unconsolidated investees of $467.3 million was primarily due to the related tax expense in foreign jurisdictions that were profitable. The income tax provision of $2.4 million in the three months ended July 2, 2017 on a loss before income taxes and equity in earnings of unconsolidated investees of $114.1 million, was also primarily due to projected tax expense in profitable jurisdictions.

In the six months ended July 1, 2018, our income tax provision of $5.7 million on a loss before income taxes and equity in earnings of unconsolidated investees of $610.2 million was primarily due to the related tax expense in foreign jurisdictions that were profitable. The income tax provision of $4.4 million in the six months ended July 2, 2017 on a loss before income

taxes and equity in earnings of unconsolidated investees of $351.4 million, was also primarily due to projected tax expense in profitable jurisdictions.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act of 2017 (the "Tax Cuts and Jobs Act"), which significantly changed U.S. tax law. The Tax Cuts and Jobs Act lowered our U.S. statutory federal income tax rate from 35% to 21% effective January 1, 2018, while also imposing a deemed repatriation tax on deferred foreign income. The Tax Cuts and Jobs Act also created a new minimum "base erosion and anti-abuse tax" on certain foreign payments made by a U.S. parent company, and the "global intangible low-taxed income" rules tax foreign subsidiary income earned over a 10% rate of routine return on tangible business assets.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act, which allows us to record provisional amounts for the Tax Act during a measurement period not to extend beyond one year of the enactment date. As of July 1, 2018, we did not have any significant adjustments to our provisional amounts. We will continue our analysis of these provisional amounts, which are still subject to change during the measurement period, and we anticipate further guidance on accounting interpretations from the FASB and application of the law from the Department of the Treasury.

A material amount of our total revenue is generated from customers located outside of the United States, and a substantial portion of our assets and employees are located outside of the United States. Because of the one-time transition tax related to the Tax Cuts and Jobs Act, the accumulated foreign earnings are deemed to have been taxed and are no longer subject to the U.S. federal deferred tax liability. Foreign withholding taxes have not been provided on the undistributed earnings of our non-U.S. subsidiaries earnings as these are intended to be indefinitely reinvested in operations outside the United States.

We record a valuation allowance to reduce our deferred tax assets in the U.S., France, South Africa and Spain to the amount that is more likely than not to be realized. In assessing the need for a valuation allowance, we consider historical levels of income, expectations and risks associated with the estimates of future taxable income and ongoing prudent and feasible tax planning strategies. In the event we determine that we would be able to realize additional deferred tax assets in the future in excess of the net recorded amount, or if we subsequently determine that realization of an amount previously recorded is unlikely, we would record an adjustment to the deferred tax asset valuation allowance, which would change income tax in the period of adjustment.

On July 27, 2015, in Altera Corp. v. Commissioner, the U.S. Tax Court issued an opinion related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. On July 24, 2018, the Ninth Circuit Court of Appeal reversed the Tax Court's decision made in year 2015. We have reviewed this case and will continue to monitor ongoing developments and potential impacts to our consolidated financial statements.

Equity in Earnings of Unconsolidated Investees

	Three Months Ended			Six Months Ended		
(In thousands)	**July 1, 2018**	**July 2, 2017**	**% Change**	**July 1, 2018**	**July 2, 2017**	**% Change**
Equity in earnings (loss) of unconsolidated investees	$ (13,415)	$ 6,837	(296)%	$ (15,559)	$ 9,325	(267)%
As a percentage of revenue	(3)%	2%		(2)%	1%	

Our equity in earnings of unconsolidated investees decreased $20.3 million and $24.9 million in the three and six months ended July 1, 2018 as compared to the three and six months ended July 2, 2017, respectively, primarily driven by the activities of 8point3 Group: (i) our share in the impairment charge of the Maryland Solar Project and (ii) a decrease in net loss attributable to noncontrolling interests by third-party tax equity investors.

Net Loss

	Three Months Ended			Six Months Ended		
(In thousands)	**July 1, 2018**	**July 2, 2017**	**% Change**	**July 1, 2018**	**July 2, 2017**	**% Change**
Net loss	(483,843)	(109,577)	342%	$ (631,440)	$ (346,464)	82%

Net loss increased by $374.3 million in the three months ended July 1, 2018 as compared to the three months ended July 2, 2017. The increase in net loss was primarily driven by a decrease in gross margin of $355.1 million, primarily as a result of the impairment of property, plant and equipment, and our above-market cost of polysilicon charges totaling $4.2 million recorded in connection with the contracted sale of raw material inventory to third parties, partially offset by decreased product costs driven by cost savings initiatives. The increase was also driven by: (i) an $47.4 million increase in other income (expense), net, primarily attributable to a $34.4 million gain on sale of equity method investment; (ii) an increase of $74.3 million in operating expense primarily in connection to an impairment charge of $68.3 million related to residential lease assets as a result of our decision to sell or refinance our interest in our residential lease portfolio; (iii) a $20.3 million decrease in our equity in earnings of unconsolidated investees primarily due to higher loss pick-up related to 8point3 Group under the HLBV model; (iv) a $11.5 million increase in R&D expense due to the impairment of property, plant and equipment of $12.8 million partially offset by a decrease in labor costs as a result of reductions in headcount and salary expenses driven by our February 2018 restructuring plan; (v) an increase of $5.7 million tariffs charge in cost of revenue; (vi) an increase of $4.3 million in interest expense, primarily related to our commercial sale-leaseback arrangements; and (vii) a $0.7 million increase in provision for income taxes was primarily due to the related tax expense in foreign jurisdictions that are projected to be profitable. The increase was partially offset by (i) a $4.0 million decrease in selling, general and administrative primarily due to lower bad debt expense in the second quarter of fiscal 2018 compared to prior year, and a decrease in labor costs as a result of reductions in headcount and salary expenses driven by our February 2018 restructuring plan; and (ii) a $1.5 million decrease in restructuring expense primarily because we have incurred higher facilities related expenses in the prior period in connection with our December 2016 restructuring plan.

Net loss increased by $285.0 million in the six months ended July 1, 2018 as compared to the six months ended July 2, 2017. The increase in net loss was primarily driven by a decrease in gross margin of $355.1 million, primarily as a result of the impairment of property, plant and equipment, our above-market cost of polysilicon charges totaling $7.3 million recorded in connection with the contracted sale of raw material inventory to third parties; and write-downs totaling $24.7 million on certain solar power development projects during the first quarter of fiscal 2018, which were the result of lower selling prices of our projects, partially offset by decreased product costs driven by cost savings initiatives we implemented. The increase was also driven by: (i) an increase of $120.9 million in operating expense primarily in connection to an impairment charge of $117.4 million related to residential lease assets as a result of our decision to sell or refinance our interest in our residential lease portfolio; (ii) a $24.9 million decrease in our equity in earnings of unconsolidated investees primarily due to higher loss pick-up related to 8point3 Group under the HLBV model; (iii) a $9.8 million decrease in R&D expense due to the impairment of property, plant and equipment of $12.8 million partially offset by a decrease in labor costs as a result of reductions in headcount and salary expenses driven by our February 2018 restructuring plan; (iv) an increase of $8.4 million in interest expense, primarily related to our commercial sale-leaseback arrangements; (v) an increase of $6.4 million tariffs charge in cost of revenue, and (vi) a $1.3 million increase in provision for income taxes was primarily due to the related tax expense in foreign jurisdictions that are projected to be profitable. The increase was partially offset by (i) an $132.6 million decrease in other expense, primarily attributable to a $50.0 million gain on sale of equity method investment, and a $73.0 million impairment in 8point3 Energy Partners investment due to the adoption of ASC 606 which materially increased the investment balance and consequently, led to the recognition of an other-than-temporary impairment in the first quarter of fiscal 2017; and (ii) a $6.3 million decrease in selling, general and administrative primarily due to lower bad debt expense in fiscal 2018 compared to prior year, and a decrease in labor costs as a result of reductions in headcount and salary expenses driven by our February 2018 restructuring plan.

Information about other significant variances in our results of operations is described above.

Net Loss Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

	Three Months Ended			Six Months Ended		
(In thousands)	**July 1, 2018**	**July 2, 2017**	**% Change**	**July 1, 2018**	**July 2, 2017**	**% Change**
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	36,726	19,062	93%	$ 68,349	$ 36,223	89%

We have entered into facilities with third-party tax equity investors under which the investors invest in a structure known as a partnership flip. We determined that we hold controlling interests in these less-than-wholly-owned entities and therefore we have fully consolidated these entities. We apply the HLBV method in allocating recorded net income (loss) to each investor based on the change in the reporting period, of the amount of net assets of the entity to which each investor would be entitled to under the governing contractual arrangements in a liquidation scenario.

In the three months ended July 1, 2018 and July 2, 2017, we attributed $36.7 million and $19.1 million, respectively, of net losses primarily to the third-party investors as a result of allocating certain assets, including tax credits and accelerated tax depreciation benefits, to the investors. The $17.7 million increase in net loss attributable to noncontrolling interests and redeemable noncontrolling interests is primarily attributable to the allocated portion of the impairment charge related to our residential lease assets of $68.3 million (see "Item 1. Financial Statements—Note 6. Leasing"), and an increase in total number of leases placed in service under new and existing facilities with third-party investors.

In the six months ended July 1, 2018 and July 2, 2017, we attributed $68.3 million and $36.2 million, respectively, of net losses primarily to the third-party investors as a result of allocating certain assets, including tax credits and accelerated tax depreciation benefits, to the investors. The $32.1 million increase in net loss attributable to noncontrolling interests and redeemable noncontrolling interests is primarily attributable to the allocated portion of the impairment charge related to our residential lease assets of $117.4 million (see "Item 1. Financial Statements—Note 6. Leasing"), and an increase in total number of leases placed in service under new and existing facilities with third-party investors.

Liquidity and Capital Resources

Cash Flows

A summary of the sources and uses of cash, cash equivalents, restricted cash and restricted cash equivalents is as follows:

	Six Months Ended	
(In thousands)	**July 1, 2018**	**July 2, 2017**
Net cash used in operating activities	$ (355,342)	$ (288,692)
Net cash provided by (used in) investing activities	$ 349,171	$ (104,345)
Net cash (used in) provided by financing activities	$ (172,442)	$ 278,674

Operating Activities

Net cash used in operating activities in the six months ended July 1, 2018 was $355.3 million and was primarily the result of: (i) a net loss of $631.4 million; (ii) a $79.4 million decrease in accounts payable and other accrued liabilities, primarily attributable to the procurement of polysilicon and vendor payments; (iii) a $109.2 million increase in long-term financing receivables related to our net investment in sales-type leases; (iv) a $75.8 million increase in inventories to support the construction of our solar energy projects; (v) a $50.0 million gain on the sale of equity method investment; (vi) a $35.4 million increase in contract assets driven by construction activities; (vii) a $35.9 million decrease in contract liabilities driven by construction activities; and (viii) a $4.0 million increase in accounts receivable. This was partially offset by: (i) the impairment of property, plant and equipment of $369.2 million; (ii) the impairment of residential lease assets of $117.4 million; (iii) net non-cash charges of $97.9 million related to depreciation, stock-based compensation and other non-cash charges; (iv) a $11.1 million decrease in project assets, primarily related to the write-downs in Power Plant solar energy development projects; (v) a $34.3 million decrease in prepaid expenses and other assets, primarily related to the receipt of prepaid inventory; (vi) a $15.1 million decrease in advance payments made to suppliers; (vii) a $3.9 million dividend from equity method investees; (viii) a $15.6 million decrease in equity in earnings of unconsolidated investees; and (iv) a $1.4 million net change in income taxes.

Net cash used in operating activities in the six months ended July 2, 2017 was $288.7 million and was primarily the result of: (i) a net loss of $346.5 million; (ii) a $193.6 million decrease in accounts payable and other accrued liabilities, primarily attributable to payment of accrued expenses; (iii) a $62.4 million increase in long-term financing receivables related to our net investment in sales-type leases; (iv) a $9.3 million increase in equity in earnings of unconsolidated investees; (v) a $76.4 million increase in inventories to support the construction of our solar energy projects; and (vi) a $73.7 million increase in project assets, primarily related to the construction of our Commercial and Power Plant solar energy projects. This was partially offset by: (i) other net non-cash charges of $113.5 million related to depreciation, stock-based compensation and other non-cash charges; (ii) a $85.4 million decrease in prepaid expenses and other assets, primarily related to the receipt of prepaid inventory; (iii) a $27.5 million decrease in accounts receivable, primarily driven by collections; (iv) a $32.8 million decrease in advance payments made to suppliers; (v) a $10.2 million decrease in contract assets driven by milestone billings; (vi) a $14.6 million dividend from 8point3 Energy Partners; (vii) a $1.3 million net change in income taxes; (viii) a $106.4 million increase in contract liabilities driven by construction activities; and (ix) a $81.6 million impairment of 8point3 Energy Partners investment balance. Upon adoption of ASC 606, we recognized a material amount of deferred profit which required us to evaluate and record an impairment of the 8point3 investment balance in the first quarter of fiscal 2017.

Investing Activities

Net cash used in investing activities in the six months ended July 1, 2018 was $349.2 million, which included (i) $67.5 million in capital expenditures primarily related to the expansion of our solar cell manufacturing capacity and costs associated with solar power systems, leased and to be leased; and (ii) $14.1 million paid for investments in consolidated and unconsolidated investees. This was partially offset by proceeds from the sale of investment in joint ventures and non-public companies of $417.8 million and a $13.0 million dividend from equity method investees.

Net cash used in investing activities in the six months ended July 2, 2017 was $104.3 million, which included (i) $94.2 million in capital expenditures primarily related to the expansion of our solar cell manufacturing capacity and costs associated with solar power systems, leased and to be leased; and (ii) $11.6 million paid for investments in consolidated and unconsolidated investees. This was partially offset by a $1.4 million dividend from equity method investees.

Financing Activities

Net cash provided by financing activities in the six months ended July 1, 2018 was $172.4 million, which included: (i) $17.6 million in net proceeds from the issuance of non-recourse power plant and commercial financing, net of issuance costs; (ii) $60.7 million of net contributions from noncontrolling interests and redeemable noncontrolling interests related to residential lease projects; and (iii) $57.2 million in net proceeds from the issuance of non-recourse residential financing, net of issuance costs. This was partially offset by: (i) $303.1 million in net repayments of 0.75% debentures due 2018, bank loans and other debt; and (ii) $4.9 million in purchases of treasury stock for tax withholding obligations on vested restricted stock.

Net cash provided by financing activities in the six months ended July 2, 2017 was $278.7 million, which included: (i) $194.6 million in net proceeds from the issuance of non-recourse power plant and commercial financing, net of issuance costs; (ii) $88.2 million of net contributions from noncontrolling interests and redeemable noncontrolling interests related to residential lease projects; and (iii) $27.6 million in net proceeds from the issuance of non-recourse residential financing, net of issuance costs. This was partially offset by: (i) $27.5 million in net repayments of bank loans and other debt; and (ii) $4.2 million in purchases of treasury stock for tax withholding obligations on vested restricted stock.

Debt and Credit Sources

Convertible Debentures

As of July 1, 2018, an aggregate principal amount of $425.0 million of the 4.00% senior convertible debentures due 2023 (the "4.00% debentures due 2023") remained issued and outstanding. The 4.00% debentures due 2023 were issued on December 15, 2015. Interest on the 4.00% debentures due 2023 is payable on January 15 and July 15 of each year, beginning on July 15, 2016. Holders are able to exercise their right to convert the debentures at any time into shares of our common stock at an initial conversion price approximately equal to $30.53 per share, subject to adjustment in certain circumstances. If not earlier repurchased or converted, the 4.00% debentures due 2023 mature on January 15, 2023. Holders may require us to repurchase all or a portion of their 4.00% debentures due 2023, upon a fundamental change, as described in the related indenture, at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest. If we undergo a non-stock change of control, as described in the related indenture, the 4.00% debentures due 2023 will be subject to redemption at our option, in whole but not in part, for a period of 30 calendar days following a repurchase date relating to the non-stock change of control, at a cash redemption price equal to 100% of the principal amount plus accrued and unpaid interest. Otherwise, the 4.00% debentures due 2023 are not redeemable at our option prior to the maturity date. In the event of certain events of default, Wells Fargo Bank, National Association ("Wells Fargo"), the trustee, or the holders of a specified amount of then-outstanding 4.00% debentures due 2023 will have the right to declare all amounts then outstanding due and payable.

As of July 1, 2018, an aggregate principal amount of $400.0 million of the 0.875% senior convertible debentures due 2021 (the “0.875% debentures due 2021”) remained issued and outstanding. The 0.875% debentures due 2021 were issued on June 11, 2014. Interest on the 0.875% debentures due 2021 is payable on June 1 and December 1 of each year. Holders are able to exercise their right to convert the debentures at any time into shares of our common stock at an initial conversion price approximately equal to $48.76 per share, subject to adjustment in certain circumstances. If not earlier repurchased or converted, the 0.875% debentures due 2021 mature on June 1, 2021. Holders may require us to repurchase all or a portion of their 0.875% debentures due 2021, upon a fundamental change, as described in the related indenture, at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest. If we undergo a non-stock change of control, as described in the related indenture, the 0.875% debentures due 2021 will be subject to redemption at our option, in whole but not in part, for a period of 30 calendar days following a repurchase date relating to the non-stock change of control, at a cash redemption price equal to 100% of the principal amount plus accrued and unpaid interest. Otherwise, the 0.875% debentures due 2021 are not redeemable at our option prior to the maturity date. In the event of certain events of default, Wells Fargo, the trustee, or the holders of a specified amount of then-outstanding 0.875% debentures due 2021 will have the right to declare all amounts then outstanding due and payable.

On June 1, 2018, the 0.75% senior convertible debentures due 2018 were redeemed at maturity with proceeds from the Term Credit Agreement (the “Term Credit Agreement”) with Credit Agricole Corporate and Investment Bank (“Credit Agricole”) and as of July 1, 2018 were no longer issued or outstanding. On June 19, 2018, we completed the divestiture of our equity interest in the 8point3 Group and received, after the payment of fees, expenses and other amounts, merger proceeds of approximately $359.9 million in cash and no longer directly or indirectly owns any equity interests in the 8point3 Group (see "Note 10. Equity Method Investments"). Immediately following the transaction, we repaid our loan under the Term Credit Agreement in full with the proceeds of the Divestiture Transaction, retaining the excess proceeds.

Loan Agreement with California Enterprise Development Authority ("CEDA")

On December 29, 2010, we borrowed from CEDA the proceeds of the $30.0 million aggregate principal amount of CEDA's tax-exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (the "Bonds") maturing April 1, 2031 under a loan agreement with CEDA. Certain of our obligations under the loan agreement were contained in a promissory note dated December 29, 2010 issued by us to CEDA, which assigned the promissory note, along with all right, title and interest in the loan agreement, to Wells Fargo, as trustee, with respect to the Bonds for the benefit of the holders of the Bonds. The Bonds bear interest at a fixed-rate of 8.50% per annum. As of July 1, 2018, the fair value of the Bonds was $33.0 million, determined by using Level 2 inputs based on quarterly market prices as reported by an independent pricing source.

As of July 1, 2018, the $30.0 million aggregate principal amount of the Bonds was classified as "Long-term debt" in our Consolidated Balance Sheets.

Revolving Credit Facility with Credit Agricole

On June 23, 2017, we entered into an Amended and Restated Revolving Credit Agreement with Credit Agricole, as administrative agent, and the other lenders party thereto (the "Revolver"), which amends and restates the Revolving Credit Agreement dated July 3, 2013, as amended.

The Revolver was entered into in connection with a letter agreement between us and Total S.A. dated May 8, 2017 (the "Letter Agreement"), to facilitate the issuance by Total S.A. ("Total S.A.") of one or more guaranties of our payment obligations of up to $100.0 million under the Revolver. The maturity date of the Letter Agreement and the Revolver is August 26, 2019. In consideration for the commitments of Total S.A. pursuant to the Letter Agreement, we are required to pay a guarantor commitment fee of 0.50% per annum for the unutilized Support Amount and a guaranty fee of 2.35% per annum of the guaranteed amount outstanding.

Available borrowings under the Revolver are $300.0 million; provided that the aggregate principal amount of all amounts borrowed under the facility cannot exceed 95.0% of the amounts guaranteed by Total S.A. under the Letter Agreement. Amounts borrowed under the facility may be repaid and reborrowed until the maturity date.

We are required to pay (a) interest on outstanding borrowings under the facility of (i) with respect to any LIBOR rate loan, an amount equal to 0.6% plus the LIBOR rate divided by a percentage equal to one minus the stated maximum rate of all reserves required to be maintained against “Eurocurrency liabilities” as specified in Regulation D; and (ii) with respect to any alternate base rate loan, an amount equal to 0.25% plus the greater of (1) the prime rate, (2) the Federal Funds rate plus 0.50%, and (3) the one-month LIBOR rate plus 1%; and (b) a commitment fee of 0.06% per annum on funds available for borrowing and not borrowed. The Revolver includes representations, covenants, and events of default customary for financing transactions of this type.

As of July 1, 2018, we had no outstanding borrowings under the revolving credit facility.

2016 Letter of Credit Facility Agreements

In June 2016, we entered into a Continuing Agreement for Standby Letters of Credit and Demand Guarantees with Deutsche Bank AG New York Branch and Deutsche Bank Trust Company Americas (the “2016 Non-Guaranteed LC Facility”) which provides for the issuance, upon request by us, of letters of credit to support our obligations in an aggregate amount not to exceed $50.0 million. The 2016 Non-Guaranteed LC Facility will terminate on June 29, 2018. In March 2018, we entered into a letter agreement in connection with the 2016 Non-Guaranteed LC Facility. Pursuant to the letter agreement, we have advised Deutsche Bank AG New York Branch and Deutsche Bank Trust Company Americas ("Issuer"), and the Issuer has acknowledged, that one or more outstanding letters of credit or demand guarantees issued under the letter agreement may remain outstanding, at our request, after the scheduled termination date set forth in the letter agreement. As of July 1, 2018, letters of credit issued and outstanding under the 2016 Non-Guaranteed LC Facility totaled $28.2 million.

In June 2016, we entered into bilateral letter of credit facility agreements (the “2016 Guaranteed LC Facilities”) with each of The Bank of Tokyo-Mitsubishi UFJ ("BTMU"), Credit Agricole, and HSBC USA Bank, National Association ("HSBC"). Each letter of credit facility agreement provides for the issuance, upon our request, of letters of credit by the issuing bank thereunder in order to support certain of our obligations until December 31, 2018. Payment of obligations under each of the letter of credit facilities are guaranteed by Total S.A. pursuant to the Credit Support Agreement. Aggregate letter of credit amounts may be increased upon the agreement of the respective parties but, otherwise, may not exceed $75.0 million with BTMU, $75.0 million with Credit Agricole and $175.0 million with HSBC, for a total capacity of $325.0 million. Each letter of

credit issued under one of the letter of credit facilities generally must have an expiration date, subject to certain exceptions, no later than the earlier of (a) two years from completion of the applicable project and (b) March 31, 2020.

In June 2016, in connection with the 2016 Guaranteed LC Facilities, we entered into a transfer agreement to transfer to the 2016 Guaranteed LC Facilities all existing outstanding letters of credit issued under our letter of credit facility agreement with Deutsche Bank AG New York Branch and Deutsche Bank Trust Company Americas, as administrative agent, and certain financial institutions, entered into in August 2011 and amended from time to time. In connection with the transfer of the existing outstanding letters of credit, the aggregate commitment amount under the August 2011 letter of credit facility was permanently reduced to zero on June 29, 2016. As of July 1, 2018, letters of credit issued and outstanding under the 2016 Guaranteed LC Facilities totaled $165.6 million.

September 2011 Letter of Credit Facility with Deutsche Bank and Deutsche Bank Trust Company Americas (together, "Deutsche Bank Trust")

On September 27, 2011, we entered into a letter of credit facility with Deutsche Bank Trust which provides for the issuance, upon request by us, of letters of credit to support our obligations in an aggregate amount not to exceed $200.0 million. Each letter of credit issued under the facility is fully cash-collateralized and we have entered into a security agreement with Deutsche Bank Trust, granting them a security interest in a cash collateral account established for this purpose.

As of July 1, 2018, letters of credit issued under the Deutsche Bank Trust facility totaled $1.6 million, which was fully collateralized with restricted cash as classified on the Consolidated Balance Sheets.

Revolving Credit Facility with Mizuho Bank Ltd. (“Mizuho”) and Goldman Sachs Bank USA (“Goldman Sachs”)

On May 4, 2016, we entered into a revolving credit facility (as amended, the "Construction Revolver") with Mizuho, as administrative agent, and Goldman Sachs, under which we could borrow up to $200 million. The Construction Revolver also included a $100 million accordion feature. On October 27, 2017, we and Mizuho entered into an amendment to the Construction Revolver, which reduced the amount that we could borrow to up to $50 million.

On June 28, 2018, all outstanding loans under the Construction Revolver were repaid in full and the facility was terminated, and as of July 1, 2018, outstanding borrowings under the Construction Revolver totaled zero. As of July 1, 2018, we also had $75.0 million in additional borrowing capacity under our other limited recourse construction financing facilities.

Non-recourse Financing and Other Debt

In order to facilitate the construction, sale or ongoing operation of certain solar projects, including our residential leasing program, we regularly obtain project-level financing. These financings are secured either by the assets of the specific project being financed or by our equity in the relevant project entity and the lenders do not have recourse to our general assets for repayment of such debt obligations, and hence the financings are referred to as non-recourse. Non-recourse financing is typically in the form of loans from third-party financial institutions, but also takes other forms, including "flip partnership" structures, sale-leaseback arrangements, or other forms commonly used in the solar or similar industries. We may seek non-recourse financing covering solely the construction period of the solar project or may also seek financing covering part or all of the operating life of the solar project. We classify non-recourse financings in our Consolidated Balance Sheets in accordance with their terms; however, in certain circumstances, we may repay or refinance these financings prior to stated maturity dates in connection with the sale of the related project or similar such circumstances. In addition, in certain instances, the customer may assume the loans at the time that the project entity is sold to the customer. In these instances, subsequent debt assumption is reflected as a financing outflow and operating inflow in the Consolidated Statements of Cash Flows to reflect the substance of the assumption as a facilitation of customer financing from a third party.

For our residential lease program, non-recourse financing is typically accomplished by aggregating an agreed-upon volume of solar power systems and leases with residential customers into a specific project entity. We have entered into the following non-recourse financings with respect to our residential lease program:

In fiscal 2016, we entered into bridge loans to finance solar power systems and leases under our residential lease program. The loans are repaid over terms ranging from two to seven years. Some loans may be prepaid without penalties at our option at any time, while other loans may be prepaid, subject to a prepayment fee, after one year. During the three months ended July 1, 2018 and July 2, 2017, we had net repayments of $0.3 million and net proceeds of $3.5 million, respectively, in connection with these loans. During the six months ended July 1, 2018 and July 2, 2017, we had net repayments of $0.5 million and net proceeds of $5.6 million in connection with these loans. As of July 1, 2018 and December 31, 2017, the aggregate

carrying amount of these loans, presented in "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was $16.6 million and $17.1 million.

We enter into long-term loans to finance solar power systems and leases under our residential lease program. The loans are repaid over their terms of between four and eighteen years, and may be prepaid without significant penalty at our option any time for some loans or beginning four years after the original issuance for others. During the three months ended July 1, 2018 and July 2, 2017, we had net proceeds of $28.6 million and $4.8 million, respectively, in connection with these loans. During the six months ended July 1, 2018 and July 2, 2017, we had net proceeds of $57.7 million and $22.0 million, respectively, in connection with these loans. As of July 1, 2018, and December 31, 2017, the aggregate carrying amount of these loans, presented in "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was $414.8 million and $356.6 million, respectively.

We also enter into facilities with third-party tax equity investors under which the investors invest in a structure known as a partnership flip. We hold controlling interests in these less-than-wholly-owned entities and therefore fully consolidate these entities. We account for the portion of net assets in the consolidated entities attributable to the investors as noncontrolling interests in our consolidated financial statements. Noncontrolling interests in subsidiaries that are redeemable at the option of the noncontrolling interest holder are classified accordingly as redeemable, between liabilities and equity on our Consolidated Balance Sheets. During the three months ended July 1, 2018 and July 2, 2017, we had net contributions of $29.4 million and $42.9 million, respectively, under these facilities and attributed losses of $36.7 million and $19.0 million, respectively, to the non-controlling interests corresponding principally to certain assets, including tax credits, which were allocated to the non-controlling interests during the periods. During the six months ended July 1, 2018 and July 2, 2017, we had net contributions of $60.7 million and $88.2 million, respectively, under these facilities and attributed losses of $68.3 million and $36.3 million, respectively, to the non-controlling interests corresponding principally to certain assets, including tax credits, which were allocated to the non-controlling interests during the periods. As of July 1, 2018 and December 31, 2017, the aggregate carrying amount of these facilities, presented in “Redeemable non-controlling interests in subsidiaries” and “Non-controlling interests in subsidiaries” on our Consolidated Balance Sheets, was $110.1 million and $119.4 million, respectively.

For our power plant and commercial solar projects, non-recourse financing is typically accomplished using an individual solar power system or a series of solar power systems with a common end customer, in each case owned by a specific project entity. We have entered into the following non-recourse financings with respect to our power plant and commercial projects:

In fiscal 2016, we entered into a long-term credit facility to finance the 125 MW utility-scale Boulder power plant project in Nevada. In February 2018, we sold our equity interest in Boulder Solar I where the buyer repaid the remaining principal loan balance of $27.3 million upon the sale of the project. As of July 1, 2018 and December 31, 2017, the aggregate carrying amount of this facility, presented in "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was zero and $28.2 million, respectively.

In fiscal 2013, we entered into a long-term loan agreement to finance a 5.4 MW utility and power plant operating in Arizona. As of July 1, 2018 and December 31, 2017, the aggregate carrying amount under this loan, presented in "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was $7.1 million and $7.2 million, respectively.

Other debt is further composed of non-recourse project loans in Europe, the Middle East and Africa, which are scheduled to mature through 2028, and of limited recourse construction financing loans made in the ordinary course of business to individual projects in the United States, which are scheduled to mature through 2021.

See "Item 1. Financial Statements—Note 6. Leasing" in the Notes to the Consolidated Financial Statements in this Quarter Report on Form 10-Q for a discussion of our sale-leaseback arrangements accounted for under the financing method.

Liquidity

As of July 1, 2018, we had unrestricted cash and cash equivalents of $256.7 million as compared to $435.1 million as of December 31, 2017. Our cash balances are held in numerous locations throughout the world, and as of July 1, 2018, we had approximately $81.4 million held outside of the United States. This offshore cash is used to fund operations of our business in the Europe and Asia Pacific regions as well as non-U.S. manufacturing operations, which require local payment for product materials and other expenses. The amounts held outside of the United States represent the earnings of our foreign subsidiaries which under the enacted Tax Cuts and Jobs Act, would incur a one-time transition tax (such amounts were previously tax deferred), however, would not result in a cash payment due to our cumulative net operating loss position. We expect total capital expenditures related to purchases of property, plant and equipment of approximately $96.0 million in fiscal 2018 in order to increase our manufacturing capacity for our highest efficiency X-Series product platform and our new P-Series

technology, improve our current and next generation solar cell manufacturing technology, and other projects. In addition, while we have begun the transition away from our project development business, we still expect to invest capital to develop solar power systems and plants for sale to customers. The development of solar power plants can require long periods of time and substantial initial investments. Our efforts in this area may consist of all stages of development, including land acquisition, permitting, financing, construction, operation and the eventual sale of the projects. We often choose to bear the costs of such efforts prior to the final sale to a customer, which involves significant upfront investments of resources (including, for example, large transmission deposits or other payments, which may be non-refundable), land acquisition, permitting, legal and other costs, and in some cases the actual costs of constructing a project, in advance of the signing of PPAs and EPC contracts and the receipt of any revenue, much of which is not recognized for several additional months or years following contract signing. Any delays in disposition of one or more projects could have a negative impact on our liquidity.

Certain of our customers also require performance bonds issued by a bonding agency or letters of credit issued by financial institutions, which are returned to us upon satisfaction of contractual requirements. If there is a contractual dispute with the customer, the customer may withhold the security or make a draw under such security, which could have an adverse impact on our liquidity. Obtaining letters of credit may require adequate collateral. All letters of credit issued under our 2016 Guaranteed LC Facilities are guaranteed by Total S.A. pursuant to the Credit Support Agreement. Our September 2011 letter of credit facility with Deutsche Bank Trust is fully collateralized by restricted cash, which reduces the amount of cash available for operations. As of July 1, 2018, letters of credit issued under the Deutsche Bank Trust facility amounted to $1.6 million which were fully collateralized with restricted cash on the Consolidated Balance Sheets.

In fiscal 2011, we launched our residential lease program with dealers in the United States, in partnership with a third-party financial institution, which allows customers to obtain SunPower systems under lease agreements up to 20 years, subject to financing availability. We have entered into facilities with financial institutions that will provide financing to support additional residential solar lease projects. Under the terms of certain programs, we receive upfront payments for periods under which the third-party financial institution has agreed to assume collection risk for certain residential leases. Changes in the amount or timing of upfront payments received from the financial institutions may have an impact on our cash position within the next twelve months. The normal collection of monthly rent payments for leases placed in service is not expected to have a material impact on our cash position within the next twelve months. We have entered into multiple facilities with third-party investors under which both parties will invest in entities that hold SunPower solar power systems and leases with residential customers. We determined that we hold a controlling interest in these less-than-wholly-owned entities and have fully consolidated these entities as a result (see "Item 1. Financial Statements—Note 6. Leasing" in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q). During the six months ended July 1, 2018, we received $73.3 million in contributions from investors under the related facility agreements. Additionally, during fiscal 2015, 2016 and 2017, we entered into several long-term non-recourse loans to finance solar power systems and leases under our residential lease program. In fiscal 2018, we drew down $67.1 million of proceeds, net of issuance costs, under the loan agreements. The loans have 17 and 18-year terms and as of July 1, 2018, the short-term and long-term balances of the loans were $8.7 million and $422.7 million, respectively. We are actively arranging additional third-party financing for our residential lease program; however, the credit markets are unpredictable, and if they become challenging, we may be unable to arrange additional financing partners for our residential lease program in future periods, which could have a negative impact on our sales. In the unlikely event that we enter into a material number of additional leases without promptly obtaining corresponding third-party financing, our cash and working capital could be negatively affected. Additionally, we have approximately $43.3 million of cash and cash equivalents within our consolidated residential leasing subsidiaries that is used by those subsidiaries for their working capital needs. This cash is typically not available to us to use for general corporate purposes unless certain financial obligations are first settled. In the event that we choose to transfer cash out of these subsidiaries for general corporate purposes in the future, we would first be required to distribute a portion of the cash to lender debt reserves and investors who hold noncontrolling interests in the relevant subsidiaries. In the fourth quarter of fiscal 2017, in conjunction with our efforts to generate more available liquid funds in the near-term, we made the decision to sell or refinance our interest in the residential lease portfolio. As a result, we determined it was necessary to evaluate our residential lease portfolio for potential impairment. For further information, see "Item 1. Financial Statements—Note 6. Leasing" in the Notes to the Consolidated Financial Statements" in this Quarterly Report on Form 10-Q.

Solar power plant projects often require significant up-front investments. These include payments for preliminary engineering, permitting, legal, and other expenses before we can determine whether a project is feasible. We often make arrangements with third-party financiers to acquire and build solar power systems or to fund project construction using non-recourse project debt. As of July 1, 2018, outstanding amounts related to our project financing totaled $444.0 million.

We continue to face challenging industry conditions and a competitive environment. While we continue to focus on improving overall operating performance and liquidity, including managing cash flow and working capital, notably with cash savings resulting from restructuring actions and cost reduction initiatives put in place in the third and fourth quarters of fiscal

2016 as well as the first quarter of fiscal 2018, our net losses continued through the second quarter of fiscal 2018 and are expected to continue through the rest of fiscal 2018. We have the ability to enhance our available cash by borrowing up to $95.0 million under our revolving credit facility with Credit Agricole pursuant to the Letter Agreement executed by us and Total S.A. on May 8, 2017 (see "Item I. Financial Statements-Note 2. Transactions with Total and Total S.A."). The Letter Agreement and any guarantees issued under it will expire on August 26, 2019. In consideration for the commitments of Total S.A. pursuant to the Letter Agreement, we are required to pay Total S.A. certain commitment and guarantee fees.

During the quarter ended July 1, 2018, tariffs imposed pursuant to Section 201 of the Trade Act of 1974 and uncertainty surrounding whether specific products may be excluded continue to significantly and adversely affect our business, results of operations and cash flows. These events and conditions indicate that we may not have the liquid funds necessary to satisfy our estimated liquidity needs within the 12 months from the date of issuance of the interim financial statements contained herein. In connection with our short-term liquidity needs, we decided to divest certain assets. On June 12, 2018, we entered into an Asset Purchase Agreement (the "Purchase Agreement") with Enphase Energy, Inc. (“Enphase”) pursuant to which we will sell and Enphase will purchase certain assets and intellectual property related to the production of microinverters for the following consideration: (i) $15.0 million payable in cash at the closing under the Purchase Agreement (the “Closing”); (ii) 7.5 million shares of Enphase common stock issuable to us at the Closing; and (iii) an additional cash payment of $10.0 million payable to us on the earlier of the four month anniversary of the Closing and December 28, 2018. The Closing is subject to the satisfaction of certain customary closing conditions. Additionally, in connection with our previously announced decision to sell or refinance our interest in the residential lease portfolio, which is comprised of assets under operating leases and financing receivables related to sales-type leases, we are in the process of securing a source of financing in the form of a subordinated mezzanine loan of at least $93.0 million. Subject to execution of definitive documentation and closing of the proposed mezzanine loan, we will be required to pay interest quarterly on outstanding borrowings in an amount equal to 12.0% per annum. Our interest in the residential lease portfolio will serve as collateral securing the loan and the loan will be repaid pursuant to an amortization schedule over the term of the loan. The closing of the mezzanine loan is subject to certain closing conditions, including obtaining consent from the lenders and tax equity investors who invested in the residential lease portfolio and finalization of the financial model which determines the loan proceeds. We believe we have sufficiently evaluated the closing conditions in concluding that the Purchase Agreement with Enphase and the mezzanine loan are probable of occurring and will generate sufficient proceeds to satisfy our working capital needs and fund our committed capital expenditures over the next 12 months from the date of the issuance of the interim financial statements. However, we cannot predict, with certainty, the outcome of our actions to generate liquidity as planned.

In addition, we continue to evaluate our available options in connection with any short-term liquidity needs. This includes seeking additional debt financing, divesting assets and liquidating certain investments with the understanding that ultimate transactions could lead to an impairment review and result in a charge if the carrying value of such assets may not be recoverable. Please see also the risk factors set forth under the caption “Part I. Item 1A. Risk Factors,” including, “-Revenues from a limited number of customers and large projects are expected to continue to comprise a significant portion of our total revenues and any decrease in revenues from those customers or projects, payment of liquidated damages, or an increase in related expenses, could have a material adverse effect on our business, results of operations and financial condition" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. See also “Part II. Item 1A. Risk Factors-We may be unable to generate sufficient cash flows or obtain access to external financing necessary to fund our operations and make adequate capital investments as planned due to the general economic environment and the continued market pressure driving down the average selling prices of our solar power products, among other factors" in this Quarterly Report on Form 10-Q.

On June 23, 2017, we entered into an Amended and Restated Revolving Credit Agreement with Credit Agricole, as administrative agent, and the other lenders party thereto, which amends and restates the Revolving Credit Agreement dated July 3, 2013 by and between us, the Administrative Agent and the other parties thereto, as amended to date. The Revolver was entered into in connection with the Letter Agreement between us and Total S.A. dated May 8, 2017, which was entered into to facilitate the issuance by Total S.A of one or more guaranties of our payment obligations of up to $100.0 million under the Revolver. The maturity date of the facility under the Revolver remains August 26, 2019, and amounts borrowed under the facility may be repaid and reborrowed until the Maturity Date. Available borrowings under the Revolver remain $300.0 million; provided that the aggregate principal amount of all amounts borrowed under the facility cannot exceed 95.0% of the amounts guaranteed by Total Solar International SAS ("Total"), formerly Total Energies Nouvelles Activités USA, a subsidiary of Total S.A., under the Letter Agreement, effectively allowing us to borrow up to a maximum of $95 million under the Revolver. As of July 1, 2018, $300.0 million remained undrawn under our revolving credit facility with Credit Agricole.

There are no assurances, however, that we will have sufficient available cash to repay our indebtedness or that we will be able to refinance such indebtedness on similar terms to the expiring indebtedness. If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain other debt financing. The current economic environment, however, could limit our ability to raise capital by issuing new equity or debt

securities on acceptable terms, and lenders may be unwilling to lend funds on acceptable terms in the amounts that would be required to supplement cash flows to support operations. The sale of additional equity securities or convertible debt securities would result in additional dilution to our stockholders (and the potential for further dilution upon the exercise of warrants or the conversion of convertible debt) and may not be available on favorable terms or at all, particularly in light of the current conditions in the financial and credit markets. Additional debt would result in increased expenses and would likely impose new restrictive covenants which may be similar or different than those restrictions contained in the covenants under our current loan agreements and debentures. In addition, financing arrangements, including project financing for our solar power plants and letters of credit facilities, may not be available to us, or may not be available in amounts or on terms acceptable to us.

Contractual Obligations

The following table summarizes our contractual obligations as of July 1, 2018:

		Payments Due by Fiscal Period			
(In thousands)	**Total**	**2018 (remaining six months)**	**2019-2020**	**2021-2022**	**Beyond 2022**
Convertible debt, including interest[1]	$ 912,426	$ 10,250	$ 41,000	$ 435,468	$ 425,708
CEDA loan, including interest[2]	62,513	1,275	5,100	5,100	51,038
Other debt, including interest[3]	710,628	67,953	78,090	142,424	422,161
Future financing commitments[4]	14,597	11,397	3,200	—	—
Operating lease commitments[5]	108,645	8,644	27,462	21,312	51,227
Sale-leaseback financing[6]	425,291	15,827	50,127	50,383	308,954
Capital lease commitments[7]	3,272	450	1,297	1,339	186
Non-cancellable purchase orders[8]	181,195	181,195	—	—	—
Purchase commitments under agreements[9]	710,934	145,078	562,856	2,000	1,000
Deferred purchase consideration in connection with acquisition	61,100	1,100	60,000	—	—
Total	$ 3,190,601	$ 443,169	$ 829,132	$ 658,026	$ 1,260,274

[1]Convertible debt, including interest, relates to the aggregate of $825.0 million in outstanding principal amount of our senior convertible debentures on July 1, 2018. For the purpose of the table above, we assume that all holders of the outstanding debentures will hold the debentures through the date of maturity, and upon conversion, the values of the senior convertible debentures will be equal to the aggregate principal amount with no premiums.

[2]CEDA loan, including interest, relates to the proceeds of the $30.0 million aggregate principal amount of the Bonds. The Bonds mature on April 1, 2031 and bear interest at a fixed rate of 8.50% through maturity.

[3]Other debt, including interest, primarily relates to non-recourse finance projects and solar power systems and leases under our residential lease program as described in "Item 1. Financial Statements—Note 9. Commitments and Contingencies" in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

[4]In connection with purchase and joint venture agreements with non-public companies, we will be required to provide additional financing to such parties of up to $14.6 million, subject to certain conditions.

[5]Operating lease commitments primarily relate to certain solar power systems leased from unaffiliated third parties over minimum lease terms of up to 20 years and various facility lease agreements.

[6]Sale-leaseback financing relates to future minimum lease obligations for solar power systems under sale-leaseback arrangements which were determined to include integral equipment and accounted for under the financing method.

[7]Capital lease commitments primarily relate to certain buildings, manufacturing and equipment under capital leases in Europe for terms of up to 6 years.

[8]Non-cancellable purchase orders relate to purchases of raw materials for inventory and manufacturing equipment from a variety of vendors.

[9]Purchase commitments under agreements primarily relate to arrangements entered into with several suppliers, including some of our non-consolidated investees, for polysilicon, ingots, wafers, and Solar Renewable Energy Credits, among others. These agreements specify future

quantities and pricing of products to be supplied by the vendors for periods up to 3 years and there are certain consequences, such as forfeiture of advanced deposits and liquidated damages relating to previous purchases, in the event that we terminate the arrangements.

Liabilities Associated with Uncertain Tax Positions

Due to the complexity and uncertainty associated with our tax positions, we cannot make a reasonably reliable estimate of the period in which cash settlement will be made for our liabilities associated with uncertain tax positions in other long-term liabilities. Therefore, they have been excluded from the table above. As of July 1, 2018 and December 31, 2017, total liabilities associated with uncertain tax positions were $20.0 million and $19.4 million, respectively, and are included in "Other long-term liabilities" in our Consolidated Balance Sheets as they are not expected to be paid within the next twelve months.

Off-Balance Sheet Arrangements

As of July 1, 2018, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

ITEM 3: *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Foreign Currency Exchange Risk

Our exposure to movements in foreign currency exchange rates is primarily related to sales to European customers that are denominated in Euros. Revenue generated from European customers represented 7% of our total revenue in both the three and six months ended July 1, 2018, respectively, and 8% and 6% of our total revenue in the three and six months ended July 2, 2017, respectively. A 10% change in the Euro exchange rate would have impacted our revenue by approximately $3.2 million and $5.7 million in the three and six months ended July 1, 2018, respectively, and $2.5 million and $4.2 million in the three and six months ended July 2, 2017, respectively.

In the past, we have experienced an adverse impact on our revenue, gross margin and profitability as a result of foreign currency fluctuations. When foreign currencies appreciate against the U.S. dollar, inventories and expenses denominated in foreign currencies become more expensive. An increase in the value of the U.S. dollar relative to foreign currencies could make our solar power products more expensive for international customers, thus potentially leading to a reduction in demand, our sales and profitability. Furthermore, many of our competitors are foreign companies that could benefit from such a currency fluctuation, making it more difficult for us to compete with those companies.

We currently conduct hedging activities which involve the use of option and forward currency contracts that are designed to address our exposure to changes in the foreign exchange rate between the U.S. dollar and other currencies. As of July 1, 2018 and December 31, 2017, we had outstanding forward currency contracts with aggregate notional values of $43.9 million and $10.3 million, respectively. Because we hedge some of our expected future foreign exchange exposure, if associated revenues do not materialize we could experience a reclassification of gains or losses into earnings. Such a reclassification could adversely impact our revenue, margins and results of operations. We cannot predict the impact of future exchange rate fluctuations on our business and operating results.

Credit Risk

We have certain financial and derivative instruments that subject us to credit risk. These consist primarily of cash and cash equivalents, restricted cash and cash equivalents, investments, accounts receivable, notes receivable, advances to suppliers, foreign currency option contracts, foreign currency forward contracts, bond hedge and warrant transactions. We are exposed to credit losses in the event of nonperformance by the counterparties to our financial and derivative instruments. Our investment policy requires cash and cash equivalents, restricted cash and cash equivalents, and investments to be placed with high-quality financial institutions and limits the amount of credit risk from any one issuer. We additionally perform ongoing credit evaluations of our customers' financial condition whenever deemed necessary and generally do not require collateral.

We enter into agreements with vendors that specify future quantities and pricing of polysilicon to be supplied for periods up to 10 years. Under certain agreements, we are required to make prepayments to the vendors over the terms of the arrangements. As of July 1, 2018 and December 31, 2017, advances to suppliers totaled $200.9 million and $216.0 million, respectively. One suppliers accounted for 99% of total advances to suppliers as of both July 1, 2018 and December 31, 2017.

We enter into foreign currency derivative contracts and convertible debenture hedge transactions with high-quality financial institutions and limit the amount of credit exposure to any single counterparty. The foreign currency derivative contracts are limited to a time period of a month or less. We regularly evaluate the credit standing of our counterparty financial institutions.

Interest Rate Risk

We are exposed to interest rate risk because many of our customers depend on debt financing to purchase our solar power systems. An increase in interest rates could make it difficult for our customers to obtain the financing necessary to purchase our solar power systems on favorable terms, or at all, and thus lower demand for our solar power products, reduce revenue and adversely impact our operating results. An increase in interest rates could lower a customer's return on investment in a system or make alternative investments more attractive relative to solar power systems, which, in each case, could cause our customers to seek alternative investments that promise higher returns or demand higher returns from our solar power systems, reduce gross margin and adversely impact our operating results. This risk is significant to our business because our sales model is highly sensitive to interest rate fluctuations and the availability of credit, and would be adversely affected by increases in interest rates or liquidity constraints.

Our interest expense would increase to the extent interest rates rise in connection with our variable interest rate borrowings. As of July 1, 2018, the outstanding principal balance of our variable interest borrowings was $56.8 million. We do

not believe that an immediate 10% increase in interest rates would have a material effect on our financial statements. In addition, lower interest rates would have an adverse impact on our interest income. Due to the relatively short-term nature of our investment portfolio, we do not believe that an immediate 10% decrease in interest rates would have a material effect on the fair market value of our money market funds. Since we believe we have the ability to liquidate substantially all of this portfolio, we do not expect our operating results or cash flows to be materially affected to any significant degree by a sudden change in market interest rates on our investment portfolio.

Equity Price Risk Involving Minority Investments in Joint Ventures and Other Non-Public Companies

Our investments held in joint ventures and other non-public companies expose us to equity price risk. As of July 1, 2018 and December 31, 2017, investments of $41.9 million and $450.0 million, respectively, are accounted for using the equity method. As of both July 1, 2018 and December 31, 2017, $35.8 million is accounted for using the measurement alternative method and the cost method. On June 19, 2018, the Divestiture Transaction previously announced was successfully closed. The carrying value of our equity method investments as of July 1, 2018 and December 31, 2017 included 0 and $382.7 million, respectively, of our investment in the 8point3 Group (See "Item 1. Financial Statements—Note 10. Equity Method Investments" in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q). These strategic investments in third parties are subject to risk of changes in market value, which if determined to be other-than-temporary, could result in realized impairment losses. We adopted ASC 606 on January 1, 2018, using the full retrospective method, which required us to restate each prior period presented. We recorded a material amount of profit associated with projects sold to 8point3 Energy Partners in 2015, the majority of which had previously been deferred under real estate accounting. Accordingly, our carrying value in the 8point3 Group materially increased upon adoption which required us to evaluate our investment in 8point3 Energy Partners for other-than-temporary impairment. In accordance with such evaluation, we recognized an other-than-temporary charge on the 8point3 investment balance in the first quarter of fiscal 2017. We generally do not attempt to reduce or eliminate our market exposure in equity investments. We monitor these investments for impairment and record reductions in the carrying values when necessary. Circumstances that indicate an other-than-temporary decline include the valuation ascribed to the issuing company in subsequent financing rounds, decreases in quoted market prices and declines in operations of the issuer. There can be no assurance that our equity investments will not face risks of loss in the future.

Interest Rate Risk and Market Price Risk Involving Convertible Debt

The fair market value of our outstanding convertible debentures is subject to interest rate risk, market price risk and other factors due to the convertible feature of the debentures. The fair market value of the debentures will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair market value of the debentures will generally increase as the market price of our common stock increases and decrease as the market price of our common stock falls. The interest and market value changes affect the fair market value of the debentures, but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligations, except to the extent increases in the value of our common stock may provide the holders of our 4.00% debentures due 2023, or 0.875% debentures due 2021 the right to convert such debentures into cash in certain instances. The aggregate estimated fair value of our outstanding convertible debentures was $681.9 million and $982.8 million as of July 1, 2018 and December 31, 2017, respectively. Estimated fair values are based on quoted market prices as reported by an independent pricing source. A 10% increase in quoted market prices would increase the estimated fair value of our then-outstanding debentures to $750.0 million and $1,081.1 million as of July 1, 2018 and December 31, 2017, respectively, and a 10% decrease in the quoted market prices would decrease the estimated fair value of our then-outstanding debentures to $613.7 million and $884.6 million as of July 1, 2018 and December 31, 2017, respectively.

ITEM 4: *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management is required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure control and procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of July 1, 2018 at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS*

The disclosure under "Item 1. Financial Statements—Note 9. Commitments and Contingencies—Legal Matters" in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. *RISK FACTORS*

There have been no material changes to the risk factors we previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, except for the risk factors described and included below.

Tariffs imposed pursuant to Section 201 of the Trade Act of 1974 could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows.

On January 23, 2018, the President of the United States issued Proclamation 9693, which approved recommendations to provide relief to U.S. manufacturers and impose safeguard tariffs on imported solar cells and modules, based on the investigations, findings, and recommendations of the U.S. International Trade Commission (the “International Trade Commission”) pursuant to a Section 201 petition filed by Suniva, Inc., which Solar World Americas Inc. later joined, regarding foreign-manufactured photovoltaic ("PV") cells and modules. Modules will be subject to a four-year tariff at a rate of 30% in the first year, declining 5% in each of the three subsequent years, to a final tariff rate of 15% in 2021. Cells are subject to a tariff-rate quota, under which the first 2.5 GW of cell imports each year will be exempt from tariffs; and cells imported after the 2.5 GW quota has been reached will be subject to the same 30% tariff as modules in the first year, with the same 5% decline in each of the three subsequent years. The tariff-free cell quota applies globally, without any allocation by country or region. The tariffs went into effect on February 7, 2018.

The tariffs could materially and adversely affect our business and results of operations. Although we are actively engaged in efforts to obtain an exemption for our technology from these tariffs, and are pursuing other mitigating actions, there is no guarantee that these efforts will be successful or that we will be able to recoup any tariffs paid to date.

In the near term, uncertainty surrounding the implications of the tariffs on the U.S. solar market, and whether specific products may be excluded, is likely to cause market volatility, price fluctuations, supply shortages, and project delays, any of which could harm our business, and our pursuit of mitigating actions may divert substantial resources from other projects. In addition, the imposition of tariffs is likely to result in a wide range of impacts to the U.S. solar industry and the global manufacturing market, as well as our business in particular. Such tariffs could materially increase the price of our solar products and result in significant additional costs to us, our resellers, and our resellers’ customers, which could cause a significant reduction in demand for our solar power products and greatly reduce our competitive advantage. If we are unsuccessful in our efforts to obtain full exclusion of our solar power products from the tariffs, these efforts would continue and could have a material adverse impact on our business. With the uncertainties associated with the Section 201 trade case, factors indicated that the carrying values of our long-lived assets associated with our manufacturing operations might not be recoverable. As a result, we performed an impairment evaluation utilizing the information available to us as of the filing date of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and our estimate of undiscounted cash flows indicated that such carrying amounts were expected to be recovered.

In the second quarter of fiscal 2018, we announced our proposed plan to transition our corporate structure into upstream and downstream business units, and our long-term strategy to upgrade our IBC technology to NGT. Accordingly, we expect to upgrade the equipment associated with our manufacturing operations for the production of NGT over the next several years. In connection with these planned changes that will impact the utilization of our manufacturing assets, continued pricing challenges in the industry, as well as the ongoing uncertainties associated with the Section 201 trade case, we determined indicators of impairment existed and therefore performed a recoverability test by estimating future undiscounted net cash flows expected to be generated from the use of these asset groups. Based on the test performed, we determined that its estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the upstream business unit’s assets and consequently performed an impairment analysis by comparing the carrying value of the asset group to its estimated fair value. In connection with our evaluation, we recognized a non-cash impairment charge of $369.2 million for the three and six months ended July 1, 2018. The total impairment loss was allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts of those asses, except that the loss allocated to an individual long-lived asset of the group did not

reduce the carrying amount of that asset below its determined fair value. As a result, non-cash impairment charges of $355.1 million, $12.8 million and $1.2 million were allocated to "Cost of revenue", "Research and development" and "Sales, general and administrative", respectively, on the consolidated statement of operations for the three and six months ended July 1, 2018. Further, the $355.1 million non-cash impairment charge in "Cost of revenue" was allocated among our three end-customer segments based on megawatts deployed in the second quarter of fiscal 2018. As a result, non-cash impairment charges of $92.5 million, $103.8 million and $158.8 million were allocated to the Residential Segment, Commercial Segment and Power Plant Segment, respectively, for the three and six months ended July 1, 2018. The impairment evaluation was using the highest and best use of the income approach, specifically a discounted cash flow analysis inclusive of assumptions for forecasted profit, operating expenses, capital additions, remaining useful life, salvage value and discount rate, as well market and cost approach performed by a third-party valuation specialist, all of which require significant judgment by management. Our estimate of cash flows with respect to the implications of the tariff might change as a result, the results of which could materially and adversely impact our business, revenues, margins, results of operations and estimated future cash flows. We are performing a comprehensive review of our long-term strategy as a result of these tariffs and as a result, we may be exposed to impairment in the future, which could be material to our results of operations. Any of the above factors would materially and adversely affect our business, revenues, margins, assets recoverability, results of operations, and cash flows. For more information, please see the risk factors set forth under the caption "Part I. Item 1A. Risk Factors-Risks Related to Our Sales Channels," including, "-If we fail to successfully execute our cost reduction roadmap, or fail to develop and introduce new and enhanced products and services, we may be unable to compete effectively, and our ability to generate revenues and profits would suffer," and "-The increase in the global supply of solar cells and panels, and increasing competition, may cause substantial downward pressure on the prices of such products and cause us to lose sales or market share, resulting in lower revenues, earnings, and cash flows" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

We may be unable to generate sufficient cash flows or obtain access to external financing necessary to fund our operations and make adequate capital investments as planned due to the general economic environment and the continued market pressure driving down the average selling prices of our solar power products, among other factors.

To develop new products, support future growth, achieve operating efficiencies, and maintain product quality, we must make significant capital investments in manufacturing technology, facilities and capital equipment, research and development, and product and process technology. Our manufacturing and assembly activities have required and will continue to require significant investment of capital and substantial engineering expenditures. In addition, we expect to invest a significant amount of capital to develop solar power systems for sale to customers. Developing and constructing solar power projects requires significant time and substantial initial investment. The delayed disposition of such projects, or the inability to realize the full anticipated value of such projects on disposition, could have a negative impact on our liquidity. Please see the risk factors set forth under the caption "Part I. Item 1A. Risk Factors," including, "-Risks Related to Our Operations-Project development or construction activities may not be successful and we may make significant investments without first obtaining project financing, which could increase our costs and impair our ability to recover our investments" and "-Risks Related to Our Sales Channels-Revenues from a limited number of customers and large projects are expected to continue to comprise a significant portion of our total revenues and any decrease in revenues from those customers or projects, payment of liquidated damages, or an increase in related expenses, could have a material adverse effect on our business, results of operations and financial condition," of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. See also "-Tariffs imposed pursuant to Section 201 of the Trade Act of 1974 could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows" in in this Quarterly Report on Form 10-Q.

Our capital expenditures and use of working capital may be greater than we anticipate if sales and associated receipt of cash proceeds are delayed, or if we decide to accelerate increases in our manufacturing capacity internally or through capital contributions to joint ventures. In addition, we could in the future make additional investments in certain of our joint ventures or could guarantee certain financial obligations of our joint ventures, which could reduce our cash flows, increase our indebtedness and expose us to the credit risk of our joint venture partners. In addition, if our financial results or operating plans deviate from our current assumptions, we may not have sufficient resources to support our business plan. Please see the risk factor set forth under the caption "Part I. Item 1A. Risk Factors-Risks Related to Our Liquidity-We have a significant amount of debt outstanding. Our substantial indebtedness and other contractual commitments could adversely affect our business, financial condition and results of operations, as well as our ability to meet our payment obligations under our debentures and our other debt" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Certain of our customers also require performance bonds issued by a bonding agency, or bank guarantees or letters of credit issued by financial institutions, which are returned to us upon satisfaction of contractual requirements. If there is a contractual dispute with the customer, the customer may withhold the security or make a draw under the security, which could have an adverse impact on our liquidity. Our uncollateralized letter of credit facility with Deutsche Bank, as of April 1, 2018, had an outstanding amount of $28.2 million. Our bilateral letter of credit agreements with The Bank of Tokyo-Mitsubishi UFJ,

Ltd. (“BTMU”), Credit Agricole Corporate and Investment Bank (“Credit Agricole”), and HSBC Bank USA, National Association, which as of April 1, 2018 had an outstanding amount of $164.4 million, are guaranteed by Total S.A. pursuant to the Amended and Restated Revolving Credit Agreement between us and Total S.A. dated June 23, 2017 (the “Revolver”). Any draws under these uncollateralized facilities would require us to immediately reimburse the bank for the drawn amount. A default under the Credit Support Agreement or the guaranteed letter of credit facility, or the acceleration of our other indebtedness greater than $25.0 million, could cause Total S.A. to declare all amounts due and payable to Total S.A. and direct the bank to cease issuing additional letters of credit on our behalf, which could have a material adverse effect on our operations.

In addition, the Revolver will mature on August 26, 2019 by its terms, and we may be unable to find adequate credit support in replacement, on acceptable terms or at all. In such case, our ability to obtain adequate amounts of debt financing, through our letter of credit facility or otherwise, may be harmed.

We manage our working capital requirements and fund our committed capital expenditures, including the development and construction of our planned solar power projects, through our current cash and cash equivalents, cash generated from operations, and funds available under our revolving credit facilities with Credit Agricole and other construction financing providers. As of July 1, 2018, $300.0 million remained undrawn under our revolving credit facility with Credit Agricole. We have the ability to borrow up to $95.0 million under this revolving credit facility pursuant to the Letter Agreement executed by us and Total S.A. on May 8, 2017 (see "Item 1. Financial Statements-Note 2. Transactions with Total and Total S.A." in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q). As of July 1, 2018, we had $75.0 million in additional borrowing capacity under our other limited recourse construction financing facilities.

We have decided to divest certain non-core assets in order to generate liquidity, including assets and intellectual property related to the production of microinverters pursuant to an Asset Purchase Agreement entered into with Enphase Energy, Inc. (“Enphase”) on June 12, 2018 (the “Microinverter Transaction”). We expect to close the Microinverter Transaction and receive proceeds of $25.0 million in cash and 7.5 million shares of Enphase common stock in fiscal 2018. Additionally, in connection with our decision to sell or refinance our interest in our residential lease portfolio, which is comprised of assets under operating leases and financing receivables related to sales-type leases, we are in the process of securing a source of financing in the form of a subordinated mezzanine loan of at least $93.0 million. Subject to execution of definitive documentation and closing of the proposed mezzanine loan, we will be required to pay interest quarterly on outstanding borrowings in an amount equal to 12.0% per annum. The Company's interest in the residential lease portfolio will serve as collateral securing the loan and the loan will be repaid pursuant to an amortization schedule over the term of the loan. The closing of the mezzanine loan is subject to certain closing conditions, including obtaining consent from the lenders and tax equity investors who invested in the residential lease portfolio and finalization of the financial model which determines the loan proceeds. We believe we have sufficiently evaluated the closing conditions in concluding that the Purchase Agreement with Enphase and the mezzanine loan are probable of occurring and will generate sufficient proceeds to satisfy our working capital needs and fund our committed capital expenditures over the next 12 months from the date of the issuance of the interim financial statements. However, we cannot predict, with certainty, the outcome of our actions to generate liquidity as planned.

The lenders under our credit facilities and holders of our debentures may also require us to repay our indebtedness to them in the event that our obligations under other indebtedness or contracts in excess of the applicable threshold amount, are accelerated and we fail to discharge such obligations. If our capital resources are insufficient to satisfy our liquidity requirements, for example, due to cross acceleration of indebtedness, we may seek to sell additional equity securities or debt securities or obtain other debt financings. Market conditions, however, could limit our ability to raise capital by issuing new equity or debt securities on acceptable terms, and lenders may be unwilling to lend funds on acceptable terms. The sale of additional equity securities or convertible debt securities may result in additional dilution to our stockholders. Additional debt would result in increased expenses and could impose new restrictive covenants that may be different from those restrictions contained in the covenants under certain of our current debt agreements and debentures. Financing arrangements, including project financing for our solar power projects and letters of credit facilities, may not be available to us, or may not be available in amounts or on terms acceptable to us. If additional financing is not available, we may be forced to seek to sell assets or reduce or delay capital investments, any of which could adversely affect our business, results of operations and financial condition.

If we cannot generate sufficient cash flows, find other sources of capital to fund our operations and projects, make adequate capital investments to remain technologically and price competitive, or provide bonding or letters of credit required by our projects, we may need to sell additional equity securities or debt securities, or obtain other debt financings. If adequate funds from these or and other sources are not available on acceptable terms, our ability to fund our operations, develop and construct solar power projects, develop and expand our manufacturing operations and distribution network, maintain our research and development efforts, provide collateral for our projects, meet our debt service obligations, or otherwise respond to

competitive pressures would be significantly impaired. Our inability to do any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to breaches of our information technology systems, which could lead to disclosure of our internal information, damage our reputation or relationships with dealers and customers, and disrupt access to our online services. Such breaches could subject us to significant reputational, financial, legal, and operational consequences.

Our business requires us to use and store confidential and proprietary information, intellectual property, commercial banking information, personal information concerning customers, employees, and business partners, and corporate information concerning internal processes and business functions. Malicious attacks to gain access to such information affects many companies across various industries, including ours.

We use encryption and authentication technologies to secure the transmission and storage of data. These security measures may be compromised as a result of third-party security breaches, employee error, malfeasance, faulty password management, or other irregularity or malicious effort, and result in persons obtaining unauthorized access to our data.

We devote resources to network security, data encryption, and other security measures to protect our systems and data, but these security measures cannot provide absolute security. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, target end users through phishing and other malicious techniques, and/or may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventative measures. As a result, we have experienced such breaches of our systems in the past, and may experience a breach of our systems in the future that reduces our ability to protect sensitive data. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud, trickery or other forms of deceiving our team members, contractors and temporary staff. If we experience, or are perceived to have experienced, a significant data security breach, fail to detect and appropriately respond to a significant data security breach, or fail to implement disclosure controls and procedures that provide for timely disclosure of data security breaches deemed material to our business, including corrections or updates to previous disclosures, we could be exposed to a risk of loss, increased insurance costs, remediation and prospective prevention costs, damage to our reputation and brand, litigation and possible liability, or government enforcement actions, any of which could detrimentally affect our business, results of operations, and financial condition.

We may also share information with contractors and third-party providers to conduct our business. Although such contractors and third-party providers typically implement encryption and authentication technologies to secure the transmission and storage of data, those third-party providers may experience a significant data security, which may also detrimentally affect our business, results of operations, and financial condition as discussed above. See also “Risks Related to Our Intellectual Property-We rely substantially upon trade secret laws and contractual restrictions to protect our proprietary rights, and, if these rights are not sufficiently protected, our ability to compete and generate revenue could suffer.” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

ITEM 2: ***UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***

Issuer Purchases of Equity Securities

The following table sets forth all purchases made by or on behalf of us or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Securities and Exchange Act of 1934, as amended, of shares of our common stock during each of the indicated periods.

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plans or Programs
April 2, 2018 through April 29, 2018	7,973	$ 8.11	—	—
April 30, 2018 through May 27, 2018	30,011	$ 8.11	—	—
May 28, 2018 through July 1, 2018	36,414	$ 7.73	—	—
	74,398	$ 7.92	—	—

[1]The shares purchased represent shares surrendered to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees.

ITEM 6: *EXHIBITS*

Index to Exhibits

Exhibit Number	Description
10.1*	Term Credit Agreement, dated as of May 22, 2018, by and among SunPower HoldCo, LLC (as borrower), SunPower Corporation (as guarantor), and Credit Agricole Corporate and Investment Bank (as Lender).
10.2*^	Equity Agreement and Release, dated as of June 25, 2018, by and between SunPower Corporation and Charles D. Boynton.
31.1*	Certification by Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a).
31.2*	Certification by Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a).
32.1**	Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*+	XBRL Instance Document.
101.SCH*+	XBRL Taxonomy Schema Document.
101.CAL*+	XBRL Taxonomy Calculation Linkbase Document.
101.LAB*+	XBRL Taxonomy Label Linkbase Document.
101.PRE*+	XBRL Taxonomy Presentation Linkbase Document.
101.DEF*+	XBRL Taxonomy Definition Linkbase Document.

Exhibits marked with an asterisk (*) are filed herewith.

Exhibits marked with two asterisks (**) are furnished and not filed herewith.

Exhibits marked with a cross (+) are XBRL (Extensible Business Reporting Language) information furnished and not filed herewith, are not a part of a registration statement or Prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise are not subject to liability under these sections.

Exhibits marked with a carrot (^) are director and officer compensatory arrangements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUNPOWER CORPORATION

August 1, 2018

By: /s/ MANAVENDRA S. SIAL

Manavendra S. Sial
Executive Vice President and
Chief Financial Officer

TERM CREDIT AGREEMENT

Dated as of May 22, 2018
among

SUNPOWER HOLDCO, LLC,
as Borrower

SUNPOWER CORPORATION,
as Guarantor

and

CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK,
as Lender

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EXHIBITS:

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Exhibit F Form of Solvency Certificate
Exhibit G Form of Pledge Agreement (SunPower YC Holdings)
Exhibit H Form of Pledge Agreement (Borrower)
Exhibit I Form of Assignment and Assumption

CREDIT AGREEMENT

This TERM CREDIT AGREEMENT, dated as of May 22, 2018 (this "Agreement"), is made by and among SunPower HoldCo, LLC, a Delaware limited liability company (the "Borrower"), SunPower Corporation, a Delaware corporation (the "Guarantor"), and Crédit Agricole Corporate and Investment Bank ("Crédit Agricole CIB"), as Lender.

RECITALS

The Borrower has requested the Lender to extend credit in the form of a Term Loan during the Availability Period, the proceeds of which will be used in accordance with Section 5.05. The Lender is willing to extend such credit to the Borrower on the terms and subject to the conditions set forth herein and in the other Loan Documents.

The Guarantor has agreed to guarantee the obligations of the Borrower under this Agreement on the terms set forth herein.

All of the Obligations hereunder and under the other Loan Documents will be secured by a First Priority Lien on the Collateral.

Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"2018 Debentures" means the $300 million 0.75% senior convertible debentures issued by the Guarantor and due June 1, 2018.

"8point3 General Partner" means 8point3 General Partner, LLC, a Delaware limited liability company.

"8point3 Group" means 8point3 Holdings, 8point3 General Partner, the Partnership, OpCo, and each of the direct and indirect subsidiaries of OpCo.

"8point3 Holdings" means 8point3 Holding Company, LLC, a Delaware limited liability company.

"ABR", when used in reference to the Term Loan or the Borrowing, refers to whether the Term Loan or the Borrowing is bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, for any Interest Period, the rate per annum equal to the rate obtained by dividing (i) the LIBO Rate for such Interest Period by (ii) a percentage equal to 1 minus the stated maximum rate (stated as a decimal) of all reserves, if any, required to be maintained against "Eurocurrency liabilities" as specified in Regulation D (including any marginal, emergency, special or supplemental reserves).

"Affiliate" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1%, and (c) the LIBO Rate for a period of one month commencing on such day (which rate shall in no event be less than zero) plus 1%. If the Lender shall have reasonably determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability or failure of the Lender to obtain sufficient quotations in accordance with the terms of the definition of Federal Funds Effective Rate, the Alternate Base Rate shall be determined without regard to clause (b) of the preceding sentence until the circumstances giving rise to

such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Alternate Disposal" has the meaning assigned to such term in Section 5.11(a).

"Anti-Corruption Laws" means all laws, rules and regulations of any jurisdiction applicable to the Borrower or its Affiliates from time to time concerning or relating to bribery or corruption, including, but not limited to, the Foreign Corrupt Practices Act of 1977, the United Kingdom Bribery Act 2010, and laws of the European Union, each as amended, and the rules and regulations thereunder.

"Applicable Rate" means (a) from the Closing Date to the Step-Up Date, with respect to a LIBO Rate Borrowing or an ABR Borrowing, 2.00% per annum, and (b) from and after the Step-Up Date, with respect to a LIBO Rate Borrowing or an ABR Borrowing, 5.00% per annum.

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course and that is administered or managed by (a) the Lender, (b) an Affiliate of the Lender or (c) an entity or an Affiliate of an entity that administers, advises or manages the Lender.

"Assignment and Assumption" means an assignment and assumption entered into by the Lender and an assignee (with the consent of any party whose consent is required by Section 8.04) in the form of Exhibit I.

"Availability Period" means the period from the Effective Date to the earlier of (i) June 1, 2018 and (ii) the date of the Borrowing.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Board of Directors" means (a) with respect to a corporation, the board of directors of the corporation, (b) with respect to a partnership, the board of directors of the

general partner of the partnership and (c) with respect to any other Person, the board, managers or committee of such Person serving a similar function.

"Borrower" has the meaning assigned to such term in the preamble to this Agreement.

"Borrowing" means the borrowing of the Term Loan hereunder.

"Borrowing Request" means a request by the Borrower for the Borrowing in accordance with Section 2.03 and substantially in the form attached hereto as Exhibit C, or such other form as shall be approved by the Lender.

"Business Day" means a day of the year other than (a) Saturdays, (b) Sundays or (c) any day on which banks are required or authorized by law to close in either or both of New York or Paris, France; provided that, when used in connection with a LIBO Rate Borrowing, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash Proceeds Account" means the account, maintained in the name of SunPower YC Holdings with the Lender, established in accordance with the Pledge Agreement (SunPower YC Holdings) and numbered 001-110186-0060-00.

"Change in Control" means (a) Total S.A. shall fail to directly or indirectly beneficially own or control at least 50.1% of the voting power represented by the issued and outstanding Equity Interests of each of the Loan Parties, (b) the Guarantor shall fail to directly own 100% of the Equity Interests of the Borrower or (c) the Borrower shall fail to directly own 100% of the Equity Interests of SunPower YC Holdings.

"Change in Law" means (a) the adoption of any treaty, international agreement, law, rule, or regulation after the date of this Agreement, (b) any change in any treaty, international agreement, law, rule, or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by the Lender (or, for purposes of Section 2.13(b), by any lending office of the Lender or by the corporation controlling the Lender, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority (provided that compliance with such request, guideline or directive is in accord with the general practice of Persons to whom such request, guideline or directive is intended to apply) made or issued after the date of this Agreement; provided, however, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and

all requests, rules, regulations, guidelines or directives thereunder or issued in connection therewith or in implementation thereof and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case referred to in clause (i) or (ii) be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Class A Share" has the meaning assigned to such term in the Merger Agreement.

"Closing Date" means the date on which the conditions specified in Section 4.02 are satisfied (or waived in accordance with Section 8.02) and the Borrowing occurs.

"Closing Date Certificate" means a Closing Date Certificate substantially in the form of Exhibit B.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means, collectively, all of the assets and property in which Liens are granted or purported to be granted pursuant to the Collateral Documents as security for the Obligations.

"Collateral Documents" means the Pledge Agreement (Borrower), the Pledge Agreement (SunPower YC Holdings) and all other instruments or documents delivered by any Loan Party pursuant to this Agreement or any of the other Loan Documents in order to grant to the Lender a Lien on the Collateral.

"Commitment" has the meaning assigned to such term in Section 2.01.

"Commitment Fee" has the meaning assigned to such term in Section 2.10(a).

"Compliance Certificate" means a certificate of a Financial Officer of the Guarantor substantially in the form of Exhibit A.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Contractual Obligation" means, as applied to any Person, any provision of any security issued by that Person or of any indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

"Currency Agreement" means any foreign exchange contract, currency swap agreement, futures contract, option contract, synthetic cap or other similar agreement or arrangement.

"Default" means a condition or event that, after notice or lapse of time or both, would constitute an Event of Default.

"Disqualified Equity Interests" means any Equity Interest which, by its terms (or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for Equity Interests which are not otherwise Disqualified Equity Interests), pursuant to a sinking fund obligation or otherwise, (b) is redeemable at the option of the holder thereof (other than solely for Equity Interests which are not otherwise Disqualified Equity Interests), in whole or in part, (c) contractually provides for the scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests that would constitute Disqualified Equity Interests, in each case, prior to the date that is 91 days after the "Latest Maturity Date" under and as defined in the Opco Credit Agreement, except, in the case of clauses (a) and (b), if as a result of a change of control or asset sale, so long as any rights of the holders thereof upon the occurrence of such a change of control or asset sale event are subject to the prior payment in full of all "Obligations" under and as defined in the OpCo Credit Agreement, the cancellation or expiration of all "Letters of Credit" under and as defined in the OpCo Credit Agreement and the termination of the "Commitments" under and as defined in the OpCo Credit Agreement.

"Dollars" or "$" refers to lawful money of the United States of America.

"Domestic Subsidiary" means any Subsidiary of the Borrower that is incorporated or organized under the laws of the United States of America, any state thereof or in the District of Columbia, including any person acquired directly or indirectly by the Borrower which becomes a Domestic Subsidiary.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a Subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country

(including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Effective Date" the date on which the conditions specified in Section 4.01 are satisfied.

"Eligible Assignee" means (a) an Affiliate of the Lender, or (b) an Approved Fund; provided that neither the Borrower nor any Affiliate thereof shall qualify as an Eligible Assignee.

"Equity Interests" means shares of capital stock, general or limited partnership interests, membership interests in a limited liability company, beneficial interests in a trust, or other equity ownership interests in a Person, and any warrants, options, or other rights entitling the holder thereof to purchase or acquire any such equity interest.

"ERISA" means the Employee Retirement Income Security Act of 1974 and the regulations promulgated thereunder, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is under common control with the Guarantor within the meaning of Section 4001 of ERISA, or that, together with the Guarantor, is treated as a single employer under Section 414(b), or (c), (m) or (o) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30 day notice period is waived); (b) a failure by any Plan to meet the minimum funding standards within the meaning of Section 412 of the Code or Section 302 of ERISA, in each case, whether or not waived; (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Guarantor or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Guarantor or any ERISA Affiliate from the PBGC or a plan administrator of any notice of an intent to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Guarantor or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Guarantor or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Guarantor or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is insolvent or in reorganization, within the meaning of Title IV of ERISA, (h) a determination that any Plan or Multiemployer Plan is, or is expected to be, in at-risk status (within the meaning of Title IV of ERISA), or (i) the filing of a notice of intent to terminate or the termination of any Plan under Section 4041(c) of ERISA.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"Event of Default" has the meaning assigned to such term in Article VII.

"Exchange" has the meaning assigned to such term in Section 6.06.

"Excluded Taxes" means, any of the following Taxes imposed on or with respect to the Lender or required to be withheld or deducted from a payment to the Lender, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of the Lender being organized under the laws of, or having its principal office or its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) any U.S. federal withholding Taxes attributable to the Lender's failure to comply with Section 2.15(e), (c) any U.S. federal withholding Tax that is imposed on amounts payable to the Lender at the time the Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that the Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding Tax pursuant to Section 2.15(a) and (d) any U.S. federal withholding Taxes imposed by FATCA.

"Existing Pledge and Guaranty Agreement" means that certain pledge and guaranty agreement, dated as of June 24, 2015, between SunPower YC Holdings, as pledgor, and Crédit Agricole CIB, as collateral agent, as in effect on the Effective Date.

"fair market value" means, with respect to any asset or property, the price which could be negotiated in an arm's-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair market value shall be determined by the Board of Directors of the Borrower acting reasonably and in good faith.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), and any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty, or convention among Governmental Authorities and implementing such sections of the Code.

"Federal Funds Effective Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published for such day (or, if

such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Lender from three federal funds brokers of recognized standing selected by the Borrower.

"Fees" means the Commitment Fee, the Upfront Fee, the Retainer Fee and all other fees contemplated by Section 2.10.

"Financial Officer" means the chief financial officer, treasurer or controller of the Guarantor.

"First Priority" means, with respect to any Lien purported to be created in any Collateral pursuant to any Collateral Document, that such Lien is perfected and has priority over any other Lien on such Collateral (other than Permitted Collateral Encumbrances, which by operation of law or contract would have priority over the Liens securing the Obligations).

"Foreign Lender" means a Lender that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code.

"Foreign Subsidiary" means any Subsidiary of the Borrower that is not a Domestic Subsidiary.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States of America, (a) except as otherwise expressly provided in this Agreement, as in effect as of the Closing Date, (b) with respect to all financial statements and reports required to be delivered under the Loan Documents, as in effect from time to time, and (c) solely with respect to computations of the Leverage Ratio, subject to the proviso in Section 1.04.

"Governmental Authority" means any supra-national body, the government of the United States of America, any other nation or any political subdivision of any thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantor" has the meaning assigned to such term in the preamble to this Agreement.

"Guarantied Obligations" means any and all Obligations of the Borrower now or hereafter made, incurred or created, whether absolute or contingent, liquidated or

unliquidated, whether due or not due, and however arising under or in connection with this Agreement and the other Loan Documents.

"Guaranty" means the guaranty of the Guarantor set forth in Article IX.

"Hedge Agreement" means an Interest Rate Agreement or a Currency Agreement, in each case entered into by a "Credit Party" under and as defined in the Opco Credit Agreement with a Lender Counterparty.

"Historical Financial Statements" has the meaning assigned to such term in Section 3.04.

"Indebtedness" means, as applied to any Person, without duplication (a) all indebtedness for borrowed money, (b) that portion of obligations with respect to "Capital Leases" under and as defined in the OpCo Credit Agreement that is properly classified as a liability on a balance sheet in conformity with GAAP, (c) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, (d) any obligation owed for all or any part of the deferred purchase price of property or services (excluding (i) any such obligations incurred under ERISA or in connection with any Tax Equity Financing, (ii) any earn-out obligations consisting of the deferred purchase price of property acquired until such obligation becomes a liability on the balance sheet of such person in accordance with GAAP and (iii) accounts payable in the ordinary course of business and not more than 120 days overdue), which purchase price is (A) due more than six months from the date of incurrence of the obligation in respect thereof or (B) evidenced by a note or similar written instrument, (e) all indebtedness secured by any Lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is nonrecourse to the credit of that Person, (f) the face amount of any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings (but only to the extent such letter of credit has not been cash collateralized or with respect to which back-to-back letters of credit have not been issued), (g) Disqualified Equity Interests, (h) (i) the direct or indirect guaranty, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another, (ii) any obligation of such Person the primary purpose or intent of which is to provide assurance to an obligee that the obligation of the obligor thereof will be paid or discharged, or any agreement relating thereto will be complied with, or the holders thereof will be protected (in whole or in part) against loss in respect thereof, and (iii) any liability of such Person for an obligation of another through any agreement (contingent or otherwise) (A) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise) or (B) to maintain the solvency or any balance sheet item, level of income or financial condition of another, in each case with respect to indebtedness set out in clauses (a) through (g) above, (i) any obligations with respect to tax equity or similar financing arrangements, and (j) all obligations of such Person in respect of any exchange traded or over the counter derivative

transaction, including under any Hedge Agreement, whether entered into for hedging or speculative purposes or otherwise; provided, in no event shall obligations under any Hedge Agreement be deemed "Indebtedness" for any purpose unless such obligations relate to a derivative transaction which has been terminated (or to the extent amounts under such Hedge Agreement are otherwise due and owing); provided, further, that Permitted Equity Commitments and Project Obligations shall not constitute Indebtedness.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

"Information" has the meaning set forth in Section 8.11.

"Interest Election Request" means a request by the Borrower to convert or continue the Borrowing in accordance with Section 2.05.

"Interest Payment Date" means (a) with respect to an ABR Borrowing, the last day of each March, June, September and December and the Repayment Date and (b) with respect to a LIBO Rate Borrowing, the last day of each Interest Period applicable to such Borrowing and the Repayment Date.

"Interest Period" means, with respect to a LIBO Rate Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is three months thereafter; provided that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of the Borrowing initially shall be the Closing Date and thereafter shall be the effective date of the most recent conversion or continuation of the Borrowing.

"Interest Rate Agreement" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedging agreement or other similar agreement or arrangement.

"Interpolated Rate" means, with respect to a LIBO Rate Borrowing for any Interest Period, a rate per annum which results from interpolating on a linear basis between (a) the applicable Screen Rate for the longest maturity for which a Screen Rate is available that is shorter than such Interest Period and (b) the applicable Screen Rate for the shortest maturity for which a Screen Rate is available that is longer than such Interest Period, in each case at approximately 11:00 a.m., London time, on the date that is two (2) Business Days prior to the commencement of such Interest Period.

"Investment" means (a) any direct or indirect purchase or other acquisition by the Partnership or any of its Subsidiaries of, or of a beneficial interest in, any of the Securities of any other Person (other than OpCo); (b) any direct or indirect redemption, retirement, purchase or other acquisition for value, by any Subsidiary of the Partnership from any Person (other than OpCo), of any Equity Interests of such Person; (c) any direct or indirect loan, advance (other than advances to employees for moving, entertainment and travel expenses, drawing accounts and similar expenditures in the ordinary course of business) or capital contributions by the Partnership or any of its Subsidiaries to any other Person (other than OpCo), including all indebtedness and accounts receivable from that other Person that are not current assets or did not arise from sales to that other Person in the ordinary course of business and (d) all investments consisting of any exchange traded or over the counter derivative transaction, including any Interest Rate Agreement and Currency Agreement, whether entered into for hedging or speculative purposes or otherwise. The amount of any Investment of the type described in clauses (a), (b) and (c) shall be the original cost of such Investment plus the cost of all additions thereto, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment, but deducting therefrom the amount of any repayments or distributions received on account of such Investment by, or the return on or of capital with respect to, such Investment to, the Person making such Investment. For the avoidance of doubt, neither any Permitted Project Undertakings nor any payment pursuant to and in accordance with the terms of Project Obligations shall be deemed to constitute an Investment.

"IRS" means the United States Internal Revenue Service.

"Joint Venture" means a joint venture, partnership or other similar arrangement, whether in corporate, partnership or other legal form.

"Lender" means Crédit Agricole CIB and any other Person that shall become a party hereto as a Lender pursuant to an Assignment and Assumption.

"Lender Counterparty" means each "Lender" under and as defined in the OpCo Credit Agreement, each "Agent" under and as defined in the OpCo Credit Agreement and each of their respective Affiliates counterparty to a Hedge Agreement (including any Person who was a Lender, Agent or Affiliate thereof at the time such Hedge Agreement was entered into but subsequently ceases to be an Agent or a Lender or Affiliate, as the case may be).

"Leverage Condition" means that, as of any date of determination, the Leverage Ratio as of such date of determination (as determined in accordance with the OpCo Credit Agreement) is less than or equal to 6.0 to 1.0.

"Leverage Ratio" means, as of the last day of any fiscal quarter of OpCo, the Leverage Ratio under, and as defined in, the OpCo Credit Agreement (as in effect on the Closing Date).

"LIBO Rate" means, with respect to any Interest Period, the London interbank offered rate as administered by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars) for a period equal in length to such Interest Period as displayed on the Reuters screen page that displays such rate (currently page LIBOR01) or, in the event such rate does not appear on a page of the Reuters screen, on the appropriate page of such other information service that publishes such rate as shall be selected by the Lender from time to time in its reasonable discretion (in each case, the "Screen Rate"), at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period; provided, that if the Screen Rate shall not be available at such time for such Interest Period with respect to Dollars, then the LIBO Rate shall be the Interpolated Rate. If the LIBO Rate (as determined pursuant to the foregoing provisions of this definition) for any Interest Period is below zero, then the LIBO Rate for such Interest Period shall be deemed to be zero.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien (statutory or other), pledge, hypothecation, collateral assignment, encumbrance, deposit arrangement, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset, and (c) in the case of Securities, any purchase option, call or similar right of a third party with respect to such Securities.

"Loan Documents" means this Agreement, the Collateral Documents, the Work Letter and any promissory note issued pursuant to this Agreement. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto.

"Loan Party" means the Borrower, the Guarantor and SunPower YC Holdings, and "Loan Parties" shall mean all such Persons, collectively.

"Margin Stock" has the meaning assigned to such term in Regulation U.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial condition, operations or properties of the Guarantor and its Subsidiaries, taken as a whole, (b) the validity or enforceability of any of the Loan Documents, or (c) the ability of any Loan Party to perform its obligations under the Loan Documents.

"Merger Agreement" means the Agreement and Plan of Merger and Purchase Agreement, dated as of February 5, 2018, by and among the Partnership, 8point3 General Partner, OpCo, 8point3 Holdings, 8point3 Solar CEI, LLC, a Delaware limited liability company, 8point3 Co-Invest Feeder 1, LLC, a Delaware limited liability company, 8point3 Co-Invest Feeder 2, LLC, a Delaware limited liability company, CD Clean Energy and Infrastructure V JV (Holdco), LLC, a Delaware limited liability company, 8point3 Partnership Merger Sub, LLC, a Delaware limited liability company, 8point3 OpCo Merger

Sub 1, LLC, a Delaware limited liability company, and 8point3 OpCo Merger Sub 2, LLC, which contemplates, among other things, the merger of (a) 8Point3 Partnership Merger Sub, LLC with and into the Partnership, with the Partnership continuing as the surviving entity, (b) 8point3 OpCo Merger Sub 1, LLC with and into OpCo, with OpCo as the surviving entity, and (c) 8point3 OpCo Merger Sub 2, LLC with and into OpCo, with OpCo continuing as the surviving entity.

"Multiemployer Plan" means, at any time, a multiemployer plan as defined in Section 3(37) or 4001(a)(3) of ERISA then, or at any time during the previous five years maintained for, or contributed to (or for which there was an obligation to contribute) on behalf of, employees of the Borrower or any ERISA Affiliate.

"Non-Controlled Subsidiary" means, at any time, any Subsidiary not controlled by the Borrower. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Non-Guarantor Subsidiary" means (a) any Subsidiary of OpCo that (i) is the direct owner and/or lessor of one or more "Solar Energy Projects" under and as defined in the OpCo Credit Agreement, (ii) has no Subsidiaries and owns no material assets other than those assets necessary for the ownership, leasing, development, construction or operation of such Solar Energy Projects and (iii) has no Indebtedness other than (A) intercompany Indebtedness to the extent permitted under the OpCo Credit Agreement, (B) Non-Recourse Project Indebtedness or (C) Tax Equity Financing (any such entity, a "Project Owner"); and (b) any Subsidiary of OpCo that (i) is the direct or indirect owner of all or a portion of the Equity Interests in one or more Project Owners, (ii) has no Subsidiaries other than Subsidiaries each of which meets the qualifications set forth in clause (a) or (b)(i) above, (iii) owns no material assets other than those assets necessary for the ownership, leasing, development, construction or operation of "Solar Energy Projects" under and as defined in the OpCo Credit Agreement, (iv) has no Indebtedness other than (A) intercompany Indebtedness to the extent permitted under the OpCo Credit Agreement, (B) Non-Recourse Project Indebtedness or (C) Tax Equity Financing, (v) is not a direct Subsidiary of OpCo and (vi) is prohibited from providing a guarantee of the "Obligations" under and as defined in the OpCo Credit Agreement pursuant to the terms of any Non-Recourse Project Indebtedness or Tax Equity Financing documentation to which any Subsidiary is, or will become, a party.

"Non-Recourse Project Indebtedness" means Indebtedness of a Non-Guarantor Subsidiary owed to an unrelated Person with respect to which the creditor has no recourse (including by virtue of a Lien, guarantee or otherwise) to OpCo or any other "Credit Party" under and as defined in the OpCo Credit Agreement other than recourse (a) in respect of any acquisition or contribution agreement with respect to any Investment permitted under the OpCo Credit Agreement entered into by OpCo or any other "Credit Party" under and as defined in the OpCo Credit Agreement, (b) by virtue of rights of such

Non-Guarantor Subsidiary under a Project Obligation collaterally assigned to such creditor, which rights may be exercised pursuant to such Project Obligation against the Partnership or any other "Credit Party" under and as defined in the OpCo Credit Agreement that is party to such Project Obligation or (c) pursuant to Permitted Project Undertakings or Permitted Equity Commitments, and only has recourse for the payment of such Indebtedness to the property securing such Indebtedness, which property shall be limited to the property of such Non-Guarantor Subsidiary and the pledge of Equity Interests of such Non-Guarantor Subsidiary.

"obligations" means, for purposes of the definition of the term "Indebtedness", all obligations for principal, premium, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Obligations" means all obligations, liabilities, and Indebtedness of every nature of each Loan Party from time to time owing to the Lender, under or in connection with this Agreement or any other Loan Document, in each case whether primary, secondary, direct, indirect, contingent, fixed or otherwise, including interest accruing at the rate provided in the applicable Loan Document on or after the commencement of any bankruptcy or insolvency proceeding, whether or not allowed or allowable.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer or the Secretary of the Guarantor.

"OpCo" means 8point3 Operating Company, LLC, a Delaware limited liability company.

"OpCo Credit Agreement" means the Credit and Guaranty Agreement, dated as of June 5, 2015, among OpCo, the Partnership, certain Subsidiaries of OpCo, as guarantors, the lenders party thereto and Crédit Agricole CIB, as administrative agent and collateral agent, as in effect on the Effective Date.

"OpCo Merger Consideration" has the meaning assigned to such term in the Merger Agreement.

"OpCo Merger 1 OpCo Distribution" has the meaning assigned to such term in the Merger Agreement.

"OpCo Units" has the meaning assigned to such term in the Merger Agreement.

"Other Connection Taxes" means, with respect to the Lender, Taxes imposed as a result of a present or former connection between the Lender and the jurisdiction imposing such Tax (other than connections arising from the Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or

perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in the Term Loan or any Loan Document).

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.17).

"Parent" has the meaning assigned to such term in the Merger Agreement.

"Participant" has the meaning assigned to such term in Section 8.04(c)(i).

"Participant Register" has the meaning assigned to such term in Section 8.04(c)(i).

"Partnership" means 8point3 Energy Partners LP, a Delaware limited partnership.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Collateral Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in good faith;

(b) judgment liens in respect of judgments that do not constitute an Event of Default;

(c) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights; and

(d) Liens that arise by operation of law for amounts not yet due.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in good faith;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than thirty (30) days or are being contested in good faith;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance, and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance and return of money bonds, bids, leases, government contracts, trade contracts, and other obligations of a like nature (including letters of credit in lieu of any such bonds or to support the issuance thereof), including those incurred pursuant to any law primarily concerning the environment, preservation or reclamation of natural resources, the management, release or threatened release of any hazardous material or to health and safety matters, in each case in the ordinary course of business as conducted from time to time;

(e) judgment liens in respect of judgments that do not constitute an Event of Default;

(f) easements, zoning restrictions, rights-of-way, and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary;

(g) Liens on property or assets of the Guarantor or any Subsidiary granted pursuant to agreements listed on Schedule 1 to the Revolving Credit Agreement or consented to in writing under the Revolving Credit Agreement prior to the Closing Date; provided that such Liens shall secure only those obligations that they secure on the Closing Date and any obligations arising under such agreements after the Closing Date (and permitted extensions, renewals, and refinancings thereof to the extent that the amount of such obligations secured by such Liens is not increased, except in accordance with the then current terms of such agreements);

(h) purchase money security interests in equipment or other property or improvements thereto hereafter acquired (or, in the case of improvements, constructed) by the Borrower or any Subsidiary (including the interests of vendors and lessors under conditional sale and title retention agreements and similar arrangements for the sale of goods entered into by the Borrower or any Subsidiary in the ordinary course of business as conducted from time to time);

(i) Liens arising out of Capital Lease Obligations, so long as such Liens attach only to the Property being leased in such transaction and any accessions thereto or proceeds thereof and related property;

(j) any interest or title of a lessor under any leases or subleases entered into by the Borrower or any Subsidiary in the ordinary course of business as conducted from time to time;

(k) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks not given in connection with the issuance or incurrence of Indebtedness, (ii) relating to pooled deposit or sweep accounts of the Borrower or any Subsidiary to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Borrower or any Subsidiary or (iii) relating to purchase orders and other agreements entered into with customers of the Borrower or any Subsidiary in the ordinary course of business;

(l) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights;

(m) licenses of intellectual property granted in the ordinary course of business;

(n) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(o) Liens solely on any cash earnest money deposits made by the Borrower or any Subsidiary in connection with any letter of intent or purchase agreement permitted hereunder;

(p) the prior rights of consignees and their lenders under consignment arrangements entered into in the ordinary course of business;

(q) Liens arising from precautionary UCC financing statements regarding operating leases;

(r) Liens on Equity Interests in Joint Ventures held by the Borrower or a Subsidiary securing obligations of such Joint Venture or the Borrower's or such Subsidiary's obligations as a partner or member in such Joint Venture, other than the Lien and created pursuant to the Existing Pledge and Guaranty Agreement;

(s) Liens on securities that are the subject of fully collateralized repurchase agreements with a term of not more than 30 days for direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, Japan or the European Union (or by any agency of any thereof to the extent such obligations are backed by the full faith and credit of such jurisdiction), in each case maturing within one year from the date of acquisition thereof, and entered into with any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000;

(t) Liens in favor of customers or suppliers of any Foreign Subsidiary on equipment, supplies and inventory purchased with the proceeds of advances made by such customers or suppliers under or securing obligations in connection with supply agreements;

(u) Liens that arise by operation of law for amounts not yet due;

(v) existing and future Liens related to or arising from the sale, transfer, or other disposition of rights to solar power rebates in the ordinary course of business as conducted from time to time;

(w) existing and future Liens in favor of the Borrower's bonding company covering materials, contracts, receivables, and other assets which are related to, or arise out of, contracts which are bonded by that bonding company in the ordinary course of the Borrower's business as conducted from time to time;

(x) Liens on Equity Interests in and assets of Project Finance Subsidiaries of the Guarantor or Subsidiaries of the Guarantor to secure Project Indebtedness;

(y) customary Liens on securities accounts of the Borrower in favor of the securities broker with whom such accounts are maintained, provided that (i) such Liens arise in the ordinary course of business of the Borrower, as applicable, and such broker pursuant to such broker's standard form of brokerage agreement; (ii) such securities accounts are not subject to restrictions against access by the Borrower; (iii) such Liens secure only the payment of standard fees for brokerage services charged by, but not financing made available by, such broker and such Liens do not secure Indebtedness for borrowed money; and (iv) such Liens are not intended by the Borrower to provide collateral to such broker;

(z) cash collateral securing reimbursement obligations with respect to letters of credit issued to secure liabilities of the Guarantor or any Subsidiary incurred in the ordinary course of business;

(aa) Liens on the property or assets of any Foreign Subsidiary other than accounts receivable and inventory; and

(bb) other Liens so long as the outstanding principal amount of the obligations secured by such Liens does not exceed (in the aggregate) $10,000,000 at any one time and such Liens do not attach to any of the Collateral.

"Permitted Equity Commitments" means obligations of the Partnership or any of its Subsidiaries to make any payment in respect of any Equity Interest in any Non-Guarantor Subsidiary (and any guarantee by the Partnership or any of its Subsidiaries of such obligations) as long as each such payment in respect of such Equity Interest constitutes an Investment expressly permitted under the OpCo Credit Agreement.

"Permitted Project Recourse" means (a) limited guarantees and side letters from any Loan Party or any of their respective Subsidiaries which are not Project Finance Subsidiaries in respect of any Indebtedness of any Project Financing Subsidiary which do not guarantee obligations for borrowed money (including notes, bonds and other similar instruments), operating lease obligations, Capital Lease Obligations or reimbursement or other payment obligations in respect of letters of credit (including, without limitation,

equipment, procurement and construction, operations and maintenance, asset management, liquidated damages and managing member and tax indemnity undertakings), and (b) pledges of Equity Interests in Project Finance Subsidiaries (or direct or indirect owners of Project Finance Subsidiaries) or other limited guarantees or side letters provided that the holders of such Indebtedness have acknowledged that they will not have any recourse to the assets or Equity Interests (other than as specified in this clause (b)) of any Loan Party or any of their respective Subsidiaries which are not Project Finance Subsidiaries.

"Permitted Project Undertakings" means guaranties by or indemnification or similar obligations of the Partnership or any of its Subsidiaries in respect of Project Obligations incurred in the ordinary course of business, but excluding, for the avoidance of doubt, any guarantees of Non-Recourse Project Indebtedness.

"Person" means an individual, partnership, corporation, association, limited liability company, unincorporated organization, trust or Joint Venture, or a governmental agency or political subdivision thereof.

"Plan" means any "employee pension benefit plan" as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA then, or at any time during the past five years, sponsored, maintained or contributed to (or to which there is or was an obligation to contribute) on behalf of employees of the Guarantor or any ERISA Affiliate.

"Pledge Agreement (Borrower)" means the pledge agreement to be executed and delivered by Borrower on the Effective Date, substantially in the form of Exhibit H.

"Pledge Agreement (SunPower YC Holdings)" means the pledge agreement to be executed and delivered by SunPower YC Holdings on the Effective Date, substantially in the form of Exhibit G.

"Prime Rate" means the rate of interest per annum determined from time to time by the Lender as its base rate in effect at its principal office in New York City and notified to the Borrower (which the Borrower acknowledges is not necessarily the Lender's lowest rate).

"Project Finance Subsidiary" means a limited purpose Subsidiary established in connection with the construction of a solar project, or the sale of solar equipment and/or energy; provided that no Subsidiary shall be deemed to be a Project Finance Subsidiary if it is a Loan Party.

"Project Indebtedness" means Indebtedness of any Project Finance Subsidiary, including front leverage debt of a project company level borrower, back leverage debt of a sponsoring member in a tax equity partnership, securitizations, tax equity financings (including inverted lease, partnership flip and Sale and Lease Back Transactions) and other similar financing structures, as to which the holders of such Indebtedness have recourse only to such Project Finance Subsidiary and any other Project Finance Subsidiaries,

including such Project Finance Subsidiaries' assets, but without recourse to any Loan Party or any of their respective Subsidiaries which are not Project Finance Subsidiaries other than Permitted Project Recourse.

"Project Obligations" means, as to OpCo, any Contractual Obligation under power purchase agreements; agreements for the purchase and sale of energy and renewable energy credits, climate change levy exemption certificates, embedded benefits and other environmental attributes; decommissioning agreements; tax indemnities; operation and maintenance agreements; leases; development contracts; construction contracts; management services contracts; share retention agreements; warranties; bylaws, operating agreements, joint development agreements and other organizational documents; and other similar ordinary course contracts entered into in connection with owning, operating, developing or constructing "Solar Energy Projects" under and as defined in the OpCo Credit Agreement, but excluding, for the avoidance of doubt, obligations in respect of the payment of Non-Recourse Project Indebtedness.

"Project Owner" has the meaning assigned to such term in the definition of "Non-Guarantor Subsidiary" in this Section 1.01.

"Register" has the meaning assigned to such term in Section 8.04(b)(iv).

"Regulation D" means Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof, and any successor provision thereto.

"Regulation T" means Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof, and any successor provision thereto.

"Regulation U" means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof, and any successor provision thereto.

"Regulation X" means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof, and any successor provision thereto.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, trustees, employees, agents and advisors of such Person and such Person's Affiliates.

"Repayment Date" has the meaning assigned to such term in Section 2.07(a).

"Requirement of Law" means, as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other

Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Retainer Fee" has the meaning assigned to such term in Section 2.10(c).

"Revolving Credit Agreement" means the Revolving Credit Agreement, dated as of July 3, 2013, as amended on July 3, 2013, August 26, 2014, February 17, 2016, March 8, 2016, and as amended and restated on June 23, 2017 and as in effect on the date hereof, between the Guarantor, the lenders party thereto and Crédit Agricole CIB, as administrative agent and security agent.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of its functions.

"Sale and Lease Back Transaction" means any transaction or series of transactions pursuant to which the Borrower or any of its Subsidiaries directly or indirectly, becomes or remains liable as lessee or as a guarantor or other surety with respect to any operating lease obligations or Capital Lease Obligations, of any property (whether real, personal or mixed), whether now owned or hereafter acquired, (i) that the Borrower or any of its Subsidiaries has sold or transferred or is to sell or transfer to any other Person (other than the Borrower or any of its Subsidiaries) or (ii) that the Borrower or any of its Subsidiaries intends to use for substantially the same purpose as any other property that has been or is to be sold or transferred by the Borrower or any of its Subsidiaries to any Person (other than the Borrower or any of its Subsidiaries) in connection with any lease.

"Sanctioned Country" means a country or territory which is itself the subject or target of comprehensive countrywide or territory-wide Sanctions (including, without limitation, Crimea, Cuba, Iran, North Korea, and Syria).

"Sanctioned Person" means (a) any Person that is the target or subject of Sanctions or listed in any Sanctions-related list of designated Persons maintained by the U.S. government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State) or by the United Nations Security Council, the European Union or any European Union member state, (b) any Person located, organized or resident in a Sanctioned Country, or (c) any Person Controlled by any such Person or Persons described in the foregoing clauses (a) or (b).

"Sanctions" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State or (b) the United Nations Security Council, the European Union, any European Union member state or Her Majesty's Treasury of the United Kingdom.

"Securities" means any stock, shares, partnership interests, voting trust certificates, certificates of interest or participation in any profit sharing agreement or

arrangement, options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

"Screen Rate" has the meaning assigned to such term in the definition of "LIBO Rate" in this Section 1.01.

"Securities Act" means the Securities Act of 1933, as amended.

"Solvency Certificate" means a Solvency Certificate substantially in the form of Exhibit F.

"Solvent", with respect to any Person, means that as of the date of determination (a) the then fair saleable value of the property of such Person is (i) greater than the total amount of liabilities (including contingent liabilities) of such Person and (ii) not less than the amount that will be required to pay the probable liabilities on such Person's then existing debts as they become absolute and due considering all financing alternatives and potential asset sales reasonably available to such Person, (b) such Person's capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction, and (c) such Person does not intend to incur, or believe that it will incur, debts beyond its ability to pay such debts as they become due. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Step-Up Date" means the date that is the earlier of (a) November 5, 2018 and (b) the date of the termination of the Merger Agreement by any party thereto without the transactions contemplated therein having been consummated.

"Subsidiary" means, with respect to any Person, (a) any corporation of which the outstanding Equity Interests having at least a majority of the votes entitled to be cast in the election of directors under ordinary circumstances shall at the time be owned, directly or indirectly by such Person; or (b) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time, directly or indirectly, owned by such Person.

"SunPower Group" means the Guarantor and all of its direct and indirect subsidiaries, including the Borrower and SunPower YC Holdings.

"SunPower YC Holdings" means SunPower YC Holdings, LLC, a Delaware limited liability company, a direct wholly-owned subsidiary of the Borrower.

"Tax Equity Financing" means any tax equity financing entered into in connection with the acquisition, sale, lease, financing or refinancing of one or more "Solar

Energy Projects" under and as defined in the OpCo Credit Agreement with respect to the Project Owner thereof or any Non-Guarantor Subsidiary that is a direct or indirect parent of such Project Owner, in each case subject to the provisions of the definition of the term "Tax Equity Financing" in the OpCo Credit Agreement.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term Loan" means the term loan made by the Lender to the Borrower pursuant to Section 2.01.

"Total S.A." means Total S.A., a société anonyme organized under the laws of the Republic of France.

"Transactions" means, collectively, the execution, delivery and performance by the Loan Parties of the Loan Documents (including the granting of Liens to the Lender pursuant to the Collateral Documents on and after the Effective Date), the making of the Term Loan hereunder, and the use of proceeds thereof in accordance with the terms hereof.

"Type", when used in reference to the Term Loan or the Borrowing, refers to whether the rate of interest on the Term Loan or the Borrowing is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York.

"Upfront Fee" has the meaning assigned to such term in Section 2.10(b).

"USA PATRIOT Act" means The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)), as amended from time to time.

"U.S. Tax Certificate" has the meaning specified in Section 2.15(e)(ii)(D).

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"Withholding Agent" means the Borrower or the Guarantor.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member

Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

"Work Letter" means the Work Letter, dated as of April 27, 2018, by and between the Guarantor and Crédit Agricole CIB.

SECTION 1.02. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". Unless otherwise specifically indicated, the term "consolidated" with respect to any Person refers to such Person consolidated with its Subsidiaries. The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.03. Effectuation of Transactions. Each of the representations and warranties of the Borrower contained in this Agreement (and all corresponding definitions) are made after giving effect to the Transactions, unless the context otherwise requires.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP or, if not defined in GAAP (as determined by the Borrower in good faith) as determined by the Borrower in good faith, as in effect from time to time; provided that, to the extent set forth in clause (c) of the definition of "GAAP", if the Borrower notifies the Lender that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Lender notifies the Borrower that the Lender requests an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof,

then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. The Borrower hereby agrees that any election pursuant to FASB Statement No. 159 (*The Fair Value Option for Financial Assets and Financial Liabilities*) shall be disregarded for purposes of Section 2.09.

ARTICLE II

Term Loan

SECTION 2.01. Term Loan Commitment. Subject to the terms and conditions set forth herein, the Lender shall make the Term Loan to the Borrower on any Business Day during the Availability Period by way of a single disbursement in a principal amount of $300,000,000 (the "Commitment").

SECTION 2.02. Term Loan and Borrowing. The Borrowing shall be comprised entirely of an ABR Borrowing or a LIBO Rate Borrowing as the Borrower may request in accordance herewith. The Lender at its option may make a LIBO Rate Borrowing by causing any domestic or foreign branch or Affiliate of the Lender to make such LIBO Rate Borrowing; provided that (i) any exercise of such option shall not affect the obligation of the Borrower to repay the Term Loan in accordance with the terms of this Agreement, and (ii) in exercising such option, the Lender shall use reasonable efforts to minimize any increase in the Adjusted LIBO Rate or increased costs to the Borrower resulting therefrom (which obligation of the Lender shall not require it to take, or refrain from taking, actions that it determines would result in increased costs for which it will not be compensated hereunder or that it otherwise determines would be disadvantageous to it and in the event of such request for costs for which compensation is provided under this Agreement, the provisions of Section 2.13 shall apply).

SECTION 2.03. Request for Borrowing. In order to request the Borrowing, the Borrower shall notify the Lender of such request either in writing by delivery of the Borrowing Request (by hand, electronic mail, or facsimile) signed by the Borrower or by telephone (to be confirmed promptly by hand delivery, electronic mail, or facsimile of written notice) not later than 11:00 a.m., New York City time, (A) in the case of a LIBO Rate Borrowing, three (3) Business Days before the proposed Borrowing (or such later time on such Business Day as shall be acceptable to the Lender), and (B) in the case of an ABR Borrowing, one (1) Business Day before the proposed Borrowing (or such later time as shall be acceptable to the Lender). The telephonic or written Borrowing Request shall be irrevocable and shall specify the following information in compliance with Section 2.01:

(i) the amount of the requested Borrowing;

(ii) the date of the Borrowing, which shall be a Business Day; and

(iii) whether the Borrowing is to be an ABR Borrowing or a LIBO Rate Borrowing;

(iv) the location and number of the Borrower's account to which funds are to be disbursed.

(b) If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing.

SECTION 2.04. Funding of Borrowing. The Lender shall make the Term Loan on the proposed date thereof by wire transfer of immediately available funds by 3:00 p.m., New York City time, to the account designated by the Borrower in the Borrowing Request.

SECTION 2.05. Type; Interest Elections. The Borrowing shall initially be of the Type specified in the Borrowing Request. Thereafter, on any Interest Payment Date (or on any day in connection with a conversion of an ABR Borrowing to a LIBO Rate Borrowing), the Borrower may elect to convert the Borrowing to a different Type or to continue the Borrowing as the same Type.

(a) To make an election pursuant to this Section 2.05, the Borrower shall notify the Lender of such election by telephone (i) in the case of an election to convert to or continue as a LIBO Rate Borrowing, not later than 11:00 a.m., New York City time, three (3) Business Days before the date of the proposed conversion or continuation or (ii) in the case of an election to convert to an ABR Borrowing, not later than 10:00 a.m., New York City time, on the date of the proposed conversion. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery, electronic mail, or facsimile to the Lender of a written Interest Election Request in a form approved by the Lender and signed by the Borrower.

(b) Each telephonic or written Interest Election Request shall specify the following information:

(i) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day; and

(ii) whether the resulting Borrowing is to be an ABR Borrowing or a LIBO Rate Borrowing

(c) If the Borrower fails to deliver a timely Interest Election Request with respect to a LIBO Rate Borrowing prior to the end of the Interest Period applicable thereto, then, unless the Borrowing is repaid as provided herein, at the end of the Interest Period the Borrowing shall be converted to an ABR Borrowing. Notwithstanding any

contrary provision hereof, if an Event of Default of the type set forth in clause (a) or (b) of Article VII (without giving effect to any grace period set forth therein) has occurred and is continuing and the Lender so notifies the Borrower, then, so long as an Event of Default is continuing, (i) the Borrowing may not be converted to or continued as a LIBO Rate Borrowing and (ii) unless repaid, if the Borrowing is a LIBO Rate Borrowing, such Borrowing shall be converted to an ABR Borrowing at the end of the then current Interest Period applicable thereto.

SECTION 2.06. Termination and Reduction of Commitment.

(a) Upon at least three (3) Business Days' prior irrevocable written, fax or e-mail notice (or telephonic notice promptly confirmed by written notice) to the Lender, the Borrower may at any time during the Availability Period permanently terminate in whole, or from time to time permanently reduce in part, the Commitment; provided, however, that (i) each partial reduction of the Commitment shall be in an integral multiple of $1,000,000 and in a minimum amount of $1,000,000.

(b) The Borrower shall pay to the Lender, on the date of termination of the Commitment, all accrued and unpaid Commitment Fees.

SECTION 2.07. Repayment of Term Loan; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Lender the then unpaid principal amount of the Term Loan upon the earlier of (such date, the "Repayment Date"): (i) the date that is two (2) Business Days after receipt by SunPower YC Holdings of the OpCo Merger Consideration and the OpCo Merger 1 OpCo Distribution payable to it in respect of its OpCo Units; and (ii) 364 days after the Closing Date; provided that, notwithstanding clause (i) above, the Borrower shall pay to the Lender the then unpaid principal amount of the Term Loan promptly upon receipt by SunPower YC Holdings of the OpCo Merger Consideration and the OpCo Merger 1 OpCo Distribution.

(a) The Lender may request that the Term Loan be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to the Lender a promissory note payable to the Lender and its registered assigns and in substantially the form of Exhibit D hereto. Thereafter, the Term Loan evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 8.04) be represented by one or more promissory notes in such form payable to the payee named therein and its registered assigns.

SECTION 2.08. Optional Prepayment of Term Loan Upon prior notice in accordance with paragraph (b) of this Section, the Borrower shall have the right at any time and from time to time to prepay the Term Loan in whole or in part without premium or penalty (but subject to Section 2.14); provided that each partial prepayment shall be in an amount that is an integral multiple of $1,000,000 and not less than $1,000,000.

(a) The Borrower shall notify the Lender by telephone (confirmed by e-mail) of any prepayment hereunder (i) in the case of prepayment of a LIBO Rate Borrowing, not later than 11:00 a.m., New York City time, three (3) Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the day of prepayment. Each such notice shall be irrevocable (except in the case of a repayment in full of all of the Obligations, which may be conditioned upon the effectiveness of a new financing or other liquidity event) and shall specify the prepayment date and the portion of the Term Loan to be prepaid. Prepayments shall be accompanied by accrued interest as required by Section 2.11 and subject to the provisions of Section 2.14.

SECTION 2.09. Mandatory Prepayment of Term Loan. The Borrower shall promptly, and in any event no later than two (2) Business Days after the occurrence of any of the events listed in paragraphs (i) to (iii) below, apply any of the following amounts, or procure that such amount be applied, to the prepayment of the outstanding Obligations:

(i) Any dividend or distribution or other payment, including proceeds from the sale or disposition of its Equity Interests of the 8point3Group, received by SunPower YC Holdings from the 8point3 Group;

(ii) Prior to the termination of the Merger Agreement by any party thereto without the transactions contemplated thereby having been consummated and if the Leverage Condition is satisfied as of the last day of the most recently completed fiscal quarter of OpCo, proceeds from the sale of assets or interests after such time in assets in an aggregate amount greater than $250,000,000 by any member of the SunPower Group, other than in respect of the 8point3 Group, and excluding proceeds from the sale of assets or interests in assets by any member of the SunPower Group in the ordinary course of business (for the avoidance of doubt, excluding any divesture or material disposal); and

(iii) After the termination of the Merger Agreement by any party thereto without the transactions contemplated thereby having been consummated or if the Leverage Condition is not satisfied as of the last day of the most recently completed fiscal quarter of OpCo, proceeds from the sale of assets or interests in assets after such time in an aggregate amount greater than $50,000,000 other than in respect of the 8Point3 Group, and excluding proceeds from the sale of assets or interests in assets by any member of the SunPower Group in the ordinary course of business (for the avoidance of doubt, excluding any divesture or material disposal).

(b) After the termination of the Merger Agreement by any party thereto without the transactions contemplated thereby having been consummated or if the Leverage Condition is not satisfied as of the last day of the most recently completed fiscal quarter of OpCo, the Guarantor shall apply, on the date of the borrowing, any amount that it borrows in excess of $50,000,000 in the aggregate under the Revolving Credit Agreement or any

other credit facility to which any member of the SunPower Group is a party to the prepayment of the outstanding Term Loan.

(c) After the termination of the Merger Agreement by any party thereto without the transactions contemplated thereby having been consummated or if the Leverage Condition is not satisfied as of the last day of the most recently completed fiscal quarter of OpCo, if an amount in excess of $50,000,000 is outstanding under the Revolving Credit Agreement, the Guarantor shall within ten (10) Business Days apply such amount to the prepayment of the outstanding Term Loan.

SECTION 2.10. Fees. The Borrower agrees to pay to the Lender a commitment fee (the "Commitment Fee") equal to 1.00% per annum on the daily unused amount of the Commitment during the Availability Period. The Commitment Fee shall be computed on the basis of the actual number of days elapsed in a year of 360 days and shall be payable on the Closing Date.

(a) The Borrower agrees to pay to the Lender an upfront fee (the "Upfront Fee") equal to $750,000 on or prior to the Closing Date.

(b) The Borrower agrees to pay to the Lender the retainer fee (the "Retainer Fee") payable in the amount and at the time specified in the Work Letter.

(c) All Fees shall be paid on the dates due, in immediately available funds, to the Lender. The Borrower may pay any Fee out of proceeds of the Borrowing.

SECTION 2.11. Interest. The Term Loan comprising an ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Rate. The Term Loan comprising a LIBO Rate Borrowing shall bear interest at a rate equal to the sum of the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(a) Notwithstanding the foregoing, upon the occurrence and during the continuance of an Event of Default referred to in paragraphs (a), (b), (g), or (h) of Article VII, at the written request of the Lender, any principal of or interest on the Term Loan or any fee or other amount payable by the Borrower hereunder shall bear interest, payable on demand, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of the Term Loan, 2.0% plus the rate otherwise applicable to the Term Loan as provided in paragraph (a) of this Section or (ii) in the case of any other amount, 2.0% plus the rate applicable to an ABR Borrowing as provided in paragraph (a) of this Section. Payment or acceptance of the increased rates of interest provided for in this Section 2.11(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of the Lender.

(b) Accrued interest on the Term Loan shall be payable to the Lender in arrears on each Interest Payment Date; provided that (i) interest accrued pursuant to

paragraph (b) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of the Term Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of a LIBO Rate Borrowing prior to the end of the current Interest Period applicable thereto, accrued interest on such LIBO Rate Borrowing shall be payable on the effective date of such conversion.

(c) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Lender, and such determination shall be conclusive absent manifest error.

SECTION 2.12. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a LIBO Rate Borrowing:

(a) the Lender determines (which determination shall be conclusive absent manifest error) that dollar deposits in the principal amount of the Term Loan comprising such Borrowing are not generally available in the London interbank market;

(b) the Lender determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(c) the Lender determines that the LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to the Lender of making or maintaining the Term Loan;

then the Lender shall promptly give notice thereof to the Borrower by telephone or facsimile or e-mail as promptly as practicable thereafter and, until the Lender notifies the Borrower that the circumstances giving rise to such notice no longer exist, any request by the Borrower for a LIBO Rate Borrowing pursuant to Section 2.03 or 2.05 shall be deemed to be a request for an ABR Borrowing. In the event that the Lender shall give such a notice, the Borrower and the Lender shall promptly enter into negotiations in good faith with a view to agreeing on an alternative basis acceptable to the Borrower and the Lender for the interest rate which shall be applicable to future LIBO Rate Borrowings.

SECTION 2.13. Increased Costs. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate);

(ii) subject the Lender to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on the Lender or the London interbank market any other condition affecting this Agreement or any LIBO Rate Borrowing;

and the result of any of the foregoing shall be to increase the cost to the Lender of making, converting, continuing or maintaining any LIBO Rate Borrowing or of maintaining its obligation to make any such LIBO Rate Borrowing, or to reduce the amount of any sum received or receivable by the Lender hereunder (whether of principal, interest or otherwise), in each case by an amount the Lender reasonably determines to be material, then, following delivery of the certificate contemplated by paragraph (c) of this Section, within fifteen (15) days after demand the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered (except for (i) any increased cost in respect of which the Lender is entitled to compensation under any other provision of this Agreement, (ii) any payment to the extent that it is attributable to the requirement of any Governmental Authority which regulates the Lender or its holding company which is imposed by reason of the quality of the Lender's assets or those of its holding company and not generally imposed on all entities of the same kind regulated by the same authority, or (iii) any increased cost arising by reason of the Lender voluntarily breaching any lending limit or other similar restriction imposed by any provision of any relevant law or regulation after the introduction thereof).

(b) If the Lender determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company, if any, as a consequence of this Agreement or the Term Loan to a level below that which the Lender or the Lender's holding company could have achieved but for such Change in Law (excluding, for purposes of this Section, any such increased costs resulting from any change to the extent that it is attributable to the requirement of any Governmental Authority which regulates the Lender or its holding company which is imposed by reason of the quality of the Lender's assets or those of its holding company and not generally imposed on all entities of the same kind regulated by the same authority) other than due to Taxes, which shall be dealt with exclusively pursuant to Section 2.15 (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy), then from time to time following delivery of the certificate contemplated by paragraph (c) of this Section the Borrower will within fifteen (15) days after demand pay to the Lender such additional amount or amounts as will compensate the Lender or the Lender's holding company for any such reduction suffered.

(c) A certificate of the Lender setting forth the amount or amounts necessary to compensate the Lender or its holding company as specified in paragraph (a)

or (b) of this Section and setting forth in reasonable detail the manner in which such amount or amounts was determined shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay the Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Failure or delay on the part of the Lender to demand compensation pursuant to this Section shall not constitute a waiver of the Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate the Lender pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that the Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of the Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.14. Break Funding Payments. In the event of (a) the payment of any principal of a LIBO Rate Borrowing other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of a LIBO Rate Borrowing other than on the last day of the Interest Period applicable thereto, or (c) the failure to borrow, convert, continue or prepay a LIBO Rate Borrowing on the date specified in any notice delivered pursuant hereto, then, in any such event, the Borrower shall compensate the Lender for the loss, cost and expense attributable to such event. Such loss, cost or expense to the Lender shall not include loss of profit or margin and shall be deemed to be the amount reasonably determined by the Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of the Term Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to the Term Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for the Term Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which the Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of the Lender setting forth any amount or amounts that the Lender is entitled to receive pursuant to this Section and the basis therefor and setting forth in reasonable detail the manner in which such amount or amounts was determined shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay the Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

SECTION 2.15. Taxes. Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion

of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after making all such required deductions or withholdings (including such deductions and withholdings applicable to additional sums payable under this Section), the Lender receives an amount equal to the sum it would have received had no such deductions or withholdings been made. If at any time the Borrower is required by applicable law to make any deduction or withholding from any sum payable hereunder, the Borrower shall promptly notify the Lender upon becoming aware of the same. In addition, the Lender shall promptly notify the Borrower upon becoming aware of any circumstances as a result of which the Borrower is or would be required to make any deduction or withholding from any sum payable hereunder.

(a) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(b) The Borrower shall indemnify the Lender, within ten (10) days after written demand therefor, for the full amount of any Indemnified Taxes paid by the Lender on or with respect to any payment by or on account of any obligation of the Borrower hereunder or under any other Loan Document (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender shall be conclusive absent manifest error.

(c) As soon as practicable after any payment of Indemnified Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

(d) (i) If the Lender is entitled to an exemption from or reduction of withholding Tax with respect to payments under any Loan Document, the Lender shall deliver to the Borrower, at the time or times as reasonably requested by the Borrower, such properly completed and executed documentation as reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate, and as will enable the Borrower to determine whether or not the Lender is subject to backup withholding or information reporting requirements.

(i) Without limiting the generality of the foregoing, the Lender shall deliver to the Borrower, on or prior to the Closing Date, two duly signed, properly completed copies of whichever of the following is applicable:

(A) if the Lender is not a Foreign Lender, IRS Form W-9;

(B) in case the Lender is a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (1) with respect to payments of interest under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (2) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(C) in the case of a Foreign Lender for whom payments under any Loan Document constitute income that is effectively connected with such Lender's conduct of a trade or business in the United States, IRS Form W-8ECI;

(D) in case the Lender is a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code both (1) IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, and (2) a certificate (a "U.S. Tax Certificate") to the effect that the Lender is not (a) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (b) a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code and (c) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code;

(E) in case the Lender is a Foreign Lender that is not the beneficial owner of payments made under any Loan Document (including a partnership or a Participant) (1) an IRS Form W-8IMY on behalf of itself and (2) the relevant forms prescribed in clauses (A), (B), (C), (D), (F) and (G) of this paragraph (e)(ii) that would be required of each such beneficial owner or partner of such partnership if such beneficial owner or partner were the Lender; provided, however, that if the Lender is a partnership and one or more of its partners are claiming the exemption for portfolio interest under Section 881(c) of the Code, the Lender may provide a

U.S. Tax Certificate and IRS Form W-8BEN-E (or IRS Form W-BEN, as applicable) on behalf of such partners;

(F) if a payment made to a Foreign Lender under any Loan Document would be subject to any withholding Taxes as a result of such Foreign Lender's failure to comply with the requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code), at the time or times prescribed by law and at such time or times reasonably requested by the Withholding Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Withholding Agent as may be necessary for the Withholding Agent to comply with its obligations under FATCA, to determine that such Foreign Lender has or has not complied with such Foreign Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment, and solely for purposes of this clause (F), "FATCA" includes any amendment to FATCA after the Closing Date; or

(G) any other form prescribed by law as a basis for claiming exemption from, or a reduction of, U.S. federal withholding Tax together with such supplementary documentation necessary to enable the Borrower to determine the amount of Tax (if any) required by law to be withheld.

(ii) Thereafter and from time to time, the Lender shall (A) promptly submit to the Borrower such additional duly completed and signed copies of one or more of the forms or certificates described in Section 2.15(e)(ii)(A), (B), (C), (D), (E), (F), and (G) above (or such successor forms or certificates as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is reasonably satisfactory to the Borrower of any available exemption from, or reduction of, United States withholding Taxes in respect of all payments to be made to the Lender by the Borrower pursuant to this Agreement, or any other Loan Document, in each case, (1) after the occurrence of any event requiring a change in the most recent form, certificate or evidence previously delivered by it to the Borrower and (2) from time to time thereafter if reasonably requested by the Borrower, and (B) promptly notify the Borrower of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(iii) Notwithstanding any other provision of this paragraph (e), the Lender shall not be required to deliver any form pursuant to this paragraph (e) that the Lender is not legally able to deliver.

(e) If the Lender determines, in its reasonable discretion, that it has received a refund of any Indemnified Taxes as to which it has been indemnified by the Borrower or the Guarantor or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.15 or the Guarantor has paid additional amounts pursuant to Article IX, it shall pay to the Borrower or the Guarantor, as the case may be, an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of the Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). The Borrower or Guarantor, upon the request of the Lender, shall repay to the Lender the amount paid over pursuant to this paragraph (f) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that the Lender is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (f), in no event will the Lender be required to pay any amount to the Borrower or Guarantor pursuant to this paragraph (f) the payment of which would place the Lender in a less favorable net after-Tax position than the Lender would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This Section shall not be construed to require the Lender to make available its tax returns (or any other information relating to its Taxes which it deems confidential) to the Borrower, the Guarantor or any other Person.

(f) Each party's obligations under this Section 2.15 shall survive any assignment of rights by, or the replacement of, the Lender, the termination of the Commitment and the repayment, satisfaction or discharge of all obligations under any Loan Document.

SECTION 2.16. Payments Generally. Unless otherwise specified, the Borrower shall make each payment required to be made by it hereunder and under any other Loan Document (whether of principal, interest or fees, or of amounts payable under Section 2.13, 2.14 or 2.15, or otherwise) prior to 12:00 (noon), New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Lender, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Lender to the applicable account designated to the Borrower by the Lender. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

SECTION 2.17. Mitigation Obligations. If the Lender requests compensation under Section 2.13, or if the Borrower is required to pay any additional amount to the Lender or any Governmental Authority for the account of the Lender pursuant to Section 2.15, then the Lender shall use reasonable efforts to designate a different lending office for funding or booking the Term Loan hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the reasonable judgment of the Lender, such designation or assignment (a) would eliminate or reduce amounts payable pursuant to Section 2.13 or 2.15, as applicable, in the future and (b) would not subject the Lender to any material unreimbursed cost or expense and would not otherwise be disadvantageous to the Lender in any material respect. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by the Lender in connection with any such designation or assignment.

SECTION 2.18. Illegality. If the Lender reasonably determines that any Change in Law has made it unlawful, or that any Governmental Authority has asserted after the Closing Date that it is unlawful, for the Lender or its applicable lending office to make or maintain the Term Loan as a LIBO Rate Borrowing, then, on notice thereof by the Lender to the Borrower, any obligations of the Lender to make or continue the Term Loan as a LIBO Rate Borrowing or to convert an ABR Borrowing to a LIBO Rate Borrowing shall be suspended until the Lender notifies the Borrower that the circumstances giving rise to such determination no longer exist and until such notice is given by the Lender, the Borrower shall only request an ABR Borrowing from the Lender. Upon receipt of such notice, the Borrower shall upon demand from the Lender, either convert the LIBO Rate Borrowing to an ABR Borrowing, either on the last day of the Interest Period therefor, if the Lender may lawfully continue to maintain such LIBO Rate Borrowing to such day, or immediately, if the Lender may not lawfully continue to maintain such LIBO Rate Borrowing. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted. The Lender agrees to designate a different lending office if such designation will avoid the need for such notice and will not, in the determination of the Lender, otherwise be disadvantageous to it.

ARTICLE III

Representations and Warranties

Each Loan Party party hereto represents and warrants to the Lender, on both the Effective Date and the Closing Date, that:

SECTION 3.01. Organization; Powers. Each Loan Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to own its property and assets and to carry on its business as now conducted and, except where the failure to do so,

individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required. SunPower YC Holdings is the only member of the SunPower Group entitled to receive dividends or distributions from the 8point3 Group.

SECTION 3.02. Authorization; Enforceability. The Transactions are within such Loan Party's organizational powers and have been duly authorized by all necessary organizational action of such Loan Party. Each Loan Document has been duly executed and delivered by each Loan Party party thereto and is a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and to general principles of equity.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, except to the extent that any such failure to obtain such consent or approval or to take any such action, would not reasonably be expected to result in a Material Adverse Effect, (b) will not violate any Requirement of Law applicable to such Loan Party and (c) will not violate or result in a default under the Revolving Credit Agreement, the OpCo Credit Agreement, the Existing Pledge and Guaranty Agreement or any other material indenture, agreement or other instrument binding upon such Loan Party or any of its respective assets, or give rise to a right thereunder to require any payment to be made by any Loan Party.

SECTION 3.04. Financial Condition. The Guarantor has heretofore furnished to the Lender its consolidated balance sheet and statements of income, shareholders' equity and cash flows as of and for the fiscal year ended December 30, 2017, reported on by Ernst & Young LLP, independent public accountants (collectively, the "Historical Financial Statements"). Such Historical Financial Statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Guarantor and its consolidated Subsidiaries as of such date and for such period in accordance with GAAP.

SECTION 3.05. Properties. Each Loan Party has good and insurable fee simple title to, or valid leasehold interests in, or easements or other limited property interests in, all its real properties and has good and marketable title to its personal property and assets, in each case, except where the failure to have such title would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.06. Litigation. Except as disclosed in the Guarantor's filings with the SEC from time to time, there are no actions, suits, proceedings or

investigations by or before any arbitrator or Governmental Authority pending against or, to its knowledge, threatened against or affecting any Loan Party as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements; Licenses and Permits. Each Loan Party is in compliance with all Requirements of Law applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.08. Investment Company Status. No Loan Party is an "investment company" as defined in, and is not required to be registered under, the Investment Company Act of 1940.

SECTION 3.09. Taxes. Each Loan Party has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which it has set aside on its books adequate reserves in accordance with GAAP or (b) to the extent that the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred and is continuing or is reasonably expected to occur that either on its own or, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect. Except as would not reasonably be expected to have a Material Adverse Effect, the present value of all accumulated benefit obligations under all Plans (based on the assumptions used for purposes of Financial Accounting Standards Board Accounting Standards Codification Topic 715) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plans, in the aggregate.

SECTION 3.11. Material Agreements. None of the Loan Parties is in default in any material respect in the performance, observance or fulfillment of any of its obligations contained in any material agreement to which it is a party, except where such default would not reasonably be expected to have a Material Adverse Effect.

SECTION 3.12. Federal Reserve Regulations. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(a) No part of the proceeds of the Term Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of Regulation T, U or X.

SECTION 3.13. USA PATRIOT Act and Other Regulations. To the extent applicable, each Loan Party is in compliance, in all material respects, with (a) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (b) the USA PATRIOT Act.

SECTION 3.14. Disclosure. No exhibit, report or other writing furnished by or on behalf of any Loan Party to the Lender in connection with the negotiation of this Agreement or pursuant to the terms of the Loan Documents (as modified or supplemented by other information so furnished) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading as of the date it was dated (or if not dated, so delivered); provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time and the Lender recognizes and acknowledges that such projected financial information is not to be viewed as facts and that actual results during the period or periods covered by such projections may differ from the projected results and such differences may be material.

SECTION 3.15. Solvency. Each Loan Party is, and (after giving effect to the incurrence of any Obligations by each Loan Party on any date on which this representation is made) will be, Solvent.

SECTION 3.16. Matters Relating to Collateral.

On and after the Closing Date:

(a) Creation, Perfection and Priority of Liens. The execution and delivery of the Collateral Documents by each Loan Party party thereto, together with (i) the actions taken to date and (ii) the delivery to the Lender of any Collateral not delivered to the Lender at the time of execution and delivery of the applicable Collateral Document are effective to create in favor of the Lender , as security for the respective Secured Obligations (as defined in the applicable Collateral Document in respect of any Collateral), a valid Lien on all of the Collateral, and all filings and other actions necessary or desirable to perfect and maintain the perfection and First Priority status of such Liens have been duly made or taken and remain in full force and effect, other than the periodic filing of UCC continuation statements in respect of UCC financing statements filed by or on behalf of the Lender. The Equity Interests of SunPower YC Holdings are free and clear of any and all Liens other than

Permitted Collateral Encumbrances and the Lien granted pursuant to the Collateral Documents. The Equity Interests of OpCo held by SunPower YC Holdings are free and clear of any and all Liens other than Permitted Collateral Encumbrances and the Lien granted in favor of Crédit Agricole CIB, as collateral agent, by SunPower YC Holdings pursuant to the Existing Pledge and Guaranty Agreement.

(b) Governmental Authorizations. No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority is required for either (i) the grant by each Loan Party of the Liens purported to be created in favor of the Lender pursuant to any of the Collateral Documents or (ii) the exercise by the Lender of any rights or remedies in respect of any Collateral (whether specifically granted or created pursuant to any of the Collateral Documents or created or provided for by applicable law), except for filings or recordings contemplated by the Collateral Documents.

(c) Absence of Third-Party Filings. Except such as may have been filed in favor of the Lender as contemplated by the Collateral Documents, to Borrower's knowledge, no effective UCC financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any filing or recording office, other than the UCC financing statement filed in connection with the Lien granted pursuant to the Existing Pledge and Guaranty Agreement.

SECTION 3.17. No Material Adverse Change. Since December 30, 2017, no event, change, development, condition or circumstance has occurred which, individually or in the aggregate (with any other events, changes, developments, conditions or circumstances), has had or could reasonably be expected to have a Material Adverse Effect.

SECTION 3.18. Indebtedness. Neither the Borrower nor SunPower YC Holdings has any Indebtedness, other than the Indebtedness incurred hereunder and under the other Loan Documents, and the Indebtedness incurred by SunPower YC Holdings under the Existing Pledge and Security Agreement.

SECTION 3.19. Anti-Corruption Laws and Sanctions. Each Loan Party and each Subsidiary thereof is in compliance, in all material respects, with Anti-Corruption Laws and Sanctions and are not engaged in any activity that would reasonably be expected to result in the Loan Parties or any of their respective Subsidiaries being designated as a Sanctioned Person. Policies and procedures which the Borrower believes are designed to ensure compliance by the Loan Parties, their respective Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions have been implemented, and are maintained in effect, by the Loan Parties or otherwise on behalf of their Subsidiaries. None of (a) any Loan Party, any Subsidiary of a Loan Party or any of their respective directors, officers or employees (except any director, officer or employee of a Non-Controlled Subsidiary appointed by a Person that is not an Affiliate of any Loan Party), or (b) to the knowledge of any Loan Party, any director,

officer or employee of any Non-Controlled Subsidiary (to the extent appointed by a Person that is not an Affiliate of any Loan Party) is a Sanctioned Person. The Term Loan and use of proceeds thereof by any Loan Party will not violate any Anti-Corruption Laws or applicable Sanctions.

SECTION 3.20. Merger. Other than as set forth in any proxy statements or other disclosures filed in connection with the Merger Agreement, no Loan Party is aware of any event, change, development, condition or circumstance which has occurred which, individually or in the aggregate (with any other events, changes, developments, conditions or circumstances) could affect the consummation of the transactions contemplated by the Merger Agreement.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date

The effectiveness of this Agreement is subject to the satisfaction of the following conditions:

(a) Credit Agreement and other Loan Documents. The Lender (or its counsel) shall have received (i) from each party hereto either (A) a counterpart of this Agreement signed on behalf of such party or (B) written evidence satisfactory to the Lender (which may include facsimile or e-mail transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement, (ii) any promissory note requested by the Lender pursuant to Section 2.07, (iii) the Pledge Agreement (Borrower) signed on behalf of the Borrower and (iv) the Pledge Agreement (SunPower YC Holdings) signed on behalf of SunPower YC Holdings.

(b) Legal Opinion. The Lender shall have received a favorable written opinion dated the Effective Date of counsel for the Loan Parties in the form of Exhibit E.

(c) Closing Certificates; Certified Certificate of Incorporation; Good Standing Certificates. The Lender shall have received with respect to each Loan Party (i) a certificate, dated the Effective Date and executed by the Secretary or Assistant Secretary or an Officer of the Guarantor, which shall (A) certify the resolutions of its Board of Directors or comparable governing body authorizing the execution, delivery and performance of the Loan Documents to which such Loan Party is a party, (B) identify by name and title and bear the signatures of the Financial Officers and any other officers of such Loan Party, if applicable, authorized to sign the Loan Documents to which it is a party, and (C) contain appropriate attachments, including the certificate of incorporation or certificate of formation such Loan Party certified by the relevant authority of the jurisdiction of organization of such Loan Party and a true and correct copy of its by-laws, operating agreement or limited liability company agreement, as applicable, and (ii) a good standing certificate dated the Effective

Date or a recent date prior to the Effective Date satisfactory to the Lender from such Loan Party's jurisdiction of organization.

(d) USA PATRIOT Act. The Lender shall have received, at least five (5) Business Days prior to the Effective Date, all documentation and other information reasonably requested by it that is required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act.

SECTION 4.02. Closing Date.

The obligation of the Lender to make the Term Loan is subject to the satisfaction of the following conditions:

(a) Borrowing Request. The Lender shall have received the Borrowing Request as required by Section 2.03.

(b) Closing Date Certificate. The Lender shall have received an executed Closing Date Certificate, together with all attachments thereto, signed by the chief financial officer of the Guarantor, dated the Closing Date.

(c) Fees. The Lender shall have received payment of all accrued Commitment Fees, the Upfront Fee and the Retainer Fee.

(d) Financial Statements. The Lender shall have received the Historical Financial Statements, which may be deemed to have been delivered electronically to the extent the same are included in materials otherwise filed with the SEC.

(e) Solvency Assurances. The Lender shall have received an executed Solvency Certificate of each Loan Party signed by the chief financial officer of the Guarantor dated the Closing Date certifying that, after giving effect to the Borrowing and the granting of the Liens pursuant to the Collateral Documents on the Closing Date, such Loan Party will be Solvent.

(f) Evidence of Refinancing. The Lender shall have received a copy of any proxy statements or other disclosures filed in connection with the Merger Agreement and the proposed refinancing of the indebtedness under the OpCo Credit Agreement.

(g) Cash Proceeds Account. The Lender shall have received confirmation that SunPower YC Holdings has established the Cash Proceeds Account in accordance with the Pledge Agreement (SunPower YC Holdings) and evidence that instruction has been provided to the Parent for the payment of all consideration payable to SunPower YC Holdings under the Merger Agreement, including the OpCo Merger Consideration and the OpCo Merger 1 OpCo Distribution, to be paid to such account.

(h) Security Interests. The Lender shall have received evidence reasonably satisfactory to it that each Loan Party shall have taken or caused to be taken all such actions, executed and delivered or caused to be executed and delivered all such agreements, documents and instruments, and made or caused to be made all such filings and recordings that may be necessary, or in the reasonable opinion of the Lender, desirable in order to create in favor of the Lender, a valid and (upon such filing and recording) perfected First Priority security interest in all of the Collateral in accordance with the terms of the Collateral Documents. Such actions shall include the following:

(i) Lien Search and UCC Termination Statements. Delivery to the Lender of (A) the results of a recent search of all effective UCC financing statements and all judgment and tax Lien filings which may have been made with respect to any Loan Party, together with copies of all such filings disclosed by such search and (B) duly completed UCC termination statements, and authorization of the filing thereof from the applicable secured party, as may be necessary to terminate any effective UCC financing statements disclosed in such search (other than any such financing statements in respect of Liens permitted to remain outstanding pursuant to the terms of this Agreement); and

(ii) UCC Financing Statements. Delivery to the Lender of duly completed UCC financing statements with respect to all of the Collateral, for filing in all jurisdictions as may be necessary or, in the reasonable opinion of the Lender, desirable to perfect the security interests created in such Collateral pursuant to the Collateral Documents.

ARTICLE V

Affirmative Covenants

Each Loan Party party hereto covenants and agrees that, until the Commitment has expired or been terminated and all of the Obligations have been repaid in full:

SECTION 5.01. Financial Statements and Other Information. The Borrower will furnish to the Lender:

(a) within ninety (90) days after the end of each fiscal year of the Guarantor, the audited consolidated balance sheet and related statements of earnings, shareholders' equity and cash flows of the Guarantor as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by independent public accountants of recognized national standing and reasonably acceptable to the Lender (without a "going concern" explanatory note or any similar qualification or exception or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly, in all material respects, the

financial condition and results of operations of the Guarantor and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP;

(b) within ninety (90) days after the end of each fiscal year of each of the Borrower and SunPower YC Holdings, the unaudited unconsolidated balance sheet and related statements of earnings, shareholders' equity and cash flows of each of the Borrower and SunPower YC Holdings as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all certified by one of the Financial Officers of the Guarantor as presenting fairly, in all material respects, the financial condition and results of operations of each of the Borrower and SunPower YC Holdings on an unconsolidated basis in accordance with GAAP;

(c) within forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year of the Guarantor, its consolidated balance sheet and related statements of earnings, shareholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly, in all material respects, the financial condition and results of operations of the Guarantor and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments, the absence of footnotes, the effects of adoption of accounting principles and standards, and audit by the Guarantor's external auditors;

(d) within forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year of each of the Borrower and SunPower YC Holdings, its unconsolidated balance sheet and related statements of earnings, shareholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of the Financial Officers of the Guarantor as presenting fairly, in all material respects, the financial condition and results of operations of each of the Borrower and SunPower YC Holdings in accordance with GAAP, subject to normal year-end audit adjustments, the absence of footnotes, and the effects of adoption of accounting principles and standards.

(e) concurrently with any delivery of financial statements under clause (a) or (c) above, a Compliance Certificate (i) certifying that no Event of Default has occurred and, if an Event of Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto and (ii) setting forth computations in reasonable detail satisfactory to the Lender demonstrating calculation of the Leverage Ratio for the applicable period;

(f) promptly following the Lender's request therefor, all documentation and other information that the Lender reasonably requests in order to comply with its ongoing

obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act;

(g) written notice of the occurrence of an Event of Default, which notice shall be given within five (5) Business Days after the actual knowledge of an officer of any Loan Party of such occurrence, specifying the nature and extent thereof and, if continuing, the action the applicable Loan Party is taking or proposes to take in respect thereof; and

(h) promptly following the occurrence thereof, written notice of the termination of the Merger Agreement by any party thereto without the transactions contemplated thereby having been consummated;

Anything required to be delivered pursuant to clauses (a), (b), (c) or (d) above (to the extent any such financial statements or reports are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which the applicable Loan Party posts such reports, or provides a link thereto, on its website on the Internet, or on the date on which such reports are filed with the SEC and become publicly available.

SECTION 5.02. Existence; Conduct of Business. Each Loan Party will do or cause to be done all things reasonably necessary to preserve and keep in full force and effect its legal existence and the rights, licenses, permits, privileges, authorizations, qualifications and accreditations material to the conduct of its business, in each case if the failure to do so, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

SECTION 5.03. Maintenance of Properties. Each Loan Party will (a) at all times maintain and preserve all material property necessary to the normal conduct of its business in good repair, working order and condition, ordinary wear and tear excepted and casualty or condemnation excepted and (b) make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto as necessary in accordance with prudent industry practice in order that the business carried on in connection therewith, if any, may be properly conducted at all times, except, in each case, where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.04. Compliance with Laws. Each Loan Party will comply in all material respects with all Requirements of Law applicable to it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Use of Proceeds. The proceeds of the Term Loan will be used only for the repayment of obligations outstanding in respect of the 2018 Debentures. No part of the proceeds of the Term Loan will be used, whether

directly or indirectly, for any purpose that would entail a violation of Regulation T, U or X. No Loan Party shall, nor shall it permit any of its Subsidiaries to, directly or indirectly, use the proceeds of the Term Loan (a) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (b) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (c) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

SECTION 5.06. Insurance. Each Loan Party will maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by similarly situated companies engaged in the same or similar businesses operating in the same or similar locations (after giving effect to any self-insurance reasonable and customary for similarly situated companies). The Borrower will furnish to the Lender, upon request, information in reasonable detail as to the insurance so maintained.

SECTION 5.07. Books and Records. Each Loan Party will maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of such Loan Party.

SECTION 5.08. Inspection Rights. Each Loan Party will permit representatives and independent contractors of the Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided that so long as no Event of Default has occurred and is continuing, the Borrower shall not be required to pay for more than one such visit by the Lender per fiscal year.

SECTION 5.09. Payment of Taxes, Etc. Each Loan Party will pay and discharge, before the same become delinquent, (a) all material Taxes, assessments and governmental charges or levies imposed upon it or upon its property or assets or in respect of any of its income, business or franchises before any penalty accrues thereon and (b) all lawful claims that, if unpaid, might by law become a Lien upon its property or assets or in respect of any of its income, business or franchises before any penalty accrues thereon, except in each case where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect; provided, however, that such Loan Party shall not be required to pay or discharge any such Tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate

reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors.

SECTION 5.10. Pari Passu Ranking. The obligations of each Loan Party under the Loan Documents shall at all times rank at least *pari passu* in right and in priority of payment and in all other respects with all other unsubordinated Indebtedness and obligations of such Loan Party.

SECTION 5.11. Termination of Lien under Existing Pledge and Guaranty Agreement. Upon consummation of the transactions contemplated by the Merger Agreement, and the refinancing of Indebtedness under the OpCo Credit Agreement, the Borrower shall deliver to the Lender promptly upon receipt from the office of the Secretary of State of the State of Delaware a copy of the filed UCC termination statement terminating the Liens created under the Existing Pledge and Guaranty Agreement.

SECTION 5.12. Merger.

(a) At the later of November 5, 2018, and the date of the termination of the Merger Agreement by any party thereto without the transactions contemplated thereby having been consummated, and subject to terms of such Securities, any restrictive agreements, and restrictions under federal and state securities laws, upon the written instruction of the Lender the Loan Parties shall use their best efforts to dispose of the OpCo Units to an alternate buyer (such process, an "Alternate Disposal"). Where a Loan Party enters into an agreement for the disposal of its direct or indirect Equity Interests in the 8point3 Group with a counterparty as part of an Alternate Disposal, it will assign its rights thereunder in favor of the Lender and the terms of any such agreement shall provide for cash consideration only and shall not permit the set-off of such consideration against any other obligations of such Loan Party or any of its Subsidiaries.

(b) If the Loan Parties are required to seek an Alternate Disposal and have not obtained a binding commitment from a buyer for an Alternate Disposal by February 28, 2019, upon the written instruction of the Lender the Loan Parties shall cause SunPower YC Holdings to effect an Exchange and initiate the process of selling the OpCo Units or (following an Exchange) the Class A Shares owned by SunPower YC Holdings, including providing or committing to provide the necessary support from SunPower Group in respect of continuing the operations for the 8point3 Group, in all cases subject to terms of such Securities, any restrictive agreements, and restrictions under federal and state securities laws.

SECTION 5.13. Cash Proceeds Account. The Borrower shall use the cash on deposit in the Cash Proceeds Account first to repay the Obligations in full and thereafter for any other purpose.

SECTION 5.14. Repayment of Term Loan. The Borrower shall pay to the Lender the then unpaid principal amount of the Term Loan no later than two (2) Business Days after receipt by SunPower Holdings of the OpCo Merger Consideration and the OpCo Merger 1 OpCo Distribution payable to it in respect of its OpCo Units.

SECTION 5.15. Further Assurances. Upon the reasonable request of the Lender at any time after the Effective Date, but subject to any applicable limitations set forth herein and in the other Loan Documents, the Loan Parties shall promptly execute and deliver or cause to be executed and delivered, at the cost and expense of the Loan Parties, such further instruments as may be necessary in the reasonable judgment of the Lender, to provide the Lender a First Priority Lien on the Collateral and any and all documents (including, without limitation, the execution, amendment or supplementation of any financing statement and continuation statement or other statement) for filing under the provisions of the UCC and the rules and regulations thereunder, or any other applicable law, and perform or cause to be performed such other ministerial acts which are reasonably necessary or advisable, from time to time, in order to grant, perfect and maintain in favor of the Lender the security interest in the Collateral contemplated hereunder and under the other Loan Documents.

ARTICLE VI

Negative Covenants

Each Loan Party party hereto covenants and agrees that, until the Commitment has expired or been terminated and all of the Obligations have been repaid in full:

SECTION 6.01. Limitations on Liens. No Loan Party shall, and shall not permit any of its Subsidiaries to, create or suffer to exist any Lien on (i) any of the Collateral other than Liens arising under the Loan Documents and Permitted Collateral Encumbrances, or (ii) any of its or their other assets or properties other than Permitted Encumbrances. SunPower YC Holdings shall not, after the consummation of the transactions contemplated by the Merger Agreement and the refinancing of Indebtedness under the OpCo Credit Agreement, create or suffer to exist a Lien on the collateral or other assets that had been subject to the Liens created under the Existing Pledge and Guaranty Agreement.

SECTION 6.02. Amendment of Merger Agreement. No Loan Party shall agree to amend or permit to be amended any term or provision of the Merger Agreement that could materially and adversely affect the amount or timing of payment of the OpCo Merger Consideration and the OpCo Merger 1 OpCo Distribution to be received by the SunPower Group under the Merger Agreement.

SECTION 6.03. Limitations on the Borrower. The Borrower shall not (a) incur any Indebtedness other than Indebtedness under this Agreement and the other Loan Documents or (b) own any material assets or engage in any business or activity other than (i) holding its Equity Interests in SunPower YC Holdings, (ii) those business activities it is engaged in on the Effective Date and other activities related or incidental thereto, and (iii) entering into and performing its obligations under the Loan Documents.

SECTION 6.04. Limitations on SunPower YC Holdings. The Borrower shall not permit SunPower YC Holdings to (a) incur any Indebtedness other than the Indebtedness incurred under the Loan Documents and the Existing Pledge and Guaranty Agreement, (b) transfer its Equity Interests in the 8point3 Group to another member of the SunPower Group, (c) merge with or into any other entity or (d) own any material assets or engage in any business or activity other than (i) holding its Equity Interests in the 8Point3 Group, (ii) entering into and performing its obligations under the Loan Documents, (iii) maintaining its corporate existence, and (iv) activities incidental to the businesses or activities described in clauses (i) through (iii) of this clause (d).

SECTION 6.05. Limitations on the Guarantor. The Guarantor shall not accept, in connection with any Alternate Disposal, any offer for the OpCo Units with gross consideration of less than the then outstanding amount of the Obligations without the prior written consent of the Lender.

SECTION 6.06. Exchange. No Loan Party shall cause or permit the exchange of the OpCo Units owned by SunPower YC Holdings into Class A Shares (the "Exchange") without the prior written consent of the Lender.

ARTICLE VII Events of Default

If any of the following events (each, an "Event of Default") shall occur and be continuing:

(a) the Borrower shall fail to pay the principal of the Term Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(b) the Borrower shall fail to pay any interest, fee or other amount payable under this Agreement or any other Loan Document, when and as the same shall become due and payable and such failure shall continue unremedied for a period of three (3) Business Days after the due date therefor;

(c) any representation or warranty made by any Loan Party (or any of their respective officers or other representatives) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made or deemed to have been made (unless, if the circumstances giving rise to such misrepresentation or

breach of warranty are capable of being remedied, the applicable Loan Party remedies such circumstances within thirty (30) days after receipt of notice to the Borrower from the Lender specifying such inaccuracy);

(d) any Loan Party shall fail to perform or observe any term, covenant, or agreement on its part to be performed or observed contained in Section 5.01(g), Section 5.02, Section 5.08, Section 5.10 or Article VI;

(e) any Loan Party shall fail to perform or observe any other term, covenant, or agreement contained herein or in any other Loan Document on its part to be performed or observed (not specified in paragraph (a), (b) or (d) above) and such failure shall remain unremedied for thirty (30) days after written notice thereof shall have been given to the Borrower by the Lender, except where such default cannot be reasonably cured within 30 days but can be cured within 60 days, such Loan Party has (i) during such 30-day period commenced and is diligently proceeding to cure the same and (ii) such default is cured within 60 days after the earlier of becoming aware of such failure and receipt of notice to the Borrower from the Lender specifying such failure;

(f) any Loan Party shall fail to pay (i) any obligation in respect of Indebtedness outstanding in a principal amount in excess of $70,000,000, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness or the maturity of such Indebtedness is accelerated; provided, however, that a written waiver of such failure by the Person to whom such Indebtedness is owed shall be a written waiver of the Event of Default resulting from such failure pursuant to this clause (f);

(g) the entry by a court having jurisdiction in the premises of (i) a decree or order for relief in respect of any Loan Party, the Partnership or OpCo in an involuntary case or proceeding under any applicable United States federal, state, or foreign bankruptcy, insolvency, reorganization, or other similar law or (ii) a decree or order adjudging any Loan Party, the Partnership or OpCo bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Loan Party, the Partnership or OpCo under any applicable United States federal, state, or foreign law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of any Loan Party, the Partnership or OpCo or ordering the winding up or liquidation of the affairs of any Loan Party, the Partnership or OpCo and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of sixty (60) consecutive days;

(h) the commencement by any Loan Party, the Partnership or OpCo of a voluntary case or proceeding under any applicable United States federal, state, or foreign bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by any Loan Party, the Partnership or OpCo to the entry of a decree or order for relief in respect of such Loan Party, the

Partnership or OpCo in an involuntary case or proceeding under any applicable United States federal, state, or foreign bankruptcy, insolvency, reorganization, or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by any Loan Party, the Partnership or OpCo of a petition or answer or consent seeking reorganization or relief under any applicable United States federal, state, or foreign law, or the consent by any Loan Party, the Partnership or OpCo to the filing of such petition or the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or similar official of any Loan Party, the Partnership or OpCo or of any substantial part of the property of, or the making by any Loan Party, the Partnership or OpCo of an assignment for the benefit of creditors, or the admission by any Loan Party, the Partnership or OpCo in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by any Loan Party, the Partnership or OpCo in furtherance of any such action;

(i) failure by any Loan Party to pay final non-appealable judgment, which (i) remains unpaid, undischarged and unstayed for a period of more than sixty (60) days after such judgment becomes final, and (ii) would have a Material Adverse Effect;

(j) the occurrence of a Change in Control;

(k) an ERISA Event occurs which results in the imposition or granting of security, or the incurring of a liability that individually and/or in the aggregate has or would have a Material Adverse Effect;

(l) the Guarantor shall repudiate, or assert the unenforceability of its guarantee obligations under Article IX, or Article IX shall for any reason not be in full force and effect;

(m) any Loan Party shall repudiate, or assert the unenforceability of, any Collateral Document or assert the invalidity of the Lien on any Collateral, or any Collateral Document shall for any reason not be in full force and effect;

(n) at any time after the execution and delivery of any Collateral Document, the Lender shall not have or cease to have a valid and perfected First Priority Lien on the Collateral purported to be covered by such Collateral Document (subject to any filing which may be necessary to perfect a Lien, which filing is pending), for any reason other than the failure of the Lender to take any action within its control;

(o) in the event that the Step-Up Date has occurred, the delisting of the Class A Shares of the Partnership from NASDAQ.

then, and in every such event (other than an event described in clause (g) or (h) of this Article VII), and at any time thereafter during the continuance of such event, the Lender may, by notice to the Borrower, take any of the following actions, at the same or different times: (i) terminate the Commitment and thereupon the Commitment shall terminate immediately and (ii) declare the principal amount of the Term Loan then outstanding to be

due and payable in whole (or in part, in which case any principal or other amount not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Term Loan so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that upon the occurrence of an event described in clause (g) or (h) of this Article VII, the Commitment shall automatically terminate and the principal of the Term Loan then outstanding, together with accrued interest thereon, and all fees and other obligations of the Borrower accrued hereunder shall automatically become due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, without further action of the Lender. Upon the occurrence and the continuance of an Event of Default, the Lender may exercise any rights and remedies provided to the Lender under the Loan Documents or at law or equity, including all remedies provided under the UCC.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows:

(i) if to the Borrower, to SunPower HoldCo, LLC at:

77 Rio Robles
San Jose, CA 95134
Attention: Manavendra Sial, Chief Financial Officer
Facsimile: 408-240-5417
E-mail: Manavendra.Sial@sunpowercorp.com

with a copy (which shall not constitute notice) to:

77 Rio Robles
San Jose, CA 95134
Attention: General Counsel
Facsimile: 408-240-5400

(ii) if to the Lender, to Crédit Agricole CIB at:

Crédit Agricole Corporate and Investment Bank
1301 Avenue of the Americas
New York, NY 10019

Attention: Bob Vaeth
Tel: 212-261-4139
E-mail: bob.vaeth@ca-cib.com
with a copy (which shall not constitute notice) to:

Crédit Agricole Corporate and Investment Bank
1301 Avenue of the Americas
New York, NY 10019
Attention: Jaikissoon Sanichar
Tel: 212-261-7644
E-mail: jaikissoon.sanichar@ca-cib.com

(b) All such notices and other communications (i) sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received or (ii) sent by facsimile shall be deemed to have been given when sent and when receipt has been confirmed by telephone, provided that if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient.

(c) Notices and other communications to the Lender hereunder may be delivered or furnished by electronic communications (including e-mail and internet or intranet websites) pursuant to procedures approved by the Lender; provided that the foregoing shall not apply to notices delivered pursuant to Section 5.01(g) unless otherwise agreed by the Lender. The Lender, the Borrower or the Guarantor may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications. All such notices and other communications (i) sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if not given during the normal business hours of the recipient, such notice or communication shall be deemed to have been given at the opening of business on the next Business Day for the recipient, and (ii) posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (b)(i) of notification that such notice or communication is available and identifying the website address therefor.

(d) Any party hereto may change its address or facsimile number or e-mail address for notices and other communications hereunder by notice to the other parties hereto.

SECTION 8.02. Waivers; Amendments. No failure or delay by the Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise

of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Lender hereunder and under any other Loan Document are cumulative and are not exclusive of any rights or remedies that it would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, to the extent permitted by law, the making of the Term Loan shall not be construed as a waiver of any Event of Default, regardless of whether the Lender may have had notice or knowledge of such Event of Default at the time.

(a) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except (i) in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Borrower and the Lender, or (ii) in the case of any other Loan Document (other than any such amendment to effectuate any modification thereto expressly contemplated by the terms of such other Loan Documents), pursuant to an agreement or agreements in writing entered into by the Lender and the Loan Party which is party thereto.

SECTION 8.03. Expenses; Indemnity; Damage Waiver. The Borrower agrees to pay on demand all reasonable and documented costs and expenses of the Lender (including the fees and expenses of Linklaters LLP as special counsel to the Lender to the extent previously agreed) in connection with the preparation, execution, delivery and administration of the Loan Documents.

(a) The Borrower shall indemnify the Lender and each Related Party thereof (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, penalties, liabilities and related expenses (including reasonable and documented fees and expenses of counsel), incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of the Loan Documents or any agreement or instrument contemplated thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any environmental liability related in any way to any Loan Party or any of its Subsidiaries or to any property owned or operated by any Loan Party or any of its Subsidiaries, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto (and regardless of whether such matter is initiated by a third party or by the Borrower or any of its Affiliates); provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, penalties, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. This Section 8.03(b) shall not apply with respect to Taxes

other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(b) To the extent permitted by applicable law, no party to this Agreement shall assert, and each hereby waives, any claim against any other party hereto or any Related Party thereof, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, the Term Loan or the use of the proceeds thereof; provided, however, that the foregoing provisions shall not relieve the Borrower of its indemnification obligations as provided herein to the extent any Indemnitee is found liable for any such damages.

SECTION 8.04. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) the Lender may not assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section (any attempted assignment or transfer not complying with the terms of this Section shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of the Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(a) (1) Subject to the conditions set forth in paragraph (b)(ii) below, the Lender may assign to one or more commercial banks, savings banks, financial institutions or other institutional investors all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment or the Term Loan at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of the Borrower, provided that no consent of the Borrower shall be required (1) for an assignment to an Eligible Assignee or (2) if an Event of Default has occurred and is continuing.

(i) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to an Eligible Assignee or an assignment of the entire remaining amount of the Lender’s Commitment or Term Loan, the amount of the Commitment or the principal amount of Term Loan of the Lender subject to each such assignment (determined as of the date the Assignment and Assumption)

shall be in a minimum amount of at least $5,000,000 unless the Borrower otherwise consents;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Guarantor an Assignment and Assumption; and

(D) the assignee, shall deliver on or prior to the effective date of such assignment, to the Lender and the Borrower the tax forms and other documentation required under Section 2.15(e).

(ii) Subject to the delivery thereof to the Guarantor, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of the Lender under this Agreement, and the assigning Lender shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, the assigning Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.14, 2.15 (subject to the requirements of Section 2.15) and 8.03 with respect to facts and circumstances occurring on or prior to the effective date of such assignment). Any assignment or transfer by the Lender of rights or obligations under this Agreement that does not comply with this Section 8.04 shall be treated for purposes of this Agreement as a sale by the Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iii) The Lender, acting for this purpose as a non-fiduciary agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the assignees, and the Commitment of, and principal amount of, and any interest on, the Term Loan owing to, the Lender and each assignee pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Borrower and the Lender shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower, at any reasonable time and from time to time upon reasonable prior notice.

(iv) Upon its receipt of a duly completed Assignment and Assumption executed by the Lender and an assignee and tax forms and other documentation required by Section 8.04(b)(ii)(D) and any written consent to such assignment required by paragraph (b) of this Section, the Borrower shall accept such Assignment and Assumption and the Lender shall record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 8.04.

(v) By executing and delivering an Assignment and Assumption, the Lender and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) the Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Commitment, and the outstanding balances of the Term Loan, without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Assumption, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto, or the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is an Eligible Assignee, legally authorized to enter into such Assignment and Assumption; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 3.04 or delivered pursuant to Section 5.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption; (v) such assignee will independently and without reliance upon the Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; and (vi) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(b) (1) The Lender may sell participations to one or more commercial banks, savings banks or other financial institutions or, with the consent of the Borrower (so long as no Event of Default has occurred and is continuing), other entities (a "Participant") in all or a portion of the Lender's rights and obligations under this Agreement (including all or a portion of its Commitment or the Term Loan or other Obligations owing to it); provided that (A) the Lender's obligations under this Agreement shall remain unchanged, (B) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (C) the Borrower shall continue to deal solely and directly with the

Lender in connection with the Lender's rights and obligations under this Agreement, (D) no such Participant shall be a "creditor" as defined in Regulation T or a "foreign branch of a broker-dealer" within the meaning of Regulation X, and (E) neither the Borrower nor any of its Affiliates shall be a Participant. Any agreement or instrument pursuant to which the Lender sells such a participation shall provide that the Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that the Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver having the effect of reducing or waiving any principal, interest or fees or extending the date for payment of the same that affects such Participant. Subject to paragraph (c) (ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 (subject to the requirements and limitations therein, including the requirements under Section 2.15(e) (it being understood that the tax forms and other documentation required under Section 2.15(e) shall be delivered to the Lender) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 8.08 as though it were a Lender (provided such Participant agrees to be subject to Section 2.17). If the Lender sells a participation, it shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain at one of its offices a register for the recordation of the names and addresses of each Participant and the principal amounts of, and stated interest on, each Participant's interest in the Term Loan or other obligations under this Agreement (the "Participant Register"); provided that the Lender shall not have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive, absent manifest error, and the Lender shall treat each Person whose name is recorded in the Participant Register pursuant to the terms hereof as the owner of such participation for all purposes of this Agreement, notwithstanding notice to the contrary.

(i) A Participant shall not be entitled to receive any greater payment under Section 2.13 or Section 2.15, with respect to any participation, than the Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 8.08 as though it were a Lender.

(c) The Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of the Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank or other governmental authority, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security

interest shall release the Lender from any of its obligations hereunder or substitute any such pledgee or assignee for the Lender as a party hereto.

(d) If the consent of the Borrower to an assignment is required hereunder, the Borrower shall be deemed to have given its consent fifteen (15) Business Days after the date notice thereof (which notice shall specify such fifteen-day notice period described herein) has been delivered by the Lender unless such consent is expressly refused by the Borrower prior to such fifteenth Business Day.

SECTION 8.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Lender and shall survive the execution and delivery of the Loan Documents and shall continue in full force and effect as long as the principal of or any accrued interest on the Term Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitment has not expired or terminated. The provisions of Sections 2.13, 2.14, 2.15 and 8.03 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Term Loan, and the termination hereof, the expiration or termination of the Commitment or the termination of this Agreement or any provision hereof.

SECTION 8.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents and any separate letter agreements with respect to fees payable to the Lender constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

SECTION 8.07. Severability. To the extent permitted by law, any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 8.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, the Lender and each of its Affiliates is hereby authorized at any time and from time to time after the Closing Date, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any

time owing by it to or for the credit or the account of the Borrower or the Guarantor. The Lender shall notify the Borrower of such set-off or application, provided that any failure to give or any delay in giving such notice shall not affect the validity of any such set-off or application under this Section. The rights of the Lender and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) which the Lender may have.

SECTION 8.09. Governing Law; Jurisdiction; Consent to Service of Process; Waiver of Jury Trial. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (OTHER THAN AS EXPRESSLY SET FORTH IN ANY OTHER LOAN DOCUMENT) SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THAT WOULD REQUIRE APPLICATION OF ANOTHER LAW.

(a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any New York state court or federal court of the United States of America sitting in the Borough of Manhattan in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York state court or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents to which it is a party in any New York state or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court sitting in the Borough of Manhattan in New York City.

(c) To the extent permitted by law, each party to this Agreement hereby irrevocably waives personal service of any and all process upon it and agrees that all such service of process may be made by express or overnight mail or courier, postage prepaid, directed to it at its address for notices as provided for in Section 8.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(d) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN TRANSACTION OR THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party hereto acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this Agreement, and that each will continue to rely on this waiver in their related future dealings. Each party hereto further warrants and represents that it has reviewed this waiver with its legal counsel and that it knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 8.09(e) AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE LOANS MADE HEREUNDER. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

SECTION 8.10. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 8.11. Confidentiality. The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, trustees, officers, employees and agents, including accountants, insurance providers, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory, governmental or administrative authority or any self-regulatory body, (c) to the extent required by law or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (ii) any pledgee referred to in Section 8.04(d) or (iii) any actual or prospective counterparty (or its advisors) to

any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Lender on a nonconfidential basis from a source other than the Loan Parties. For the purposes of this Section, "Information" means all information received from the Loan Parties relating to the Loan Parties or their businesses, or the Transactions other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by the Loan Parties. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 8.12. Nonreliance; Violation of Law. The Lender hereby represents that (a) it is not relying on or looking to any Margin Stock for the repayment of the Borrowing provided for herein and (b) it is not and will not become a "creditor" as defined in Regulation T or a "foreign branch of a broker-dealer" within the meaning of Regulation X. Anything contained in this Agreement to the contrary notwithstanding, the Lender shall not be obligated to extend credit to the Borrower in violation of any Requirement of Law.

SECTION 8.13. USA PATRIOT Act. The Lender is subject to the requirements of the USA PATRIOT Act and hereby notifies the Loan Parties that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of the Loan Parties and other information that will allow the Lender to identify the Loan Parties in accordance with the USA PATRIOT Act.

SECTION 8.14. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any of the Obligations, together with all fees, charges and other amounts which are treated as interest on such Obligations under applicable law (collectively, the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender in accordance with applicable law, the rate of interest payable in respect of such Obligations or participation hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Obligations or participation but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to the Lender in respect of other Obligations or participations or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by the Lender.

SECTION 8.15. Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

ARTICLE IX

Guaranty

SECTION 9.01. Guaranty of Obligations.

(a) The Guarantor irrevocably and unconditionally guaranties, as primary obligor and not merely as surety, the due and punctual payment in full of all Guarantied Obligations when the same shall become due, whether at stated maturity, by acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code).

(b) Any interest on any portion of the Guarantied Obligations that accrues after the commencement of any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of the Borrower (or, if interest on any portion of the Guarantied Obligations ceases to accrue by operation of law by reason of the commencement of said proceeding, such interest as would have accrued on such portion of the Guarantied Obligations if said proceeding had not been commenced) shall be included in the Guarantied Obligations because it is the

intention of the Guarantor and the Lender that the Guarantied Obligations should be determined without regard to any rule of law or order that may relieve the Borrower of any portion of such Guarantied Obligations.

(c) In the event that all or any portion of the Guarantied Obligations is paid by the Borrower, this Guaranty shall be reinstated in the event that all or any part of such payment(s) is rescinded or recovered directly or indirectly from the Lender as a preference, fraudulent transfer or otherwise, and any such payments that are so rescinded or recovered shall constitute Guarantied Obligations.

(d) Subject to the other provisions of this Section 9.01, upon the failure of the Borrower to pay any of the Guarantied Obligations when and as the same shall become due, the Guarantor will upon demand pay, or cause to be paid, in cash, to the Lender an amount equal to the aggregate of the unpaid Guarantied Obligations.

SECTION 9.02. Guaranty Absolute; Continuing Guaranty. The Guarantor agrees that its obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full of the Guarantied Obligations. In furtherance of the foregoing and without limiting the generality thereof, the Guarantor agrees that: (a) this Guaranty is a guaranty of payment when due and not of collectability; (b) the Lender may enforce this Guaranty upon the occurrence and during the continuance of an Event of Default notwithstanding the existence of any dispute between the Borrower and the Lender with respect to the existence of such event (and without prejudice to the existence of such dispute); (c) the obligations of the Guarantor hereunder are independent of the obligations of the Borrower under the Loan Documents and a separate action or actions may be brought and prosecuted against the Guarantor whether or not any action is brought against the Borrower and whether or not the Borrower is joined in any such action or actions; and (d) the Guarantor's payment of a portion, but not all, of the Guarantied Obligations shall in no way limit, affect, modify or abridge the Guarantor's liability for any portion of the Guarantied Obligations that has not been paid. This Guaranty is a continuing guaranty and shall be binding upon the Guarantor and its successors and assigns, and the Guarantor irrevocably waives any right to revoke this Guaranty as to future transactions giving rise to any Guarantied Obligations.

SECTION 9.03. Actions by the Lender. The Lender may from time to time, without notice or demand and without affecting the validity or enforceability of this Guaranty or giving rise to any limitation, impairment or discharge of the Guarantor's liability hereunder, (a) renew, extend, accelerate or otherwise change the time, place, manner or terms of payment of the Guarantied Obligations in accordance with their terms, (b) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Guarantied Obligations or any agreement relating thereto and/or subordinate the payment of the same to the payment of any other obligations, (c) request and accept other guaranties of the Guarantied Obligations and take and hold security for the payment of this Guaranty or the Guarantied Obligations, (d) release, exchange, compromise,

subordinate or modify, with or without consideration, any security for payment of the Guarantied Obligations, any other guaranties of the Guarantied Obligations, or any other obligation of any Person with respect to the Guarantied Obligations, (e) enforce and apply any security now or hereafter held by or for the benefit of itself in respect of this Guaranty or the Guarantied Obligations and direct the order or manner of sale thereof, or exercise any other right or remedy that the Lender may have against any such security, as the Lender in its discretion may determine in accordance with the Loan Documents, including foreclosure on any such security pursuant to one or more judicial or non-judicial sales, whether or not every aspect of any such sale is commercially reasonable, and (f) exercise any other rights available to the Lender under the Loan Documents.

SECTION 9.04. No Discharge. This Guaranty and the obligations of the Guarantor hereunder shall be valid and enforceable and shall not be subject to any limitation, impairment or discharge for any reason (other than payment in full of the Guarantied Obligations), including without limitation the occurrence of any of the following, whether or not the Guarantor shall have had notice or knowledge of any of them: (a) any failure to assert or enforce or agreement not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy with respect to the Guarantied Obligations or any agreement relating thereto, or with respect to any other guaranty of or security for the payment of the Guarantied Obligations, (b) any waiver or modification of, or any consent to departure from, any of the terms or provisions of this Agreement, any of the other Loan Documents, or any agreement or instrument executed pursuant thereto, or of any other guaranty or security for the Guarantied Obligations, in each case in accordance with their respective terms, (c) the Guarantied Obligations, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect, (d) the application of payments received from any source to the payment of indebtedness other than the Guarantied Obligations, even though the Lender might have elected to apply such payment to any part or all of the Guarantied Obligations, (e) any failure to perfect or continue perfection of a security interest in any collateral which secures any of the Guarantied Obligations, (f) any defenses, set-offs or counterclaims which the Borrower may assert against the Lender in respect of the Guarantied Obligations, including but not limited to failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction and usury (other than payment in full of the Guaranteed Obligations), and (g) any other act or thing or omission, or delay to do any other act or thing, which may or might in any manner or to any extent vary the risk of the Guarantor as an obligor in respect of the Guarantied Obligations.

SECTION 9.05. Waivers by the Guarantor. The Guarantor waives, for the benefit of the Lender: (a) any right to require the Lender, as a condition of payment or performance by the Guarantor, to (i) proceed against the Borrower or any other Person, (ii) proceed against or exhaust any security held from the Borrower or any other Person, (iii) proceed against or have resort to any balance of any deposit account or credit on the books of the Lender in favor of the Borrower or any other Person, or (iv) pursue any other remedy in the power of the Lender; (b) any defense arising by reason of the incapacity,

lack of authority or any disability or other defense of the Borrower including, without limitation, any defense based on or arising out of the lack of validity or the unenforceability of the Guarantied Obligations or any agreement or instrument relating thereto or by reason of the cessation of the liability of the Borrower from any cause other than payment in full of the Guarantied Obligations; (c) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal; (d) any defense based upon the Lender's errors or omissions in the administration of the Guarantied Obligations, except behavior that amounts to bad faith; (e) (i) any principles or provisions of law, statutory or otherwise, that are or might be in conflict with the terms of this Guaranty and any legal or equitable discharge of the Guarantor's obligations hereunder, (ii) the benefit of any statute of limitations affecting the Guarantor's liability hereunder or the enforcement hereof, (iii) any rights to set-offs, recoupments and counterclaims, and (iv) promptness, diligence and any requirement that the Lender protect, secure, perfect or insure any Lien or any property subject thereto; (f) notices, demands, presentments, protests, notices of protest, notices of dishonor and notices of any action or inaction, including acceptance of this Guaranty, notices of default under this Agreement, or any agreement or instrument related thereto, notices of any renewal, extension or modification of the Guarantied Obligations or any agreement related thereto, notices of any extension of credit to the Borrower and notices of any of the matters referred to in Sections 9.03 and 9.04 and any right to consent to any thereof; and (g) to the fullest extent permitted by law, any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms of this Guaranty.

SECTION 9.06. The Guarantor's Rights of Subrogation, Contribution, Etc.; Subordination of Other Obligations.

(a) Until the Guarantied Obligations shall have been paid in full and the Commitment shall have terminated, the Guarantor shall withhold exercise of any claim, right or remedy, direct or indirect, that the Guarantor now has or may hereafter have against the Borrower or any of its assets in connection with this Guaranty or the performance by the Guarantor of its obligations hereunder, in each case whether such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise and including without limitation (i) any right of subrogation, reimbursement or indemnification that the Guarantor now has or may hereafter have against the Borrower, (ii) any right to enforce, or to participate in, any claim, right or remedy that the Lender now has or may hereafter have against the Borrower, and (iii) any benefit of, and any right to participate in, any collateral or security now or hereafter held by the Lender. The Guarantor further agrees that, to the extent the agreement to withhold the exercise of its rights of subrogation, reimbursement, indemnification and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement or indemnification the Guarantor may have against the Borrower or against any collateral or security shall be junior and subordinate to any rights the Lender may have against the Borrower and to all right, title and interest the Lender may have in any such collateral or security.

(b) Any indebtedness of the Borrower now or hereafter held by the Guarantor is subordinated in right of payment to the Guarantied Obligations, and any such indebtedness of the Borrower to the Guarantor collected or received by the Guarantor after an Event of Default has occurred and is continuing and the Lender has given written notice that such amounts should be paid over to the Lender, and any amount paid to the Guarantor on account of any subrogation, reimbursement, indemnification or contribution rights referred to in the preceding paragraph when all Guarantied Obligations have not been paid in full, shall be held in trust for the Lender and shall forthwith be paid over to the Lender to be credited and applied against the Guarantied Obligations.

SECTION 9.07. Financial Condition of the Borrower. The Lender shall have no obligation, and the Guarantor waives any duty on the part of the Lender, to disclose or discuss with the Guarantor its assessment, or the Guarantor's assessment, of the financial condition of the Borrower or any matter or fact relating to the business, operations or condition of the Borrower. The Guarantor has adequate means to obtain information from the Borrower on a continuing basis concerning the financial condition of the Borrower and its ability to perform its obligations under the Loan Documents, and the Guarantor assumes the responsibility for being and keeping informed of the financial condition of the Borrower and of all circumstances bearing upon the risk of non-payment of the Guarantied Obligations.

SECTION 9.08. Set-off. In addition to any other rights the Lender may have under law or in equity, if any amount shall at any time be due and owing by the Guarantor to the Lender under this Guaranty, the Lender is authorized at any time or from time to time, without notice (any such notice being expressly waived), to set off and to appropriate and to apply any and all deposits (general or special, including but not limited to indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness of the Lender owing to the Guarantor and any other property of the Guarantor held by the Lender to or for the credit or the account of the Guarantor against and on account of the Guarantied Obligations and liabilities of the Guarantor to the Lender under this Guaranty.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SUNPOWER HOLDCO, LLC, as Borrower
By: SunPower Corporation, its sole member

By: _____
Name:
Title:

SUNPOWER CORPORATION, as Guarantor

By: _____
Name:
Title:

CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, as Lender

by

_____

Name:

Title:

by

_____

Name:

Title:

EXHIBIT A

FORM OF COMPLIANCE CERTIFICATE

THE UNDERSIGNED FINANCIAL OFFICER (TO HIS OR HER KNOWLEDGE AND IN HIS OR HER CAPACITY AS A FINANCIAL OFFICER OF SUNPOWER CORPORATION, A DELAWARE CORPORATION, AND NOT INDIVIDUALLY) HEREBY CERTIFIES ON BEHALF OF SUNPOWER CORPORATION, IN ITS OWN CAPACITY AND IN ITS CAPACITY AS THE SOLE MEMBER OF SUNPOWER HOLDCO, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AS OF THE DATE HEREOF THAT:

1. I am the duly elected [Chief Financial Officer] of SunPower Corporation, a Delaware corporation (the "Guarantor"), which is the sole member of SunPower Holdco, LLC, a Delaware corporation (the "Borrower");

2. This compliance certificate (this "Certificate") is delivered pursuant to Section 5.01(e) of that certain Term Credit Agreement, dated as of May 22, 2018 (the "Credit Agreement"), by and among the Borrower, the Guarantor and Crédit Agricole Corporate and Investment Bank, as the Lender. All capitalized terms used and not otherwise defined herein have the meanings given to them in the Credit Agreement.

3. I have no knowledge of the existence of any Event of Default at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate.

4. Set forth on a separate attachment to this Certificate are calculations demonstrating (or a certificate showing such calculations) the Leverage Ratio as of the last day of the most recent fiscal quarter of 8point3 Operating Company, LLC.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Certificate has been executed as of _____.

SUNPOWER CORPORATION, acting in its own capacity and in its capacity as the sole member of the SunPower Holdco, LLC, which is the sole member of SunPower YC Holdings

By: _____

Name:

Title:

EXHIBIT B

FORM OF CLOSING DATE CERTIFICATE

May 22, 2018

I, _____, hereby certify to Crédit Agricole Corporate and Investment Bank, as the lender (the "**Lender**") under the Term Credit Agreement, dated as of May 22, 2018 (the "**Credit Agreement**"), by and among SunPower Holdco, LLC, a Delaware limited liability company (the "**Borrower**"), SunPower Corporation, a Delaware corporation (the "**Guarantor**"), and the Lender, that I am the duly elected, qualified and acting [Chief Financial Officer] of the Guarantor, acting in its own capacity and in its capacity as the sole member of the Borrower, and solely in my capacity as an officer of the Guarantor and not in my individual capacity, do hereby certify to the Lender as follows (capitalized terms used but not defined herein have the meanings ascribed thereto in the Credit Agreement):

1. The representations and warranties contained in Article III of the Credit Agreement and each other Loan Document are correct in all material respects on and as of the date hereof.

2. No Event of Default, or event or condition that would constitute an Event of Default but for the requirement that notice be given or time elapse or both, has occurred and is continuing.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Certificate has been executed as of _____.

By: _____
Name:
Title:

EXHIBIT C

FORM OF BORROWING REQUEST

Pursuant to that certain Term Credit Agreement, dated as of May 22, 2018 (as so amended, supplemented or otherwise modified from time to time, the "Credit Agreement"; the terms defined therein and not otherwise defined herein being used herein as therein defined), by and among SunPower Holdco, LLC, a Delaware limited liability company (the "Borrower"), SunPower Corporation, a Delaware corporation, as the Guarantor, and Crédit Agricole Corporate and Investment Bank, as the Lender, this represents the Borrower's request to borrow as follows:

1. Date of borrowing: _____, 20__

2. Amount of borrowing: $_____

3. Type of borrowing:

   [ ] a. ABR Borrowing
   [ ] b. LIBO Rate Borrowing

The proceeds of the Borrowing are to be deposited in the account at [see attached].
The undersigned officer (to the best of his or her knowledge and in his or her capacity as an officer, and not individually) and the Borrower certify that:

The representations and warranties set forth in Article III of the Credit Agreement and in each other Loan Document are true and correct in all material respects on and as of the date hereof with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects on and as of such earlier date; provided that, in each case, such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof.

As of the date hereof, no Event of Default, or event or condition that would constitute an Event of Default described in Article VII of the Credit Agreement but for the requirement that notice be given or time elapse or both, has occurred and is continuing or would result from such issuance, extension or increase, shall have occurred and be continuing.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Borrowing Request has been executed as of _____.

SUNPOWER HOLDCO, LLC
By: SunPower Corporation, its sole member

_____

_____
Name:
Title:

EXHIBIT D

FORM OF PROMISSORY NOTE

$_____ _____, 20__

FOR VALUE RECEIVED, SunPower Holdco, LLC, a Delaware limited liability company (the "Borrower"), hereby promises to pay to the order of Crédit Agricole Corporate and Investment Bank (the "Lender") the principal sum of _____ ($____) or, if less, the then unpaid principal amount of the Term Loan (such term and each other capitalized term used herein without definition shall have the meanings ascribed thereto in the Credit Agreement referred to below) made by the Lender to the Borrower pursuant to the Credit Agreement, in Dollars and in immediately available funds, at the office of the Lender designated for payment (the "Payment Office"), on the dates and in the amounts specified in the Credit Agreement.

The Borrower also promises to pay interest in like currency and funds at the Payment Office on the unpaid principal amount of the Term Loan made by the Lender from the date of the Term Loan until repaid in full on the Repayment Date.

This Promissory Note is issued pursuant to and is entitled to the benefits of the Credit Agreement, dated as of May 22, 2018, among the Borrower, SunPower Corporation, a Delaware corporation, as the Guarantor, and the Lender (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement"). As provided in the Credit Agreement, this Promissory Note is subject to mandatory repayment prior to the Repayment Date, in whole or in part.

In case an Event of Default shall occur and be continuing, the principal of and accrued interest on this Promissory Note may be declared to be due and payable in the manner and with the effect provided in the Credit Agreement.

The Borrower hereby waives diligence, presentment, demand, protest and notice of every kind and, to the full extent permitted by law, the right to plead any statute of limitations as a defense to any demand hereunder, except as expressly set forth in the Credit Agreement. No failure to exercise, or delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of any such rights.

THIS PROMISSORY NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THAT WOULD REQUIRE APPLICATION OF ANOTHER LAW.

SUNPOWER HOLDCO, LLC
By: SunPower Corporation, its sole member

_____

_____

Name:
Title:

EXHIBIT E

FORM OF OPINION

JONES DAY

SILICON VALLEY OFFICE • 1755 EMBARCADERO ROAD • PALO ALTO, CALIFORNIA 94303
TELEPHONE: +1.650.739.3939 • FACSIMILE: +1.650.739.3900

May [22], 2018

To: The Lender under
the Credit Agreement (as defined below)

Re: SunPower HoldCo, LLC Term Credit Agreement

Ladies/Gentlemen:

We have acted as special New York counsel to SunPower HoldCo, LLC, a Delaware limited liability company (the "Borrower"), SunPower YC Holdings, LLC, a Delaware limited liability company ("SunPower YC"), and SunPower Corporation, a Delaware corporation (the "Guarantor"), in connection with the transactions contemplated pursuant to the Term Credit Agreement, dated as of May [22], 2018 (the "Credit Agreement"), among the Borrower, the Guarantor, and Crédit Agricole Corporate and Investment Bank, as lender (the "Lender"). The Borrower, SunPower YC and the Guarantor are sometimes referred to herein individually as a "Transaction Party" and collectively as the "Transaction Parties."

The Article 9 Collateral (defined below) in which a Transaction Party has rights is referred to herein as the "Article 9 Collateral." This opinion letter is delivered to you at the request of the Borrower and pursuant to Section 4.01(b) of the Credit Agreement. Capitalized terms used herein and not otherwise defined herein have the meanings assigned to such terms in the Credit Agreement. The Uniform Commercial Code, as amended and in effect in the State of New York on the date hereof, is referred to herein as the "NY UCC." The Uniform Commercial Code, as amended and in effect in the State of Delaware on the date hereof, is referred to herein as the "DE UCC." The NY UCC and the DE UCC are referred to herein, collectively, as the "UCC." With your permission, all assumptions and statements of reliance herein have been made without any independent investigation or verification on our part except to the extent, if any, otherwise expressly stated, and we express no opinion with respect to the subject matter or accuracy of the assumptions or items upon which we have relied.

I.

In connection with the opinions expressed herein, we have examined such documents, records and matters of law as we have deemed necessary for the purposes of such opinions. We have examined, among other documents, the following:

(1) an executed copy of the Credit Agreement;

(2) an executed copy of the Pledge Agreement (SunPower YC Holdings), dated as of May [22], 2018, between SunPower YC and the Lender (the "YC Pledge");

(3) an executed copy of the Pledge Agreement (Borrower), dated as of May [22], 2018, between the Borrower and the Lender (the "Borrower Pledge"; and together with the YC Pledge, the "Security Agreements");

(4) unfiled copies of financing statements respectively naming the Borrower and SunPower YC as debtor and the Lender as secured party (the "Delaware Financing Statements"), a copy of each of which is attached hereto as Exhibits A-1 through A-2, which Delaware Financing Statements we understand will be filed by the Lender in the office of the Secretary of State of the State of Delaware (such office, the "Delaware Filing Office");

(5) a copy of the Certificate of Formation of the Borrower certified by the Secretary of State of the State of Delaware on May [__], 2018 and certified to us by an officer of the Borrower as being complete and correct and in full force and effect as of the date hereof;

(6) a copy of the Certificate of Formation of SunPower YC certified by the Secretary of State of the State of Delaware on May [__], 2018 and certified to us by an officer of SunPower YC as being complete and correct and in full force and effect as of the date hereof;

(7) a copy of the Certificate of Incorporation of the Guarantor certified by the Secretary of State of the State of Delaware on May [__], 2018 and certified to us by an officer of the Guarantor as being complete and correct and in full force and effect as of the date hereof;

(8) the Limited Liability Company Agreement of the Borrower, certified to us by an officer of the Borrower as being complete and in full force and effect as of the date of this opinion;

(9) the Limited Liability Company Agreement of SunPower YC, certified to us by an officer of SunPower YC as being complete and in full force and effect as of the date of this opinion;

(10) the Bylaws of the Guarantor, certified to us by an officer of the Guarantor as being complete and in full force and effect as of the date of this opinion;

(11) a copy of a certificate, dated May [__], 2018, of the Secretary of State of the State of Delaware as to the existence and good standing of the Borrower in the State of Delaware as of such date;

(12) a copy of a certificate, dated May [__], 2018, of the Secretary of State of the State of Delaware as to the existence and good standing of SunPower YC in the State of Delaware as of such date; and

(13) a copy of a certificate, dated May [__], 2018, of the Secretary of State of the State of Delaware as to the existence and good standing of the Guarantor in the State of Delaware as of such date.

Each of the good standing certificates described in items (11) through (13) above is referred to herein as a "Good Standing Certificate." In addition, as used herein "security interest" means "security interest" (as defined in Section 1-201(37) of the NY UCC).

In all such examinations, we have assumed the legal capacity of all natural persons executing documents, the genuineness of all signatures, the authenticity of original and certified documents and the conformity to original or certified copies of all copies submitted to us as conformed or reproduction copies. As to various questions of fact relevant to the opinions expressed herein, we have relied upon, and assume the accuracy of, representations and warranties contained in the Credit Agreement, the Security Agreements and certificates and oral or written statements and other information of or from representatives of the Transaction Parties and others and assume compliance on the part of each of the Transaction Parties with its covenants and agreements contained therein. In connection with the opinions expressed in the first sentence of paragraph (a) below, we have relied solely upon the Good Standing Certificates as to the factual matters and legal conclusions set forth therein. With respect to the opinions expressed in clause (i) in paragraph (a) below and clauses (ii) and (iv) of paragraph (b) below, our opinions are limited to those laws and regulations that, in our experience, are normally applicable to transactions of the type contemplated by the Credit Agreement and the Security Agreements.

II.

Based upon the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, we are of the opinion that:

(a) Each Transaction Party is validly existing in good standing under the laws of the State of Delaware as of the date of its respective Good Standing Certificate. Each Transaction Party has the corporate or limited liability company, as applicable, power and

authority to enter into and to incur and perform its obligations under the Credit Agreement and Security Agreements to which it is a party.

(b) The execution and delivery to the Lender by each Transaction Party of the Credit Agreement and each Security Agreement to which it is a party and the performance by such Transaction Party of its obligations thereunder, and the granting by each Transaction Party of the security interests provided for in the Security Agreements, (i) have been authorized by all necessary corporate or limited liability company action, as applicable, in respect of such Transaction Party, (ii) do not require under present law, or present regulation of any governmental agency or authority, of the State of New York or the United States of America, any filing or registration by such Transaction Party with, or approval or consent to such Transaction Party of, any governmental agency or authority of the State of New York or the United States of America that has not been made or obtained except those required in the ordinary course of business in connection with the performance by such Transaction Party of its obligations under certain covenants contained in the Credit Agreement and each Security Agreements to which it is a party and to perfect security interests, if any, granted by such Transaction Party thereunder and pursuant to securities and other laws that may be applicable to the disposition of any collateral subject thereto and filings, registrations, consents or approvals in each case not required to be made or obtained by the date hereof, (iii) do not contravene any provision of the Certificate of Incorporation, Bylaws or Certificate of Formation or Limited Liability Company Agreement, as applicable, of such Transaction Party, (iv) do not violate any present law, or present regulation of any governmental agency or authority, of the State of New York, the State of Delaware, or the United States of America applicable to such Transaction Party or its property, and (v) do not constitute or result in a violation or breach of or a default under the Amended and Restated Revolving Credit Agreement, dated as of June 23, 2017, by and among the Guarantor, the lenders party thereto and the Lender, in its capacity as administrative agent and security agent for such lenders (the "Revolving Credit Agreement").

(c) The Credit Agreement and each Security Agreement have been duly executed and delivered on behalf of each Transaction Party signatory thereto.

(d) The Credit Agreement and each Security Agreement constitutes a valid and binding obligation of each Transaction Party signatory thereto, enforceable against such Transaction Party in accordance with its terms.

(e) Each Security Agreement creates in favor of the Lender, as security for the Obligations, a security interest in each Transaction Party's rights in the Collateral (as defined in the Security Agreement) to which Article 9 of the NY UCC is applicable (the "Article 9 Collateral").

(f) Upon the effective filing of the Delaware Financing Statements with the Delaware Filing Office, the Lender will have a perfected security interest in that portion of the Delaware Article 9 Collateral in which a security interest may be perfected by filing an initial financing statement with the Delaware Filing Office under the DE UCC.

(g) The borrowings by the Borrower under the Credit Agreement and the application of the proceeds thereof as provided in the Credit Agreement will not violate Regulation T, U or X of the Board of Governors of the Federal Reserve System (the "Margin Regulations").

(h) The Transaction Parties are not required to register as an "investment company" (under, and as defined in, the Investment Company Act of 1940, as amended.

III.

The opinions set forth above are subject to the following qualifications and limitations:

(A) Our opinions in paragraph (d) above are subject to (i) applicable bankruptcy, insolvency, reorganization, fraudulent transfer and conveyance, voidable preference, moratorium, receivership, conservatorship, arrangement or similar laws, and related regulations and judicial doctrines, from time to time in effect affecting creditors' rights and remedies generally, (ii) general principles of equity (including, without limitation, standards of materiality, good faith, fair dealing and reasonableness, equitable defenses, the exercise of judicial discretion and limits on the availability of equitable remedies), whether such principles are considered in a proceeding at law or in equity, and (iii) the qualification that certain provisions of the Credit Agreement and each Security Agreement may be unenforceable in whole or in part under the laws (including judicial decisions) of the State of New York or the United States of America, but the inclusion of such provisions does not affect the validity as against the Transaction Parties party thereto of the Credit Agreement and each Security Agreement as a whole, and the Credit Agreement and the Security Agreements contain adequate provisions for enforcing payment of the obligations governed thereby and otherwise for the practical realization of the principal benefits provided by the Credit Agreement and the Security Agreements, in each case subject to the other qualifications contained in this letter.

(B) We express no opinion as to the enforceability of any provision in the Credit Agreement or the Security Agreements:

(i) providing that any person or entity may sell or otherwise dispose of, or purchase, any collateral subject thereto, or enforce any other right or remedy thereunder (including without limitation any self-help or taking-possession remedy), except in compliance with the NY UCC and other applicable laws;

(ii) establishing standards for the performance of the obligations of good faith, diligence, reasonableness and care prescribed by applicable law or of any of the rights or duties referred to in Section 9-603 of the NY UCC;

(iii) relating to indemnification, contribution or exculpation in connection with violations of any securities laws or statutory duties or public

policy, or in connection with willful, reckless or unlawful acts or gross negligence of the indemnified or exculpated party or the party receiving contribution;

(iv) providing that any person or entity may exercise set-off rights other than with notice and otherwise in accordance with and pursuant to applicable law;

(v) relating to choice of governing law to the extent that the enforceability of any such provision is to be determined by any court other than a court of the State of New York or may be subject to constitutional limitations;

(vi) waiving any rights to trial by jury;

(vii) purporting to confer, or constituting an agreement with respect to, subject matter jurisdiction of United States federal courts to adjudicate any matter;

(viii) purporting to create a trust or other fiduciary relationship;

(ix) specifying that provisions thereof may be waived only in writing, to the extent that an oral agreement or an implied agreement by trade practice or course of conduct has been created that modifies any provision of the Credit Agreement or any Security Agreement;

(x) giving any person or entity the power to accelerate obligations or to foreclose upon collateral without any notice to the obligor;

(xi) providing for the performance by any guarantor of any of the nonmonetary obligations of any person or entity not controlled by such guarantor;

(xii) granting or purporting to create a power of attorney, and we express no opinion as to the effectiveness of any power of attorney granted or purported to be created under the Credit Agreement or any Security Agreement;

(xiii) providing for restraints on alienation of property and purporting to render transfers of such property void and of no effect or prohibiting or restricting the assignment or transfer of property or rights to the extent that any such prohibition or restriction is ineffective pursuant to Sections 9-406 through 9-409 of the NY UCC; or

(xiv) providing for liquidated damages, make-whole or other prepayment premiums or similar payments, default interest rates, late charges or other economic remedies to the extent a court were to determine that any such economic remedy is not reasonable and therefore constitutes a penalty.

(C) Our opinions as to enforceability are subject to the effect of generally applicable rules of law that:

(i) provide that forum selection clauses in contracts are not necessarily binding on the court(s) in the forum selected; and

(ii) may, where less than all of a contract may be unenforceable, limit the enforceability of the balance of the contract to circumstances in which the unenforceable portion is not an essential part of the agreed exchange, or that permit a court to reserve to itself a decision as to whether any provision of any agreement is severable.

(D) We express no opinion as to the enforceability of any purported waiver, release, variation, disclaimer, consent or other agreement to similar effect (all of the foregoing, collectively, a "Waiver") by the Borrower under the Credit Agreement and each Security Agreement to the extent limited by applicable law (including judicial decisions), or to the extent that such a Waiver applies to a right, claim, duty or defense or a ground for, or a circumstance that would operate as, a discharge or release otherwise existing or occurring as a matter of law (including judicial decisions), except to the extent that such a Waiver is effective under and is not prohibited by or void or invalid under applicable law.

(E) Our opinions in paragraphs (e) and (f) are subject to the following assumptions, qualifications and limitations:

(i) Any security interest in the proceeds of collateral is subject in all respects to the limitations set forth in Section 9-315 of the NY UCC.

(ii) We express no opinion as to the nature or extent of the rights, or the power to transfer rights, of any Transaction Party in, or title of any Transaction Party to, any collateral under any of the Security Agreements, or property purporting to constitute such collateral, or the value, validity or effectiveness for any purpose of any such collateral or purported collateral, and we have assumed that each Transaction Party has sufficient rights in, or power to transfer rights in, all such collateral or purported collateral for the security interests provided for under the Security Agreements to attach.

(iii) We express no opinion as to the priority of any pledge, security interest, assignment for security, lien or other encumbrance, as the case may be, that may be created or purported to be created under the Security Agreements. Other than as expressly noted in paragraph (f) above, we express no opinion as to the perfection of, and other than as expressly noted in paragraph (e) above, we express no opinion as to the creation, validity or enforceability of, any pledge, security interest, assignment for security, lien or other encumbrance, as the case may be, that may be created or purported to be created under the Security Agreements.

(iv) In the case of property that becomes collateral under the Security Agreements after the date hereof, Section 552 of the United States Bankruptcy

Code limits the extent to which property acquired by a debtor after the commencement of a case under the United States Bankruptcy Code may be subject to a lien arising from a security agreement entered into by the debtor before the commencement of such case.

(v) We express no opinion as to the enforceability of the security interests under the Security Agreements in any item of collateral subject to any restriction on or prohibition against transfer contained in or otherwise applicable to such item of collateral or any contract, agreement, license, permit, security, instrument or document constituting, evidencing or relating to such item, except to the extent that any such restriction is rendered ineffective pursuant to any of Section 9-401 or Sections 9-406 through 9-409, inclusive, of the NY UCC.

(vi) We call to your attention that Article 9 of the DE UCC and the NY UCC requires the filing of continuation statements within the period of six months prior to the expiration of five years from the date of original filing of financing statements under the DE UCC and the NY UCC in order to maintain the effectiveness of such financing statements and that additional financing statements may be required to be filed to maintain the perfection of security interests if the debtor granting such security interests makes certain changes to its name, or changes its location (including through a change in its jurisdiction of organization) or the location of certain types of collateral, all as provided in the UCC.

(vii) We call to your attention that an obligor (as defined in the NY UCC) other than a debtor may have rights under Part 6 of Article 9 of the NY UCC.

(viii) We have assumed that each Transaction Party is organized solely under the laws of the state identified as such Transaction Party's jurisdiction of organization in the certified organizational document of and Good Standing Certificate for such Transaction Party.

(F) For purposes of our opinions in paragraph (d) above, we have assumed that the obligations of SunPower YC under the YC Pledge are, and would be deemed by a court of competent jurisdiction to be, necessary or convenient to the conduct, promotion or attainment of its business.

(G) To the extent it may be relevant to the opinions expressed herein, we have assumed that (i) the Lender has the power to enter into and perform its obligations under the Credit Agreement and the Security Agreements and to consummate the transactions contemplated thereby and that such documents have been duly authorized, executed and delivered by the Lender, and (ii) such documents constitute legal, valid and binding obligations of the Lender.

(H) We express no opinion as to the application of, and our opinions above are subject to the effect, if any, of, any applicable fraudulent conveyance, fraudulent transfer, fraudulent obligation or preferential transfer law.

(I) For purposes of the opinions set forth in paragraph (g) above, we have assumed that (i) the Lender does not and will not have the benefit of any agreement or arrangement (excluding the Credit Agreement) pursuant to which any extensions of credit to the Borrower are directly or indirectly secured by "margin stock" (as defined under the Margin Regulations), (ii) the Lender has not and will not extend any other credit to the Borrower directly or indirectly secured by margin stock, and (iii) the Lender has not relied and will not rely upon any margin stock as collateral in extending or maintaining any extensions of credit pursuant to the Credit Agreement, as to which we express no opinion.

(J) The opinions expressed herein are limited to (i) the federal laws of the United States of America and the laws of the State of New York and (ii) to the extent relevant to the opinions expressed in paragraphs (a), (b) and (c) of Part II, the General Corporation Law and the Limited Liability Company Act of the State of Delaware. Our opinions in paragraph (e) of Part II are limited to Article 9 of the NY UCC and our opinions in paragraph (f) of Part II are limited to Article 9 of the DE UCC, and therefore those opinion paragraphs do not address (i) laws of jurisdictions other than New York and Delaware and laws of New York or Delaware other than Article 9 of the NY UCC and the DE UCC, as applicable, (ii) collateral of a type not subject to Article 9 of the NY UCC and the DE UCC and (iii) under the choice of law rules of the NY UCC with respect to the law governing perfection and priority of security interests, what law governs perfection or priority of the security interests granted in the collateral covered by this opinion letter.

(K) For purposes of our opinions in paragraph (b) above, we have assumed that the Revolving Credit Agreement has not been amended, restated, modified, supplemented or replaced since June 23, 2017.

Our opinions as to any matters governed by the DE UCC are based solely upon our review of the DE UCC as published in the CCH Secured Transactions Guide, as of May 15, 2018, without any review or consideration of any decisions or opinions of courts or other adjudicative bodies or governmental authorities of the State of Delaware, whether or not reported or summarized in the foregoing publication.

Our opinions are limited to those expressly set forth herein, and we express no opinions by implication. This opinion letter speaks only as of the date hereof and we have no responsibility or obligation to update this opinion letter, to consider its applicability or correctness to any person or entity other than its addressee(s), or to take into account changes in law, facts or any other developments of which we may later become aware.

The opinions expressed herein are for the benefit of the addressee hereof and its permitted successors and assignees referred to below in connection with the transaction referred to herein and may not be relied on by such persons for any other purpose or in any manner or for any purpose by any other person or entity. At your request, we hereby consent to reliance hereon by any future assignee of your interest in the loans under the Credit Agreement pursuant to an assignment that is made and consented to in accordance with the express provisions of the Credit Agreement on the condition and understanding that (i) this opinion speaks only as of the date hereof, (ii) we have no responsibility or obligation to update this opinion, to consider its applicability or correctness to any person or entity other than its addressee, or to take into account changes in law, facts or any other developments of which we may later become aware and (iii) any such reliance by a future assignee must be actual and reasonable under the circumstances existing at the time of assignment, including any changes in law, facts or any other developments known to or reasonably knowable by the assignee at such time

Very truly yours,

JONES DAY

Exhibit A-1

Delaware Financing Statement,

SunPower HoldCo, LLC

Exhibit A-2

Delaware Financing Statement,

SunPower YC Holdings, LLC

EXHIBIT F

FORM OF SOLVENCY CERTIFICATE

This **Solvency Certificate** (this "**Certificate**") is being delivered pursuant that certain Credit Agreement, dated as of May 22, 2018 (the "**Credit Agreement**"), by and among SunPower Holdco LLC, a Delaware limited liability company (the "**Borrower**"), SunPower Corporation, a Delaware corporation (the "**Company**"), and Crédit Agricole Corporate and Investment Bank, as the Lender (the "**Lender**"). Capitalized terms used herein without definition have the same meanings as in the Credit Agreement.

The undersigned is the [Chief Financial Officer] of the Company, acting in its own capacity and in its capacity as the sole member of the Borrower, which is the sole member of SunPower YC Holdings, LLC, a Delaware limited liability company ("**SunPower YC Holdings**" and, together with the Company and the Borrower, the "**Loan Parties**" and each, a "**Loan Party**"), and hereby certifies as of the date hereof, both before and after giving effect to the transactions contemplated by the Loan Documents, to the best of [his/her] knowledge and in [his/her] capacity as an officer of the Company, and not individually, as follows:

1. I have responsibility for (a) the management of the financial affairs of the Loan Parties and the preparation of financial statements of the Loan Parties, and (b) reviewing the financial and other aspects of the transactions contemplated by the Credit Agreement.

2. I have carefully prepared and/or reviewed the contents of this Certificate and have conferred with counsel for the Loan Parties for the purpose of discussing the meaning of any provisions hereof that I desired to have clarified.

3. I have made such investigation and inquiries as to the financial condition of each Loan Party as I deem necessary and prudent for the purpose of providing this Certificate. Although any projections may by necessity involve uncertainties and approximations, the projections are based on good faith estimates and assumptions believed by me to be reasonable. I understand that the Lender is relying on this Certificate in extending credit to the Borrower pursuant to the Credit Agreement.

4. Based upon the foregoing and upon the best of my knowledge after due diligence, I have concluded that, as of the date hereof:

   (a) The "fair saleable value" of the property of each Loan Party is (i) greater than the total amount of liabilities (including contingent liabilities) of such Loan Party and (ii) not less than the amount that will be required to pay the probable liabilities on such Loan Party's existing debts as they become absolute and due considering all financing alternatives and potential asset sales reasonably available to such Loan Party.

   (b) Each Loan Party's capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction.

   (c) No Loan Party intends to incur, or believes that it will incur, debts beyond its ability to pay such debts as they become due.

(d) No Loan Party has executed the Loan Documents or made any transfer or incurred any obligations thereunder, with actual intent to hinder, delay or defraud either present or future creditors.

In computing the amount of any contingent liability as of the date hereof, such liability has been computed as the amount that, in the light of all the facts and circumstances existing as of the date hereof, represents the amount that can reasonably be expected to become an actual or matured liability.

[Remainder of page intentionally left blank]

The undersigned has hereunto executed and delivered this certificate as an officer of the Guarantor, acting in its own capacity and in its capacity as the sole member of the Borrower, which is the sole member of SunPower YC Holdings, and not individually, as of the date first written above.

SUNPOWER CORPORATION, acting in its own capacity and in its capacity as the sole member of the SunPower Holdco, LLC, which is the sole member of SunPower YC Holdings

By: _____

Name:

Title:

EXHIBIT G

FORM OF PLEDGE AGREEMENT (SUNPOWER YC HOLDINGS)

See attached.

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EXHIBIT A - FORM OF PAYMENT DIRECTION LETTER

This **PLEDGE AGREEMENT (SUNPOWER YC HOLDINGS)**, dated as of May 22, 2018 (as it may be amended, restated, supplemented or otherwise modified from time to time, this "**Agreement**"), between **SUNPOWER YC HOLDINGS, LLC**, a Delaware limited liability company (the "**Pledgor**"), and **CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK**, as lender (in such capacity as lender, together with its successors and permitted assigns in such capacity, the "**Lender**").

RECITALS:

WHEREAS, reference is made to that certain Term Credit Agreement, dated as of May 22, 2018 (as it may be amended, restated, supplemented or otherwise modified, the "**Credit Agreement**"), among SunPower Corporation, as Guarantor, SunPower HoldCo, as Borrower, and Credit Agricole Corporate and Investment Bank, as Lender;

WHEREAS, as of the date hereof, the Pledgor owns Equity Interests in 8point3 Operating Company, LLC, a Delaware limited liability company ("**OpCo**"), as described on Schedule 1;

WHEREAS, the Credit Agreement requires the Pledgor to pledge its Equity Interests in OpCo in the manner provided herein; and

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Pledgor and the Lender agree as follows:

SECTION 1. DEFINITIONS; GRANT OF SECURITY; EFFECTIVENESS.

1.1 General Definitions. In this Agreement, the following terms shall have the following meanings:

"**Agreement**" shall have the meaning set forth in the preamble.

"**Bankruptcy Event**" shall mean any event described in paragraphs (g) and (h) of Article VII of the Credit Agreement.

"**Collateral**" shall have the meaning assigned in Section 2.1.

"**Control**" shall mean: (a) with respect to any Uncertificated Securities, control within the meaning of Section 8-106(c) of the UCC and (b) with respect to any Certificated Security, control within the meaning of Section 8-106(a) or (b) of the UCC.

"**Credit Agreement**" shall have the meaning set forth in the recitals.

"**Discharge Date**" shall mean the date in which all Obligations shall have been indefeasibly paid in full in cash and the Commitment shall have terminated or expired in accordance with Section 2.06 of the Credit Agreement or on the Closing Date.

"**Lender**" shall have the meaning set forth in the recitals.

"**LLC Interests**" shall have the meaning assigned in Section 2.1(a).

"**OpCo**" shall have the meaning set forth in the preamble.

"**Operating Agreement**" shall mean the Amended and Restated Limited Liability Company Agreement of OpCo, dated June 24, 2015, as amended, restated, supplemented or otherwise modified from time to time.

"**Pledge Effective Date**" shall have the meaning assigned in Section 1.3.

"**Pledged Equity Interests**" shall mean, as may be now owned or hereafter acquired by the Pledgor, all classes or series of limited liability company interests and other Equity Interests in OpCo owned by the Pledgor, including, without limitation, all LLC Interests and any other "Membership Interests," "Incentive Distribution Rights," "Common Units," "Subordinated Units," or "Derivative Membership Interests" (each as defined in the Operating Agreement), the certificates, if any, representing such Pledged Equity Interests and any interest of the Pledgor on the books and records of OpCo pertaining to such Pledged Equity Interests, and all dividends, distributions, return of capital, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Pledged Equity Interests, including the OpCo Merger Consideration and the OpCo Merger 1 OpCo Distribution, and all rights as a member of OpCo, and any other participation or interests in any equity or profits of OpCo, including any trust and all management rights relating to OpCo.

"**Pledgor**" shall have the meaning set forth in the preamble.

"**Proceeds**" shall mean (a) all "proceeds" as defined in Article 9 of the UCC, (b) payments or distributions made with respect to the Pledged Equity Interests, and (c) whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

"**UCC**" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York; provided, however, that in the event that, by reason of mandatory provisions of law, any or all of the perfection or priority of, or remedies with respect to, any

Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions hereof relating to such perfection, priority or remedies.

"**United States**" shall mean the United States of America.

1.2 Definitions; Interpretation.

(a) In this Agreement, the following capitalized terms shall have the meaning given to them in the UCC (and, if defined in more than one Article of the UCC, shall have the meaning given in Article 9 thereof): Certificated Security, Record, and Uncertificated Security.

(b) All other capitalized terms used herein (including the preamble and recitals hereto) and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement. The incorporation by reference of terms defined in the Credit Agreement shall survive any termination of the Credit Agreement until this Agreement is terminated as provided in Section 9 hereof. Any of the terms defined herein may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference. References herein to any Section, Appendix, Schedule or Exhibit shall be to a Section, an Appendix, a Schedule or an Exhibit, as the case may be, hereof unless otherwise specifically provided. The use herein of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter. The terms lease and license shall include sub-lease and sub-license, as applicable. If any conflict or inconsistency exists between this Agreement and the Credit Agreement, the Credit Agreement shall govern. All references herein to provisions of the UCC shall include all successor provisions under any subsequent version or amendment to any Article of the UCC.

1.3 Effectiveness. This Agreement shall become effective immediately upon the repayment of the Indebtedness under the OpCo Credit Agreement pursuant to Section 6.9(a) of the Merger Agreement and the occurrence of the Discharge Date under, and as defined in, the Existing Pledge and Guaranty Agreement (the "Pledge Effective Date"), automatically without the requirement for any further action by any party. The Lender acknowledges that the provisions of this Agreement do not create a Lien until the occurrence of the Pledge Effective Date.

SECTION 2. PLEDGE.

2.1 Pledge. Subject to Section 1.3, the Pledgor hereby assigns and transfers to the Lender and hereby grants to the Lender a security interest in and continuing Lien on all of the Pledgor's right, title and interest in, to and under all property of the Pledgor identified below, in each case whether now owned or existing or hereafter acquired or in which the Pledgor now has or at any time in the future may acquire and wherever located (all of which being hereinafter collectively referred to as the "**Collateral**"), as collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Obligations:

(a) all of the Pledgor's limited liability company interests in OpCo and all after acquired limited liability company interests in OpCo (collectively, the "**LLC Interests**"), including without limitation the OpCo Units described on Schedule 1 (as such schedule may be amended or supplemented from time to time), and all of the Pledgor's rights to acquire limited liability company interests in OpCo in addition to or in exchange or substitution for the LLC Interests and all other Pledged Equity Interests in OpCo owned by the Pledgor;

(b) all of the Pledgor's rights, privileges, authority and powers as a member of OpCo under the Operating Agreement and other organizational documents of OpCo;

(c) all certificates or other documents representing any and all of the foregoing in clauses (a) and (b);

(d) all dividends, distributions, cash, securities, instruments and other property or proceeds of any kind to which the Pledgor may be entitled in its capacity as member of OpCo by way of distribution, return of capital or otherwise, including from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the LLC Interests or other Pledged Equity Interests in OpCo;

(e) without affecting any obligations of the Pledgor under any of the other Loan Documents, in the event of any consolidation or merger in which OpCo is not the surviving Person, all of the Pledgor's ownership interests of any class or character in the successor Person formed by or resulting from such consolidation or merger;

(f) any other claim which the Pledgor now has or may in the future acquire in its capacity as member of OpCo against OpCo and its property;

(g) the Cash Proceeds Account, and any sub-account within such account; and

(h) all Proceeds, products and accessions of and to any of the property described in the preceding clauses (a) through (g) above.

2.2 Security for Obligations. This Agreement secures, and the Collateral is collateral security for, the prompt and complete payment and performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. §362(a) (and any successor provision thereof)), of all Obligations.

2.3 Continuing Liability under Collateral. Notwithstanding anything herein to the contrary, (a) the Pledgor shall remain liable for all obligations in respect of the Collateral and nothing contained herein is intended or shall be a delegation of duties to the Lender, (b) the Pledgor shall remain liable under each of the agreements included in the Collateral, including any agreements relating to Pledged Equity Interests, to perform all of the obligations undertaken by it thereunder all in accordance with and pursuant to the terms and provisions thereof and the Lender shall not have any obligation or liability under any of such agreements by reason of or arising out of this Agreement or any other document related thereto nor shall the Lender have any obligation to make any inquiry as to the nature or sufficiency of any payment received by it or have any obligation to take any action to collect or enforce any rights under any agreement included in the Collateral, including, without limitation, any agreements relating to Pledged Equity Interests, and (c) the exercise by the Lender of any of its rights hereunder shall not release the Pledgor from any of its duties or obligations under the contracts and agreements included in the Collateral.

SECTION 3. CERTAIN PERFECTION REQUIREMENTS

3.1 Delivery Requirements. Promptly after the Pledge Effective Date, the Pledgor shall deliver to the Lender, in accordance with Section 5.6, all certificates and instruments representing or evidencing any Pledged Equity Interests, duly indorsed by an effective indorsement (within the meaning of Section 8-107 of the UCC), or accompanied by share transfer powers or other instruments of transfer duly endorsed by such an effective endorsement, in each case, in blank, all in form and substance reasonably satisfactory to the Lender.

3.2 Other Actions; Authorization.

(a) The Pledgor consents to the grant of a Lien pursuant to this Agreement in all Pledged Equity Interests to the Lender and without limiting the generality of the foregoing consents to the transfer of any Pledged Equity Interests to the Lender or

its designee following an Event of Default and to the substitution of the Lender or its designee as a member in OpCo with all the rights and powers related thereto.

(b) The Pledgor shall, on the Pledge Effective Date, deliver to the Lender a payment direction letter in substantially the form set forth on Exhibit A.

3.3 Timing and Notice. With respect to any Collateral in existence on the Pledge Effective Date, the Pledgor shall comply with the requirements of Section 3.1 on the date hereof and, with respect to any Collateral hereafter owned or acquired, the Pledgor shall comply with such requirements within fifteen (15) days of the Pledgor acquiring rights therein (or such longer period of time agreed to by the Lender in its sole discretion). The Pledgor shall promptly inform the Lender of its acquisition or receipt of any Collateral for which any action is required by Section 3.1 hereof.

SECTION 4. REPRESENTATIONS AND WARRANTIES.

The Pledgor hereby represents and warrants, on the Closing Date and on the Pledge Effective Date, that:

4.1 Pledgor Information and Status.

(a) Schedule 4.1(A) and (B) (as such schedule may be amended or supplemented by the Pledgor from time to time) sets forth under the appropriate headings: (1) the full legal name of the Pledgor, (2) all trade names or other names under which the Pledgor currently conducts business, (3) the type of organization of the Pledgor, (4) the jurisdiction of organization of the Pledgor, (5) the Pledgor's organizational identification number, if any, and (6) the jurisdiction where the chief executive office or its sole place of business of the Pledgor is located;

(b) Except as provided on Schedule 4.1(C) (as such schedule may be amended or supplemented by the Pledgor from time to time), the Pledgor has not changed its name, jurisdiction of organization, chief executive office or sole place of business or its corporate structure in any way (e.g., by merger, consolidation, change in corporate form or otherwise) and has not done business under any other name, in each case, within the past five (5) years;

(c) The Pledgor has been duly organized and is validly existing as an entity of the type as set forth opposite the Pledgor's name on Schedule 4.1(A) solely under the laws of the jurisdiction as set forth opposite the Pledgor's name on Schedule 4.1(A) and remains duly existing as such. The Pledgor has not filed any certificates of dissolution or liquidation, any certificates of domestication, transfer or continuance in any other jurisdiction;

(d) The Pledgor is not a “transmitting utility” (as defined in Section 9-102(a)(80) of the UCC);

(e) Schedule 1 sets forth under the heading “Pledged Equity Interests” all of the Pledged Equity Interests owned by the Pledgor, and such Pledged Equity Interests constitute the percentage of issued and outstanding Equity Interests of OpCo indicated on such Schedule 1; the Pledgor shall supplement Schedule 1 as necessary to ensure that Schedule 1 is accurate on the Closing Date; and

(f) None of the Pledged Equity Interests on Schedule 1 constitute certificated “securities” under Section 8-103 of the UCC or the corresponding code or statute of any other applicable jurisdiction or are represented by a certificate.

4.2 Ownership of Collateral and Absence of Other Liens.

(a) The Pledgor owns the Collateral purported to be owned by it or otherwise has the rights it purports to have in each item of Collateral, free and clear of any and all Liens including Liens arising as a result of the Pledgor becoming bound (as a result of merger or otherwise) as debtor under a security agreement entered into by another Person, other than Permitted Collateral Encumbrances;

(b) It is the record and beneficial owner of the Pledged Equity Interests free of all Liens (other than Permitted Collateral Encumbrances), rights or claims of other Persons and, other than the Merger Agreement, there are no outstanding warrants, options or other rights to purchase, or shareholder, voting trust or similar agreements (other than the OpCo organizational documents) outstanding with respect to, or property that is convertible into, or that requires the issuance or sale of, any Pledged Equity Interests;

(c) On the Pledge Effective Date only, no consent of any Person is necessary in connection with the creation, perfection or First Priority status of the security interest of the Lender in any Pledged Equity Interests or the exercise by the Lender of the voting or other rights provided for in this Agreement or the exercise of remedies in respect thereof;

(d) On the Pledge Effective Date only, other than any financing statements filed in favor of the Lender pursuant this Agreement, no effective financing statement or other instrument similar in effect under any applicable law covering all or any part of the Collateral is on file in any filing or recording office; and

(e) On the Pledge Effective Date only, other than the Lender, no Person is in Control of any Collateral.

4.3 Other Representations. The Pledged Equity Interests constitute "general intangibles" (as defined in Section 9-102(a)(42) of the UCC) and the Pledgor therefore covenants and agrees that (a) the Pledged Equity Interests are not and will not be dealt in or traded on securities exchanges or securities markets, (b) the terms of the Pledged Equity Interests do not and will not provide that they are "securities" governed by the UCC and (c) the Pledged Equity Interests are not and will not be investment company securities within the meaning of Section 8-103 of the UCC.

SECTION 5. COVENANTS AND AGREEMENTS.

The Pledgor hereby covenants and agrees that:

5.1 Pledgor Information and Status.

(a) The Pledgor shall not change its name, organizational identification number, chief executive office or sole place of business or type of organization or jurisdiction of organization unless it shall have (i) given at least thirty (30) days prior written notice to the Lender and (ii) if applicable, taken all actions necessary or advisable to maintain the continuous validity, perfection and the same or better priority of the Lender's security interest in the Collateral granted or intended to be granted and agreed to hereby.

(b) It shall notify the Lender in writing within thirty (30) days of any change in the Pledgor's chief executive office and take all actions necessary or advisable to maintain the continuous validity, perfection and the same or better priority of the Lender's security interest in the Collateral granted or intended to be granted and agreed to hereby.

5.2 Ownership of Collateral and Absence of Other Liens. Except for the security interest created by this Agreement, it shall not create or suffer to exist any Lien upon or with respect to any of the Collateral, other than Permitted Collateral Encumbrances, and the Pledgor shall defend the Collateral against all Persons at any time claiming any interest therein (other than with respect to Permitted Collateral Encumbrances).

5.3 Status of Security Interest. On and after the Pledge Effective Date, the Pledgor shall maintain the security interest of the Lender hereunder in all Collateral as valid, perfected, First Priority Liens (subject, in the case of priority only, to any Liens that have priority by operation of law).

5.4 Pledged Equity Interests.

(a) In the event the Pledgor receives any dividends, interest or distributions on any Pledged Equity Interest, upon the merger, consolidation, liquidation or dissolution of OpCo, then (i) such dividends, interest or distributions shall be included

in the definition of Collateral without further action and (ii) the Pledgor shall immediately take all steps, if any, necessary or advisable to ensure the validity, perfection, priority and, if applicable, control of the Lender over such dividends, interest or distributions and pending any such action the Pledgor shall be deemed to hold such dividends, interest or distributions in trust for the benefit of the Lender and shall segregate such dividends, interest or distributions from all other property of the Pledgor. Notwithstanding the foregoing, so long as no Event of Default shall have occurred and be continuing, the Lender authorizes the Pledgor to retain and use all dividends, interest and distributions subject to the terms of this Agreement and the other Loan Documents. All distributions and other amounts which are received by the Pledgor contrary to the provisions of this Agreement shall be received in trust for the benefit of the Lender, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Lender as Collateral in the same form as so received (with any necessary endorsement).

(b) Voting.

(i) So long as no Event of Default shall have occurred and be continuing, except as otherwise expressly prohibited by the covenants and agreements relating to Pledged Equity Interests in this Agreement or elsewhere herein or in the Credit Agreement, the Pledgor shall be entitled to exercise or refrain from exercising any and all voting and other consensual rights pertaining to the Pledged Equity Interests or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Credit Agreement; and

(ii) Upon the occurrence and during the continuation of an Event of Default and upon prior written notice from the Lender (it being acknowledged and agreed that the Lender shall not be required to deliver any such notice if the Pledgor is the subject of a Bankruptcy Event):

(A) all rights of the Pledgor to exercise or refrain from exercising the voting and other consensual rights which it would otherwise be entitled to exercise pursuant hereto shall cease and all such rights shall thereupon become vested in the Lender who shall thereupon have the sole right to exercise such voting and other consensual rights; and

(B) in order to permit the Lender to exercise the voting and other consensual rights which it may be entitled to exercise pursuant hereto and to receive all dividends and other distributions which it may be entitled to receive hereunder: (1) the Pledgor, at its sole cost and expense, shall promptly execute and deliver (or cause to be executed and delivered)

to the Lender all proxies, dividend payment orders and other instruments as the Lender may from time to time reasonably request and (2) the Pledgor acknowledges that the Lender may utilize the power of attorney set forth in Section 7.1; and

(C) the Lender shall have the right, without notice to the Pledgor, to (1) transfer all or any portion of the Pledged Equity Interests to its name or the name of its nominee or agent and (2) subject to the terms of the Pledged Equity Interests, to exchange any certificates or instruments representing such Pledged Equity Interests for certificates or instruments of smaller or larger denominations.

(c) Without the prior written consent of the Lender, it shall not vote to enable or take any other action to: (i) except as permitted by the Credit Agreement, amend or terminate the Operating Agreement or any other organizational documents in any way that changes the rights of the Pledgor with respect to any Pledged Equity Interests or adversely affect the validity, perfection or priority of the Lender's security interest, or (ii) cause OpCo to elect or otherwise take any action to cause any Pledged Equity Interests to be treated as "securities" (for purposes of the UCC); provided, that, if any Person takes any such action in violation of the foregoing in this clause (c), the Pledgor shall promptly notify the Lender in writing of any such election or action and, in such event, shall take all steps necessary or advisable to establish the Lender's "control" thereof.

(d) The Pledgor represents and warrants that the Pledged Equity Interests are not "securities" (for purposes of the UCC). The Pledgor agrees that it will not permit OpCo to take any actions that would result in any Pledged Equity Interests becoming "securities" (for purposes of the UCC) without the prior written consent of the Lender.

(e) The Pledgor shall not transfer any Pledged Equity Interests other than in accordance with the Merger Agreement.

(f) Notwithstanding anything in this Agreement to the contrary, the provisions of Section 5.4(a) and 5.4(b) shall only apply automatically upon the occurrence of the Pledge Effective Date.

5.5 Cash Proceeds Account

The Pledgor shall designate the Cash Proceeds Account as the account into which all consideration received or receivable under the Merger Agreement, including the OpCo Merger Consideration and the OpCo Merger 1 OpCo Distribution, shall be paid and shall deliver notice to the Parent of such designation in accordance with Sections 2.1(f) and 2.4(a) of the Merger Agreement.

5.6 Certificates and Instruments

If, after the Pledge Effective Date, the Pledgor shall become entitled to receive or shall receive any certificate (including any certificate representing a dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the Equity Interests of the Company, whether in addition to, in substitution of, as a conversion of, or in exchange for, any shares of the Pledged Equity Interests, or otherwise in respect thereof, the Pledgor shall accept the same as the agent of the Lender, hold the same in trust for the Lender and deliver the same forthwith to the Lender in the exact form received, duly indorsed by the Pledgor to the Lender, if required, together with an undated stock power covering such certificate duly executed in blank by the Pledgor, to be held by the Lender, subject to the terms hereof, as additional collateral security for the Obligations. All certificates representing Pledged Equity Interests (and any additional Pledged Equity Interests acquired or issued after the Closing Date) shall be delivered to the Lender, together with duly executed instruments of transfer or assignment in blank.

SECTION 6. FURTHER ASSURANCES.

(a) The Pledgor agrees that from time to time, at its expense (in accordance with the Credit Agreement), that it shall promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary, or that the Lender may reasonably request, in order to create and/or maintain the validity, perfection or priority of and protect any security interest granted or purported to be granted hereby or to enable the Lender to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Pledgor shall:

(i) file such financing or continuation statements, or amendments thereto and execute and deliver such other agreements, instruments, endorsements, powers of attorney or notices, as may be necessary, or as the Lender may reasonably request, in order to effect, reflect, perfect and preserve the security interests granted or purported to be granted hereby;

(ii) at any reasonable time, upon reasonable request by the Lender, assemble the Collateral and allow inspection of the Collateral by the Lender, or persons designated by the Lender;

(iii) at the Lender’s request, appear in and defend any action or proceeding that might affect the Pledgor’s title to or the Lender’s security interest in all or any part of the Collateral; and

(iv) furnish the Lender with such information regarding the Collateral, including, without limitation, the location thereof, as the Lender may reasonably request from time to time.

(b) The Pledgor hereby authorizes the Lender to file a Record or Records, including financing or continuation statements and amendments and supplements to any of the foregoing, in any jurisdictions and with any filing offices as the Lender may determine, in its sole discretion, are necessary or advisable to perfect or otherwise protect the security interest granted to the Lender herein. Such financing statements may describe the Collateral in the same manner as described herein or may contain an indication or description of collateral that describes such property in any other manner as the Lender may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the security interest in the Collateral granted to the Lender herein. Such financing statements will include a statement consistent with Section 1.3. The Pledgor shall furnish to the Lender from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Lender may reasonably request, all in reasonable detail.

(c) In accordance with Section 8.03 of the Credit Agreement, the Pledgor shall pay any applicable filing fees and related expenses in connection with any filing made by the Lender in accordance with clause (b) above.

SECTION 7. LENDER APPOINTED ATTORNEY-IN-FACT.

7.1 Power of Attorney. The Pledgor hereby irrevocably appoints the Lender (such appointment being coupled with an interest) as the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor, the Lender or otherwise, from time to time in the Lender's discretion to take any action and to execute any instrument that the Lender may deem reasonably necessary or advisable to accomplish the purposes of this Agreement, including the following:

(a) upon the occurrence and during the continuance of an Event of Default, to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) upon the occurrence and during the continuance of any Event of Default, to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) above;

(c) upon the occurrence and during the continuance of an Event of Default, to file any claims or take any action or institute any proceedings that the Lender

may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Lender with respect to any of the Collateral;

(d) to prepare and file any UCC financing statements against the Pledgor as debtor;

(e) upon the occurrence and during the continuance of an Event of Default to take or cause to be taken all actions necessary to perform or comply or cause performance or compliance with the terms of this Agreement, including access to pay or discharge taxes or Liens (other than Permitted Collateral Encumbrances) levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by the Lender in its sole discretion, any such payments made by the Lender to become obligations of the Pledgor to the Lender, due and payable immediately without demand; and

(f) upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, lease, license, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Lender were the absolute owner thereof for all purposes, and to do, at the Lender's option and the Pledgor's expense, at any time or from time to time, all acts and things that the Lender deems reasonably necessary to protect, preserve or realize upon the Collateral and the Lender's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as the Pledgor might do.

7.2 No Duty on the Part of Lender . The powers conferred on the Lender hereunder shall not impose any duty upon the Lender to exercise any such powers. The Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Lender nor any of its officers, directors, employees or agents shall be responsible to the Pledgor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

SECTION 8. REMEDIES.

8.1 Generally.

(a) If any Event of Default shall have occurred and be continuing, the Lender may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it at law or in equity, all the rights and remedies of the Lender on default under the UCC (whether or not the UCC applies to the affected Collateral) to collect, enforce or satisfy any Obligations then owing, whether by acceleration or otherwise, and also may pursue any of the following separately, successively or simultaneously:

(i) require the Pledgor to, and the Pledgor hereby agrees that it shall at its expense and promptly upon request of the Lender forthwith, assemble all or part of the Collateral as directed by the Lender and make it available to the Lender at a place to be designated by the Lender that is reasonably convenient to both parties;

(ii) enter onto the property where any Collateral is located and take possession thereof with or without judicial process; and

(iii) without notice except as specified below or under the UCC, sell, assign, or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Lender's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as the Lender may deem commercially reasonable.

(b) The Lender may be the purchaser of any or all of the Collateral at any public or private (to the extent the portion of the Collateral being privately sold is of a kind that is customarily sold on a recognized market or the subject of widely distributed standard price quotations) sale in accordance with the UCC and the Lender shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such sale made in accordance with the UCC, to use and apply any of the Obligations as a credit on account of the purchase price for any Collateral payable by the Lender at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of the Pledgor, and the Pledgor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Lender shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Lender may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Pledgor agrees that it would not be commercially unreasonable for the Lender to dispose of the Collateral or any portion thereof by using internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets. The Pledgor hereby waives any claims against the Lender arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price

which might have been obtained at a public sale, even if the Lender accepts the first offer received and does not offer such Collateral to more than one offeree. The Pledgor further agrees that a breach of any of the covenants contained in this Section will cause irreparable injury to the Lender, that the Lender has no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section shall be specifically enforceable against the Pledgor, and the Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no default has occurred giving rise to the Obligations becoming due and payable prior to their stated maturities. Nothing in this Section shall in any way limit the rights of the Lender hereunder.

(c) The Lender may sell the Collateral without giving any warranties as to the Collateral. The Lender may specifically disclaim or modify any warranties of title or the like. This procedure will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

(d) The Lender shall have no obligation to marshal any of the Collateral.

8.2 Application of Proceeds. Except as expressly provided elsewhere in this Agreement, all proceeds received by the Lender in the event that an Event of Default shall have occurred and not otherwise been waived, and in respect of any sale of, any collection from, or other realization upon all or any part of the Collateral shall be applied in full or in part by the Lender against, the Obligations in the following order of priority: first, to the payment of all costs and expenses of such sale, collection or other realization, including all reasonable expenses, liabilities and advances made or incurred by the Lender in connection therewith, and all amounts for which the Lender is entitled to indemnification hereunder and all advances made by the Lender hereunder for the account of the Pledgor, and to the payment of all reasonable costs and expenses paid or incurred by the Lender in connection with the exercise of any right or remedy hereunder or under the Credit Agreement, all in accordance with the terms hereof or thereof; second, to the extent of any excess of such proceeds, to the payment of all other Obligations; and third, to the extent of any excess of such proceeds, to the payment to or upon the order of the Pledgor or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

8.3 Sales on Credit. If Lender sells any of the Collateral upon credit, Pledgor will be credited only with payments actually made by purchaser and received by Lender and applied to indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Lender may resell the Collateral and Pledgor shall be credited with proceeds of the sale.

8.4 Pledged Equity Interests. The Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws, the Lender may be compelled, with respect to any sale of all or any part of the Pledged Equity Interests conducted without prior registration or qualification of such Pledged Equity Interests under the Securities Act and/or such state securities laws, to limit purchasers to those who will agree, among other things, to acquire the Pledged Equity Interests for their own account, for investment and not with a view to the distribution or resale thereof. The Pledgor acknowledges that any such private sale may be at prices and on terms less favorable than those obtainable through a public sale without such restrictions (including a public offering made pursuant to a registration statement under the Securities Act) and, notwithstanding such circumstances, the Pledgor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Lender shall have no obligation to engage in public sales and no obligation to delay the sale of any Pledged Equity Interests for the period of time necessary to permit OpCo to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if OpCo would, or should, agree to so register it. If the Lender determines to exercise its right to sell any or all of the Pledged Equity Interests, upon written request, the Pledgor shall and shall cause OpCo from time to time to furnish to the Lender all such information as the Lender may request in order to determine the number and nature of interest, shares or other instruments included in the Pledged Equity Interests which may be sold by the Lender in exempt transactions under the Securities Act and the rules and regulations of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

8.5 Enforcement Expenses. For the avoidance of doubt, in accordance with Section 8.03 of the Credit Agreement, the Pledgor agrees to pay or reimburse the Lender for all its reasonable and documented costs and expenses incurred in enforcing or protecting any rights under this Agreement, including, without limitation, the reasonable and documented fees and disbursements of counsel to the Lender and of any other necessary counsel. The agreement in this Section 8.5 shall survive the payment in full of all Obligations under the Credit Agreement and the other Loan Documents.

SECTION 9. CONTINUING SECURITY INTEREST; RELEASE.

This Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until the Discharge Date, be binding upon the Pledgor, its successors and assigns, and inure, together with the rights and remedies of the Lender hereunder, to the benefit of the Lender and its successors, transferees and assigns. Without limiting the generality of the foregoing, but subject to the terms of the Credit Agreement, the Lender may assign or otherwise transfer all or any portion of its interest in the Term Loan to any other Person, and such other Person shall thereupon become vested with all the

benefits in respect of the portion so assigned which are granted to the Lender herein or otherwise. On the Discharge Date, the security interest granted hereby shall automatically terminate hereunder and of record and all rights to the Collateral shall revert to the Pledgor. Upon any such termination the Lender shall, at the Pledgor's expense, execute and deliver to the Pledgor or otherwise authorize the filing of such documents as the Pledgor shall reasonably request, including financing statement amendments to evidence such termination.

SECTION 10. STANDARD OF CARE; LENDER MAY PERFORM.

The powers conferred on the Lender hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Lender shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. The Lender shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Lender accords its own property. Neither the Lender nor any of its directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Pledgor or otherwise. If the Pledgor fails to perform any agreement contained herein, the Lender may itself perform, or cause performance of, such agreement, and the expenses of the Lender incurred in connection therewith shall be payable by the Pledgor under, and to the extent provided in, Section 8.03 of the Credit Agreement. The Lender shall provide prompt written notice to the Pledgor following its performance of any such agreement which the Pledgor has failed to perform under this Agreement.

SECTION 11. MISCELLANEOUS.

Any notice required or permitted to be given under this Agreement shall be given in accordance with Section 8.01 of the Credit Agreement, and if to Pledgor:

SunPower YC Holdings, LLC
c/o SunPower Corporation
77 Rio Robles
San Jose, California 95134

Attention: Manavendra Sial, Chief Financial Officer
Facsimile: 408-240-5417
E-mail: Manavendra.Sial@sunpowercorp.com

with copies, which shall not constitute notice, to:

SunPower YC Holdings, LLC
c/o SunPower Corporation
77 Rio Robles
San Jose, California 95134
Attention: General Counsel
Facsimile: 408-240-5400

No failure or delay on the part of the Lender in the exercise of any power, right or privilege hereunder or under any other Loan Document shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement and the other Loan Documents are cumulative with, and not exclusive of, any rights or remedies otherwise available. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists. This Agreement shall be binding upon and inure to the benefit of the Lender and the Pledgor and their respective successors and assigns. The Pledgor shall not, without the prior written consent of the Lender given in accordance with the Credit Agreement, assign any right, duty or obligation hereunder. This Agreement embodies the entire agreement and understanding between the Pledgor and the Lender and supersedes all prior agreements and understandings between such parties relating to the subject matter hereof and thereof. Accordingly, this Agreement may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

The Pledgor hereby acknowledges that (a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement; (b) the Lender does not have any fiduciary relationship with or duty to the Pledgor arising out of or in connection with this

Agreement or any of the other Loan Documents, and the relationship between the Pledgor, on the one hand, and the Lender, on the other hand, in connection herewith or therewith is solely that of debtor and creditor and (c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Pledgor and the Lender.

Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Pledgor and the Lender.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THAT WOULD REQUIRE APPLICATION OF ANOTHER LAW.

Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any New York state court or federal court of the United States of America sitting in the Borough of Manhattan in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York state court or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York state or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court sitting in the Borough of Manhattan in New York City.

To the extent permitted by law, each party to this Agreement hereby irrevocably waives personal service of any and all process upon it and agrees that all such service of process may be made by express or overnight mail or courier, postage prepaid, directed to it at its address for notices as provided for in Section 8.01 of the Credit Agreement. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT OR THE LENDER/PLEDGOR RELATIONSHIP THAT IS BEING ESTABLISHED. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party hereto acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this Agreement, and that each will continue to rely on this waiver in their related future dealings. Each party hereto further warrants and represents that it has reviewed this waiver with its legal counsel and that it knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. **THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 11 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE PLEDGE MADE HEREUNDER.** In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

This Agreement and the Liens created hereunder shall automatically be reinstated if and to the extent that for any reason any payment by or on behalf of the Pledgor or any other Loan Party in respect of the Obligations is rescinded or must otherwise be restored by the Lender, whether as a result of any Bankruptcy Event or reorganization or otherwise, and the Pledgor shall indemnify the Lender and its employees, officers and agents on demand for all reasonable fees, costs and expenses (including reasonable fees, costs and expenses of counsel) incurred by the Lender or its employees, officers or agents in connection with such reinstatement, rescission or restoration.

IN WITNESS WHEREOF, the Pledgor and the Lender have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

SUNPOWER YC HOLDINGS, LLC, as Pledgor
By: SunPower HoldCo, LLC, its sole member

By: SunPower Corporation, its sole member

By: __
Name:
Title:

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK,
as Lender

By __
Name:
Title:

By __
Name:
Title:

SCHEDULE 1

TO PLEDGE AGREEMENT (SUNPOWER YC HOLDINGS, LLC)

PLEDGED EQUITY INTERESTS

Owner	Issuer	Class of Stock or other Equity Interest	Certificate Number	Percentage of Total, Class of Stock or other Equity Interest
SunPower YC Holdings, LLC	8point3 Operating Company, LLC	Common and Subordinated Units	None	36.5%

SCHEDULE 4.1

TO PLEDGE AGREEMENT (SUNPOWER YC HOLDINGS, LLC)

GENERAL INFORMATION

(A) Full Legal Name, Type of Organization, Jurisdiction of Organization, Chief Executive Office/Sole Place of Business and Organizational Identification Number of the Pledgor:								
Full Legal Name		Type of Organization		Jurisdiction of Organization		Chief Executive Office/Sole Place of Business		Organization I.D.#
SunPower YC Holdings, LLC		Limited Liability Company		Delaware		77 Rio Robles San Jose, California 95134		5702565

(B) Other Names (including any Trade Name or Fictitious Business Name) under which the Pledgor currently conducts business:		
Full Legal Name		Trade Name or Fictitious Business Name
None		

(C) Changes in Name, Jurisdiction of Organization, Chief Executive Office or Sole Place of Business and Corporate Structure within past five (5) years:				
Pledgor		Date of Change		Description of Change
SunPower YC Holdings, LLC		March 3, 2015		Formation of Pledgor

Exhibit A

Form of Payment Direction Letter

_____, 20[__]

8point3 Operating Company, LLC
c/o 8point3 General Partner, LLC
77 Rio Robles
San Jose, California 95134
Tel: (408) 240-5500
Email: chuck.boynton@sunpower.com
Attention: Charles Boynton, Chief Executive Officer

Dear Charles,

Reference is made to that certain (i) Term Credit Agreement, dated as of May 22, 2018 (as so amended, supplemented or otherwise modified from time to time, the "Credit Agreement"; the terms defined therein and not otherwise defined herein being used herein as therein defined), by and among SunPower HoldCo, LLC, a Delaware limited liability company, as the Borrower, SunPower Corporation, a Delaware corporation, as the Guarantor, and Crédit Agricole Corporate and Investment Bank (the "Lender") and (ii) Pledge Agreement (SunPower YC Holdings), dated as of May 22, 2018, between SunPower YC Holdings, LLC, a Delaware limited liability company ("SunPower YC Holdings"), and the Lender.

SunPower YC Holdings hereby authorizes and directs 8point3 Operating Company, LLC, a Delaware limited liability company, to comply with any instructions received by it from the Lender in writing that state that (A) an Event of Default has occurred and is continuing and (B) without any other or further instructions from us, pay any dividend or other payments in respect of the Collateral directly to the Lender.

Sincerely,

SUNPOWER YC HOLDINGS, LLC
By: SunPower HoldCo, LLC, its sole member

By: SunPower Corporation, its sole member

By: _____

Name:
Title:

cc: 8point3 Operating Company, LLC
c/o 8point3 General Partner, LLC
400 Crossing Boulevard, 5th Floor
Bridgewater, NJ 08807
Office: +1 (908) 809-4130
Email: jdymbort@firstsolar.com
Attention: Jason Dymbort, General Counsel

8point3 Operating Company, LLC
c/o 8point3 General Partner, LLC
350 West Washington Street, Suite 600
Tempe, Arizona 85281
Tel: (602) 414-9300
Email: mark.widmar@firstsolar.com
Attention: Mark Widmar, Chief Financial Officer

EXHIBIT H

FORM OF PLEDGE AGREEMENT (BORROWER)

See attached.

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SCHEDULE 4.1 - GENERAL INFORMATION

This **PLEDGE AGREEMENT** (BORROWER), dated as of May 22, 2018 (as it may be amended, restated, supplemented or otherwise modified from time to time, this "**Agreement**"), among **SUNPOWER HOLDCO, LLC**, a Delaware limited liability company (the "**Pledgor**"), and **CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK**, as lender (in such capacity as lender, together with its successors and permitted assigns in such capacity, the "**Lender**").

RECITALS:

WHEREAS, reference is made to that certain Term Credit Agreement, dated as of May 22, 2018 (as it may be amended, restated, supplemented or otherwise modified, the "**Credit Agreement**"), between SunPower Corporation, as Guarantor, the Pledgor, as borrower, and Credit Agricole Corporate and Investment Bank, as Lender;

WHEREAS, as of the date hereof, the Pledgor owns Equity Interests in SunPower YC Holdings LLC, a Delaware limited liability company ("**SunPower YC Holdings**"), as described on Schedule 1;

WHEREAS, the Credit Agreement requires the Pledgor to pledge its Equity Interests in SunPower YC Holdings; and

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Pledgor and the Lender agree as follows:

SECTION 1. DEFINITIONS; GRANT OF SECURITY.

1.1 General Definitions. In this Agreement, the following terms shall have the following meanings:

"**Agreement**" shall have the meaning set forth in the preamble.

"**Bankruptcy Event**" shall mean any event described in paragraphs (g) and (h) of Article VII of the Credit Agreement.

"**Collateral**" shall have the meaning assigned in Section 2.1.

"**Control**" shall mean: (a) with respect to any Uncertificated Securities, control within the meaning of Section 8-106(c) of the UCC and (b) with respect to any Certificated Security, control within the meaning of Section 8-106(a) or (b) of the UCC.

"**Credit Agreement**" shall have the meaning set forth in the recitals.

"**Discharge Date**" shall mean the date in which all Obligations shall have been indefeasibly paid in full in cash and the Commitment shall have terminated or expired in accordance with Section 2.06 of the Credit Agreement or on the Closing Date.

"**Lender**" shall have the meaning set forth in the recitals.

"**LLC Interests**" shall have the meaning assigned in Section 2.1(a).

"**Operating Agreement**" shall mean the Limited Liability Company Agreement of SunPower YC Holdings, dated March 6, 2015, as amended, restated, supplemented or otherwise modified from time to time.

"**Pledged Equity Interests**" shall mean, as may be now owned or hereafter acquired by the Pledgor, all classes or series of limited liability company interests and other Equity Interests in SunPower YC Holdings owned by the Pledgor, including, without limitation, all LLC Interests, the certificates, if any, representing such Pledged Equity Interests and any interest of the Pledgor on the books and records of SunPower YC Holdings pertaining to such Pledged Equity Interests, and all dividends, distributions, return of capital, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Pledged Equity Interests and all rights as a member of SunPower YC Holdings, and any other participation or interests in any equity or profits of SunPower YC Holdings, including any trust and all management rights relating to SunPower YC Holdings.

"**Pledgor**" shall have the meaning set forth in the preamble.

"**Proceeds**" shall mean (a) all "proceeds" as defined in Article 9 of the UCC, (b) payments or distributions made with respect to the Pledged Equity Interests, and (c) whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

"**SunPower YC Holdings**" shall have the meaning set forth in the preamble.

"**UCC**" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York; provided, however, that in the event that, by reason of mandatory provisions of law, any or all of the perfection or priority of, or remedies with respect to, any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions hereof relating to such perfection, priority or remedies.

"**United States**" shall mean the United States of America.

1.2 Definitions; Interpretation.

(a) In this Agreement, the following capitalized terms shall have the meaning given to them in the UCC (and, if defined in more than one Article of the UCC, shall have the meaning given in Article 9 thereof): Certificated Security, Record, and Uncertificated Security.

(b) All other capitalized terms used herein (including the preamble and recitals hereto) and not otherwise defined herein shall have the meanings ascribed thereto

in the Credit Agreement. The incorporation by reference of terms defined in the Credit Agreement shall survive any termination of the Credit Agreement until this Agreement is terminated as provided in Section 9 hereof. Any of the terms defined herein may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference. References herein to any Section, Appendix, Schedule or Exhibit shall be to a Section, an Appendix, a Schedule or an Exhibit, as the case may be, hereof unless otherwise specifically provided. The use herein of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter. The terms lease and license shall include sub-lease and sub-license, as applicable. If any conflict or inconsistency exists between this Agreement and the Credit Agreement, the Credit Agreement shall govern. All references herein to provisions of the UCC shall include all successor provisions under any subsequent version or amendment to any Article of the UCC.

SECTION 2. PLEDGE.

2.1 Pledge. The Pledgor hereby assigns and transfers to the Lender and hereby grants to the Lender a security interest in and continuing Lien on all of the Pledgor's right, title and interest in, to and under all property of the Pledgor identified below, in each case whether now owned or existing or hereafter acquired or in which the Pledgor now has or at any time in the future may acquire and wherever located (all of which being hereinafter collectively referred to as the "**Collateral**"), as collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Obligations:

(a) all of the Pledgor's limited liability company interests in SunPower YC Holdings and all after acquired limited liability company interests in SunPower YC Holdings (collectively, the "**LLC Interests**"), including without limitation the limited liability company interests described on Schedule 1 (as such schedule may be amended or supplemented from time to time), and all of the Pledgor's rights to acquire limited liability company interests in SunPower YC Holdings in addition to or in exchange or substitution for the LLC Interests and all other Pledged Equity Interests in SunPower YC Holdings owned by the Pledgor;

(b) all of the Pledgor's rights, privileges, authority and powers as a member of SunPower YC Holdings under the Operating Agreement and other organizational documents of SunPower YC Holdings;

(c) all certificates or other documents representing any and all of the foregoing in clauses (a) and (b);

(d) all dividends, distributions, cash, securities, instruments and other property or proceeds of any kind to which the Pledgor may be entitled in its capacity as member of SunPower YC Holdings by way of distribution, return of capital or otherwise, including from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the LLC Interests or other Pledged Equity Interests in SunPower YC Holdings;

(e) any other claim which the Pledgor now has or may in the future acquire in its capacity as member of SunPower YC Holdings against SunPower YC Holdings and its property; and

(f) all Proceeds, products and accessions of and to any of the property described in the preceding clauses (a) through (e) above.

2.2 Security for Obligations. This Agreement secures, and the Collateral is collateral security for, the prompt and complete payment and performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. §362(a) (and any successor provision thereof)), of all Obligations.

2.3 Continuing Liability under Collateral. Notwithstanding anything herein to the contrary, (a) the Pledgor shall remain liable for all obligations in respect of the Collateral and nothing contained herein is intended or shall be a delegation of duties to the Lender, (b) the Pledgor shall remain liable under each of the agreements included in the Collateral, including any agreements relating to Pledged Equity Interests, to perform all of the obligations undertaken by it thereunder all in accordance with and pursuant to the terms and provisions thereof and the Lender shall not have any obligation or liability under any of such agreements by reason of or arising out of this Agreement or any other document related thereto nor shall the Lender have any obligation to make any inquiry as to the nature or sufficiency of any payment received by it or have any obligation to take any action to collect or enforce any rights under any agreement included in the Collateral, including, without limitation, any agreements relating to Pledged Equity Interests, and (c) the exercise by the Lender of any of its rights hereunder shall not release the Pledgor from any of its duties or obligations under the contracts and agreements included in the Collateral.

SECTION 3. CERTAIN PERFECTION REQUIREMENTS

3.1 Delivery Requirements. The Pledgor shall deliver to the Lender, in accordance with Section 5.6, all certificates and instruments representing or evidencing any Pledged Equity Interests, duly indorsed by an effective indorsement (within the meaning of Section 8-107 of the UCC), or accompanied by share transfer powers or other instruments of transfer duly endorsed by such an effective endorsement, in each case, in blank, all in form and substance reasonably satisfactory to the Lender.

3.2 Other Actions; Authorization.

(a) Each of the Pledgor and SunPower YC Holdings consents to the grant of a Lien pursuant to this Agreement in all Pledged Equity Interests to the Lender and without limiting the generality of the foregoing consents to the transfer of any Pledged Equity Interests to the Lender or its designee following an Event of Default and to the substitution of the Lender or its designee as a member in SunPower YC Holdings with all the rights and powers related thereto.

(b) At any time after the occurrence and during the continuation of an Event of Default, the Pledgor hereby authorizes and directs SunPower YC Holdings to (i) comply with any instructions received by it from the Lender in writing that (A) states that an Event of Default has occurred and is continuing and (B) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from the Pledgor, and (ii) unless otherwise expressly permitted hereby, pay any dividend or other payments in respect of the Collateral directly to the Lender. SunPower YC Holdings hereby agrees that the provisions of this Section 3.2 shall apply to it with respect to all actions that may be required of it pursuant to this Section.

3.3 Timing and Notice. With respect to any Collateral in existence on the Closing Date, the Pledgor shall comply with the requirements of Section 3.1 on the date hereof and, with respect to any Collateral hereafter owned or acquired, the Pledgor shall comply with such requirements within fifteen (15) days of the Pledgor acquiring rights therein (or such longer period of time agreed to by the Lender in its sole discretion). The Pledgor shall promptly inform the Lender of its acquisition or receipt of any Collateral for which any action is required by Section 3.1 hereof.

SECTION 4. REPRESENTATIONS AND WARRANTIES.

The Pledgor hereby represents and warrants, on the Effective Date and the Closing Date, that:

4.1 Pledgor Information and Status.

(a) Schedule 4.1(A) and (B) (as such schedule may be amended or supplemented by the Pledgor from time to time) sets forth under the appropriate headings: (1) the full legal name of the Pledgor, (2) all trade names or other names under which the Pledgor currently conducts business, (3) the type of organization of the Pledgor, (4) the jurisdiction of organization of the Pledgor, (5) the Pledgor's organizational identification number, if any, and (6) the jurisdiction where the chief executive office or its sole place of business of the Pledgor is located;

(b) Except as provided on Schedule 4.1(C) (as such schedule may be amended or supplemented by the Pledgor from time to time), the Pledgor has not changed its name, jurisdiction of organization, chief executive office or sole place of business or its corporate structure in any way (e.g., by merger, consolidation, change in corporate form or otherwise) and has not done business under any other name, in each case, within the past five (5) years;

(c) The Pledgor has been duly organized and is validly existing as an entity of the type as set forth opposite the Pledgor's name on Schedule 4.1(A) solely under the laws of the jurisdiction as set forth opposite the Pledgor's name on Schedule 4.1(A) and remains duly existing as such. The Pledgor has not filed any certificates of dissolution or liquidation, any certificates of domestication, transfer or continuance in any other jurisdiction;

(d) The Pledgor is not a "transmitting utility" (as defined in Section 9-102(a)(80) of the UCC);

(e) Schedule 1 sets forth under the heading "Pledged Equity Interests" all of the Pledged Equity Interests owned by the Pledgor, and such Pledged Equity Interests constitute the percentage of issued and outstanding Equity Interests of SunPower YC Holdings indicated on such Schedule 1; the Pledgor shall supplement Schedule 1 as necessary to ensure that Schedule 1 is accurate on the Closing Date; and

(f) None of the Pledged Equity Interests that are pledged by the Pledgor hereunder on Schedule 1 constitute certificated "securities" under Section 8-103 of the UCC or the corresponding code or statute of any other applicable jurisdiction or are represented by a certificate.

4.2 Ownership of Collateral and Absence of Other Liens.

(a) The Pledgor owns the Collateral purported to be owned by it or otherwise has the rights it purports to have in each item of Collateral, free and clear of any and all Liens including Liens arising as a result of the Pledgor becoming bound (as a result of merger or otherwise) as debtor under a security agreement entered into by another Person, other than Permitted Collateral Encumbrances;

(b) It is the record and beneficial owner of the Pledged Equity Interests free of all Liens (other than Permitted Collateral Encumbrances), rights or claims of other Persons and there are no outstanding warrants, options or other rights to purchase, or shareholder, voting trust or similar agreements (other than the SunPower YC Holdings organizational documents) outstanding with respect to, or property that is convertible into, or that requires the issuance or sale of, any Pledged Equity Interests;

(c) No consent of any Person is necessary in connection with the creation, perfection or First Priority status of the security interest of the Lender in any Pledged Equity Interests or the exercise by the Lender of the voting or other rights provided for in this Agreement or the exercise of remedies in respect thereof;

(d) Other than any financing statements filed in favor of the Lender pursuant this Agreement, no effective financing statement or other instrument similar in effect under any applicable law covering all or any part of the Collateral is on file in any filing or recording office; and

(e) Other than the Lender, no Person is in Control of any Collateral.

4.3 Other Representations. The Pledged Equity Interests constitute "general intangibles" (as defined in Section 9-102(a)(42) of the UCC) and the Pledgor therefore covenants and agrees that (a) the Pledged Equity Interests are not and will not be dealt in or traded on securities exchanges or securities markets, (b) the terms of the Pledged Equity Interests do not and will not provide that they are "securities" governed by the UCC and (c) the Pledged Equity Interests are not and will not be investment company securities within the meaning of Section 8-103 of the UCC.

SECTION 5. COVENANTS AND AGREEMENTS.

The Pledgor hereby covenants and agrees that:

5.1 Pledgor Information and Status.

(a) The Pledgor shall not change its name, organizational identification number, chief executive office or sole place of business or type of organization or jurisdiction of organization unless it shall have (i) given at least thirty (30) days prior written notice to the Lender and (ii) if applicable, taken all actions necessary or advisable to maintain the continuous validity, perfection and the same or better priority of the Lender's security interest in the Collateral granted or intended to be granted and agreed to hereby.

(b) It shall notify the Lender in writing within thirty (30) days of any change in the Pledgor's chief executive office and take all actions necessary or advisable to maintain the continuous validity, perfection and the same or better priority of the Lender's security interest in the Collateral granted or intended to be granted and agreed to hereby.

5.2 Ownership of Collateral and Absence of Other Liens. Except for the security interest created by this Agreement, it shall not create or suffer to exist any Lien upon or with respect to any of the Collateral, other than Permitted Collateral Encumbrances, and the Pledgor shall defend the Collateral against all Persons at any time claiming any interest therein (other than with respect to Permitted Collateral Encumbrances).

5.3 Status of Security Interest. The Pledgor shall maintain the security interest of the Lender hereunder in all Collateral as valid, perfected, First Priority Liens (subject, in the case of priority only, to any Liens that have priority by operation of law).

5.4 Pledged Equity Interests.

(a) In the event the Pledgor receives any dividends, interest or distributions on any Pledged Equity Interest, upon the merger, consolidation, liquidation or dissolution of SunPower YC Holdings, then (i) such dividends, interest or distributions shall be included in the definition of Collateral without further action and (ii) the Pledgor shall immediately take all steps, if any, necessary or advisable to ensure the validity, perfection, priority and, if applicable, control of the Lender over such dividends, interest or distributions and pending any such action the Pledgor shall be deemed to hold such dividends, interest or distributions in trust for the benefit of the Lender and shall segregate such dividends, interest or distributions from all other property of the Pledgor.

Notwithstanding the foregoing, so long as no Event of Default shall have occurred and be continuing, the Lender authorizes the Pledgor to retain and use all dividends, interest and distributions subject to the terms of this Agreement and the other Loan Documents. All distributions and other amounts which are received by the Pledgor contrary to the provisions of this Agreement shall be received in trust for the benefit of the Lender, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Lender as Collateral in the same form as so received (with any necessary endorsement).

(b) Voting.

(i) So long as no Event of Default shall have occurred and be continuing, except as otherwise expressly prohibited by the covenants and agreements relating to Pledged Equity Interests in this Agreement or elsewhere herein or in the Credit Agreement, the Pledgor shall be entitled to exercise or refrain from exercising any and all voting and other consensual rights pertaining to the Pledged Equity Interests or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Credit Agreement; and

(ii) Upon the occurrence and during the continuation of an Event of Default and upon prior written notice from the Lender (it being acknowledged and agreed that the Lender shall not be required to deliver any such notice if the Pledgor is the subject of a Bankruptcy Event):

(A) all rights of the Pledgor to exercise or refrain from exercising the voting and other consensual rights which it would otherwise be entitled to exercise pursuant hereto shall cease and all such rights shall thereupon become vested in the Lender who shall thereupon have the sole right to exercise such voting and other consensual rights; and

(B) in order to permit the Lender to exercise the voting and other consensual rights which it may be entitled to exercise pursuant hereto and to receive all dividends and other distributions which it may be entitled to receive hereunder: (1) the Pledgor, at its sole cost and expense, shall promptly execute and deliver (or cause to be executed and delivered) to the Lender all proxies, dividend payment orders and other instruments as the Lender may from time to time reasonably request and (2) the Pledgor acknowledges that the Lender may utilize the power of attorney set forth in Section 7.1; and

(C) the Lender shall have the right, without notice to the Pledgor, to (1) transfer all or any portion of the Pledged Equity Interests to its name or the name of its nominee or agent and (2) subject to the terms of the Pledged Equity Interests, to exchange any certificates or instruments representing such Pledged Equity Interests for certificates or instruments of smaller or larger denominations.

(c) Without the prior written consent of the Lender, it shall not vote to enable or take any other action to: (i) except as permitted by the Credit Agreement, amend or terminate the Operating Agreement or any other organizational documents in any way that changes the rights of the Pledgor with respect to any Pledged Equity Interests or adversely affect the validity, perfection or priority of the Lender's security interest, or (ii) cause SunPower YC Holdings to elect or otherwise take any action to cause any Pledged Equity Interests to be treated as "securities" (for purposes of the UCC); provided, that, if any Person takes any such action in violation of the foregoing in this clause (c), the Pledgor shall promptly notify the Lender in writing of any such election or action and, in such event, shall take all steps necessary or advisable to establish the Lender's "control" thereof.

(d) The Pledgor represents and warrants that the Pledged Equity Interests are not "securities" (for purposes of the UCC). The Pledgor agrees that it will not permit SunPower YC Holdings to take any actions that would result in any Pledged Equity Interests becoming "securities" (for purposes of the UCC) without the prior written consent of the Lender.

(e) The Pledgor shall not transfer any Pledged Equity Interests.

5.5 8point3 Group Dividends

The Pledgor shall cause any dividends, distributions, returns of capital, cash, warrants, rights, options, instruments, securities and other property or proceeds received by SunPower YC Holdings and relating to SunPower YC Holdings' Equity Interests in 8point3 Group to be applied in accordance with Section 2.09 of the Credit Agreement.

5.6 Certificates and Instruments

If the Pledgor shall become entitled to receive or shall receive any certificate (including any certificate representing a dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the Equity Interests of the Company, whether in addition to, in substitution of, as a conversion of, or in exchange for, any of the Pledged Equity Interests, or otherwise in respect thereof, the Pledgor shall accept the same as the agent of the Lender, hold the same in trust for the Lender and deliver the same forthwith to the Lender in the exact form received, duly indorsed by the Pledgor to the Lender, if required, together with an undated stock power covering such certificate duly executed in blank by the Pledgor, to be held by the Lender, subject to the terms hereof, as additional collateral security for the Obligations. All certificates representing Pledged Equity Interests (and any additional Pledged Equity Interests acquired or issued after the Closing Date) shall be delivered to the Lender, together with duly executed instruments of transfer or assignment in blank.

SECTION 6. FURTHER ASSURANCES.

(a) The Pledgor agrees that from time to time, at its expense (in accordance with the Credit Agreement), that it shall promptly execute and deliver all further

instruments and documents, and take all further action, that may be necessary, or that the Lender may reasonably request, in order to create and/or maintain the validity, perfection or priority of and protect any security interest granted or purported to be granted hereby or to enable the Lender to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Pledgor shall:

(i) file such financing or continuation statements, or amendments thereto and execute and deliver such other agreements, instruments, endorsements, powers of attorney or notices, as may be necessary, or as the Lender may reasonably request, in order to effect, reflect, perfect and preserve the security interests granted or purported to be granted hereby;

(ii) at any reasonable time, upon reasonable request by the Lender, assemble the Collateral and allow inspection of the Collateral by the Lender, or persons designated by the Lender;

(iii) at the Lender's request, appear in and defend any action or proceeding that might affect the Pledgor's title to or the Lender's security interest in all or any part of the Collateral; and

(iv) furnish the Lender with such information regarding the Collateral, including, without limitation, the location thereof, as the Lender may reasonably request from time to time.

(b) The Pledgor hereby authorizes the Lender to file a Record or Records, including financing or continuation statements and amendments and supplements to any of the foregoing, in any jurisdictions and with any filing offices as the Lender may determine, in its sole discretion, are necessary or advisable to perfect or otherwise protect the security interest granted to the Lender herein. Such financing statements may describe the Collateral in the same manner as described herein or may contain an indication or description of collateral that describes such property in any other manner as the Lender may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the security interest in the Collateral granted to the Lender herein. The Pledgor shall furnish to the Lender from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Lender may reasonably request, all in reasonable detail.

(c) In accordance with Section 8.03 of the Credit Agreement, the Pledgor shall pay any applicable filing fees and related expenses in connection with any filing made by the Lender in accordance with clause (b) above.

SECTION 7. LENDER APPOINTED ATTORNEY-IN-FACT.

7.1 Power of Attorney. The Pledgor hereby irrevocably appoints the Lender (such appointment being coupled with an interest) as the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor, the Lender

or otherwise, from time to time in the Lender's discretion to take any action and to execute any instrument that the Lender may deem reasonably necessary or advisable to accomplish the purposes of this Agreement, including the following:

(a) upon the occurrence and during the continuance of an Event of Default, to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) upon the occurrence and during the continuance of any Event of Default, to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) above;

(c) upon the occurrence and during the continuance of an Event of Default, to file any claims or take any action or institute any proceedings that the Lender may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Lender with respect to any of the Collateral;

(d) to prepare and file any UCC financing statements against the Pledgor as debtor;

(e) upon the occurrence and during the continuance of an Event of Default to take or cause to be taken all actions necessary to perform or comply or cause performance or compliance with the terms of this Agreement, including access to pay or discharge taxes or Liens (other than Permitted Collateral Encumbrances) levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by the Lender in its sole discretion, any such payments made by the Lender to become obligations of the Pledgor to the Lender, due and payable immediately without demand; and

(f) upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, lease, license, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Lender were the absolute owner thereof for all purposes, and to do, at the Lender's option and the Pledgor's expense, at any time or from time to time, all acts and things that the Lender deems reasonably necessary to protect, preserve or realize upon the Collateral and the Lender's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as the Pledgor might do.

7.2 No Duty on the Part of Lender . The powers conferred on the Lender hereunder shall not impose any duty upon the Lender to exercise any such powers. The Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Lender nor any of its officers, directors, employees or agents shall be responsible to the Pledgor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

SECTION 8. REMEDIES.

8.1 Generally.

(a) If any Event of Default shall have occurred and be continuing, the Lender may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it at law or in equity, all the rights and remedies of the Lender on default under the UCC (whether or not the UCC applies to the affected Collateral) to collect, enforce or satisfy any Obligations then owing, whether by acceleration or otherwise, and also may pursue any of the following separately, successively or simultaneously:

(i) require the Pledgor to, and the Pledgor hereby agrees that it shall at its expense and promptly upon request of the Lender forthwith, assemble all or part of the Collateral as directed by the Lender and make it available to the Lender at a place to be designated by the Lender that is reasonably convenient to both parties;

(ii) enter onto the property where any Collateral is located and take possession thereof with or without judicial process; and

(iii) without notice except as specified below or under the UCC, sell, assign, or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Lender's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as the Lender may deem commercially reasonable.

(b) The Lender may be the purchaser of any or all of the Collateral at any public or private (to the extent the portion of the Collateral being privately sold is of a kind that is customarily sold on a recognized market or the subject of widely distributed standard price quotations) sale in accordance with the UCC and the Lender shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such sale made in accordance with the UCC, to use and apply any of the Obligations as a credit on account of the purchase price for any Collateral payable by the Lender at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of the Pledgor, and the Pledgor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Lender shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Lender may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Pledgor agrees that it would not be commercially unreasonable for the Lender to dispose of the Collateral or any portion thereof by using internet sites

that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets. The Pledgor hereby waives any claims against the Lender arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if the Lender accepts the first offer received and does not offer such Collateral to more than one offeree. The Pledgor further agrees that a breach of any of the covenants contained in this Section will cause irreparable injury to the Lender, that the Lender has no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section shall be specifically enforceable against the Pledgor, and the Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no default has occurred giving rise to the Obligations becoming due and payable prior to their stated maturities. Nothing in this Section shall in any way limit the rights of the Lender hereunder.

(c) The Lender may sell the Collateral without giving any warranties as to the Collateral. The Lender may specifically disclaim or modify any warranties of title or the like. This procedure will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

(d) The Lender shall have no obligation to marshal any of the Collateral.

8.2 Application of Proceeds. Except as expressly provided elsewhere in this Agreement, all proceeds received by the Lender in the event that an Event of Default shall have occurred and not otherwise been waived, and in respect of any sale of, any collection from, or other realization upon all or any part of the Collateral shall be applied in full or in part by the Lender against, the Obligations in the following order of priority: first, to the payment of all costs and expenses of such sale, collection or other realization, including all reasonable expenses, liabilities and advances made or incurred by the Lender in connection therewith, and all amounts for which the Lender is entitled to indemnification hereunder and all advances made by the Lender hereunder for the account of the Pledgor, and to the payment of all reasonable costs and expenses paid or incurred by the Lender in connection with the exercise of any right or remedy hereunder or under the Credit Agreement, all in accordance with the terms hereof or thereof; second, to the extent of any excess of such proceeds, to the payment of all other Obligations; and third, to the extent of any excess of such proceeds, to the payment to or upon the order of the Pledgor or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

8.3 Sales on Credit. If Lender sells any of the Collateral upon credit, Pledgor will be credited only with payments actually made by purchaser and received by Lender and applied to indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Lender may resell the Collateral and Pledgor shall be credited with proceeds of the sale.

8.4 Pledged Equity Interests. The Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws, the Lender

may be compelled, with respect to any sale of all or any part of the Pledged Equity Interests conducted without prior registration or qualification of such Pledged Equity Interests under the Securities Act and/or such state securities laws, to limit purchasers to those who will agree, among other things, to acquire the Pledged Equity Interests for their own account, for investment and not with a view to the distribution or resale thereof. The Pledgor acknowledges that any such private sale may be at prices and on terms less favorable than those obtainable through a public sale without such restrictions (including a public offering made pursuant to a registration statement under the Securities Act) and, notwithstanding such circumstances, the Pledgor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Lender shall have no obligation to engage in public sales and no obligation to delay the sale of any Pledged Equity Interests for the period of time necessary to permit SunPower YC Holdings to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if SunPower YC Holdings would, or should, agree to so register it. If the Lender determines to exercise its right to sell any or all of the Pledged Equity Interests, upon written request, the Pledgor shall and shall cause SunPower YC Holdings from time to time to furnish to the Lender all such information as the Lender may request in order to determine the number and nature of interest, shares or other instruments included in the Pledged Equity Interests which may be sold by the Lender in exempt transactions under the Securities Act and the rules and regulations of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

8.5 Enforcement Expenses. For the avoidance of doubt, in accordance with Section 8.03 of the Credit Agreement, the Pledgor agrees to pay or reimburse the Lender for all its reasonable and documented costs and expenses incurred in enforcing or protecting any rights under this Agreement, including, without limitation, the reasonable and documented fees and disbursements of counsel to the Lender and of any other necessary counsel. The agreement in this Section 8.5 shall survive the payment in full of all Obligations under the Credit Agreement and the other Loan Documents.

SECTION 9. CONTINUING SECURITY INTEREST; RELEASE.

This Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until the Discharge Date, be binding upon the Pledgor, its successors and assigns, and inure, together with the rights and remedies of the Lender hereunder, to the benefit of the Lender and its successors, transferees and assigns. Without limiting the generality of the foregoing, but subject to the terms of the Credit Agreement, the Lender may assign or otherwise transfer all or any portion of its interest in the Term Loan to any other Person, and such other Person shall thereupon become vested with all the benefits in respect of the portion so assigned which are granted to the Lender herein or otherwise. On the Discharge Date, the security interest granted hereby shall automatically terminate hereunder and of record and all rights to the Collateral shall revert to the Pledgor. Upon any such termination the Lender shall, at the Pledgor’s expense, execute and deliver to the Pledgor or otherwise authorize the filing of such documents as the Pledgor shall

reasonably request, including financing statement amendments to evidence such termination.

SECTION 10. STANDARD OF CARE; LENDER MAY PERFORM.

The powers conferred on the Lender hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Lender shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. The Lender shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Lender accords its own property. Neither the Lender nor any of its directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Pledgor or otherwise. If the Pledgor fails to perform any agreement contained herein, the Lender may itself perform, or cause performance of, such agreement, and the expenses of the Lender incurred in connection therewith shall be payable by the Pledgor under, and to the extent provided in, Section 8.03 of the Credit Agreement. The Lender shall provide prompt written notice to the Pledgor following its performance of any such agreement which the Pledgor has failed to perform under this Agreement.

SECTION 11. MISCELLANEOUS.

Any notice required or permitted to be given under this Agreement shall be given in accordance with Section 8.01 of the Credit Agreement.

No failure or delay on the part of the Lender in the exercise of any power, right or privilege hereunder or under any other Loan Document shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement and the other Loan Documents are cumulative with, and not exclusive of, any rights or remedies otherwise available. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists. This Agreement shall be binding upon and inure to the benefit of the Lender and the Pledgor and their respective successors and assigns. The Pledgor shall not, without the prior written consent of the Lender given in accordance with the Credit Agreement, assign any

right, duty or obligation hereunder. This Agreement embodies the entire agreement and understanding between the Pledgor and the Lender and supersedes all prior agreements and understandings between such parties relating to the subject matter hereof and thereof. Accordingly, this Agreement may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

The Pledgor hereby acknowledges that (a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement; (b) the Lender does not have any fiduciary relationship with or duty to the Pledgor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Pledgor, on the one hand, and the Lender, on the other hand, in connection herewith or therewith is solely that of debtor and creditor and (c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Pledgor and the Lender.

Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Pledgor and the Lender.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THAT WOULD REQUIRE APPLICATION OF ANOTHER LAW.

Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any New York state court or federal court of the United States of America sitting in the Borough of Manhattan in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York state court or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York state or federal court. Each of the parties hereto hereby

irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court sitting in the Borough of Manhattan in New York City.

To the extent permitted by law, each party to this Agreement hereby irrevocably waives personal service of any and all process upon it and agrees that all such service of process may be made by express or overnight mail or courier, postage prepaid, directed to it at its address for notices as provided for in Section 8.01 of the Credit Agreement. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT OR THE LENDER/PLEDGOR RELATIONSHIP THAT IS BEING ESTABLISHED. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party hereto acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this Agreement, and that each will continue to rely on this waiver in their related future dealings. Each party hereto further warrants and represents that it has reviewed this waiver with its legal counsel and that it knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. **THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 11 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE PLEDGE MADE HEREUNDER.** In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

This Agreement and the Liens created hereunder shall automatically be reinstated if and to the extent that for any reason any payment by or on behalf of the Pledgor or any other Loan Party in respect of the Obligations is rescinded or must otherwise be restored by the Lender, whether as a result of any Bankruptcy Event or reorganization or otherwise, and the Pledgor shall indemnify the Lender and its employees, officers and agents on demand for all reasonable fees, costs and expenses (including reasonable fees, costs and expenses of counsel) incurred by the Lender or its employees, officers or agents in connection with such reinstatement, rescission or restoration.

IN WITNESS WHEREOF, the Pledgor and the Lender have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

SUNPOWER HOLDCO, LLC, as Pledgor
By: SunPower Corporation, its sole member

By: __
Name:
Title:

In relation to its agreements and obligations under Section 3.2, acknowledged and agreed by:

SUNPOWER YC HOLDINGS, LLC
By: SunPower HoldCo, LLC, its sole member

By: SunPower Corporation, its sole member

By: __
Name:
Title:

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK,
as Lender

By __
Name:
Title:

By __
Name:
Title:

SCHEDULE 1
TO PLEDGE AGREEMENT (BORROWER)

PLEDGED EQUITY INTERESTS

Owner	Issuer	Class of Stock or other Equity Interest	Certificate Number	Percentage of Total, Class of Stock or other Equity Interest
SunPower HoldCo, LLC	SunPower YC Holdings, LLC	Common and Subordinated Units	None	100%

SCHEDULE 4.1
TO PLEDGE AGREEMENT (BORROWER)

GENERAL INFORMATION

(A) Full Legal Name, Type of Organization, Jurisdiction of Organization, Chief Executive Office/Sole Place of Business and Organizational Identification Number of the Pledgor:								
Full Legal Name		Type of Organization		Jurisdiction of Organization		Chief Executive Office/Sole Place of Business		Organization I.D.#
SunPower HoldCo, LLC		Limited Liability Company		Delaware		77 Rio Robles San Jose, California 95134		5604031

(B) Other Names (including any Trade Name or Fictitious Business Name) under which the Pledgor currently conducts business:		
Full Legal Name		Trade Name or Fictitious Business Name
None.		

(C) Changes in Name, Jurisdiction of Organization, Chief Executive Office or Sole Place of Business and Corporate Structure within past five (5) years:				
Pledgor		Date of Change		Description of Change
None.				

EXHIBIT I

FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Term Credit Agreement identified below (as amended, supplemented, or otherwise modified from time to time, the "Credit Agreement"), receipt of a copy of which (and any other Loan Documents requested by the Assignee) is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Lender as contemplated below (i) all of the Assignor's rights and obligations in its capacity as the Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the facility identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as the Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1.Assignor: _____

2.Assignee: _____
[and is an Affiliate of [*identify Lender*]]

3.Borrower: SunPower Holdco, LLC

4.Credit Agreement: The $300,000,000 Term Credit Agreement dated as of May 22, 2018 by and among SunPower Holdco, LLC, SunPower Corporation, as the Guarantor, and Crédit Agricole Corporate and Investment Bank, as the Lender

6. Assigned Interest:

Facility Assigned	Aggregate Commitment Amount	Amount of Commitment Assigned	Percentage Assigned of Commitment
Term Loan	$_____	$_____	_____%

Effective Date: _____ ___, 20___ [TO BE INSERTED BY THE LENDER AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By:____

Name:

Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By:____

Name:

Title:

Consented to:
SunPower Holdco, LLC,
as Borrower

By: SunPower Corporation, its sole member

By____
Name:
Title:

ANNEX 1 TO ASSIGNMENT AND ASSUMPTION

Term Credit Agreement dated as of May 22, 2018 by and among SunPower Holdco, LLC, as the Borrower, SunPower Corporation, as the Guarantor, and Crédit Agricole Corporate and Investment Bank, as the Lender.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim, and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become the Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become the Lender, (iii) from and after the Effective Date specified in this Assignment and Assumption, it shall be bound by the provisions of the Credit Agreement as the Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of the Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Lender, and (v) if it is a Lender organized under the laws of a jurisdiction outside of the United States, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Assignor, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as the Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and

Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by electronic transmission shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THAT WOULD REQUIRE APPLICATION OF ANOTHER LAW.

EQUITY AGREEMENT AND RELEASE

This Agreement and Release ("Equity Agreement and Release") constitutes a binding agreement between you, Charles Boynton, and SunPower Corporation ("SunPower"). Please review the terms carefully. We advise you to consult with an attorney concerning its terms. By signing below, you are agreeing to the terms described below in return for the benefits provided herein.

You and SunPower anticipate that you will separate from your employment with SunPower on July 1, 2018. ("Separation Date").

1. Provided you remain employed with SunPower through your Separation Date, and you timely execute and do not revoke this Equity Agreement and Release, SunPower will accelerate vesting of 53,232 outstanding RSU and measured PSU awards on July 1, 2018.

2. In exchange for the separation benefits described in Paragraph 1 above, you agree to, and agree to abide by, the following terms:

   A. Release. You hereby release (i.e., give up) all known and unknown claims that you presently have or may have against SunPower, all current and former, direct and indirect parents, subsidiaries, brother-sister companies, and all other affiliates and related partnerships, joint ventures, or other entities, and, with respect to each of them, their predecessors and successors; and, with respect to each such entity, all of its past, present, and future employees, officers, directors, stockholders, owners, representatives, assigns, attorneys, agents, insurers, employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs), and any other persons acting by, through, under or in concert with any of the persons or entities listed in this section, and their successors (Released Parties), except claims that the law does not permit you to waive by signing this Agreement and Release.

   B. Release of Unknown Claims. You are intentionally releasing claims that you do not know that you might have and that, with hindsight, you might regret having released. You have not assigned or given away any of the claims you are releasing. You expressly waive the protection of section 1542 of the Civil Code of California, or comparable provision of another state's law, which states:

      A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known to him or her must have materially affected his or her settlement with the debtor.

   C. Express Waiver and Release of Claims Under the Age Discrimination in Employment Act. You specifically acknowledge that you are waiving and releasing any rights you may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. You acknowledge that the consideration given for this waiver and release is in addition to anything of value to which you were already entitled, that you have been advised of your opportunity to consult with an attorney, and that nothing in this Equity Agreement and Release prevents or precludes you from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties or costs for doing so, unless specifically authorized by federal law. You acknowledge that you were provided with twenty-one (21) days to consider this Equity Agreement and Release. Furthermore, you acknowledge that even if you sign this Equity Agreement and Release before the expiration of the 21-day consideration period, that the Company provided you the entire 21-day period to consider this Equity Agreement and Release.

   D. Right to Revoke. You understand that if you sign this Equity Agreement and Release you can change your mind and revoke it within seven (7) days after signing it by providing written revocation notice to **HR SHARED SERVICES, HUMAN RESOURCES, SUNPOWER CORPORATION, 2900 ESPERANZA CROSSING, FLOOR 3, AUSTIN, TEXAS, 78758**. You understand that the release and waiver set forth above will not be effective until after this seven-day period has expired (the "Effective Date"). You understand that following the seven-day revocation period, this Equity Agreement and Release will be final and binding.

   E. Representations. When you decided to sign this Equity Agreement and Release, you were not relying on any representations that are not in this Equity Agreement and Release. SunPower would not have agreed to pay the consideration you are getting in exchange for this Equity Agreement and Release but for the representations and promises you are making by signing it.

   F. Material Inducement. You acknowledge that your agreement to each of the provisions in this Section 2 is a material inducement to SunPower to enter into this Equity Agreement and Release.

   G. Taxes, Indemnification. You are solely responsible for all tax obligations that may arise from this Equity Agreement and Release, including any arising under Internal Revenue Code Section 409A. You agree to promptly pay, defend, indemnify and hold harmless SunPower from all costs, damages or expenses incurred in connection with any such claim.

   H. Cooperation with Government Agencies. You understand that nothing in this Equity Agreement and Release shall be construed to prevent, limit or interfere with your ability to file a charge with, report in good faith possible violations of law to, or participate in any investigation or proceeding conducted by any government agency or governmental entity, or to provide such disclosures as may be required by law or judicial process. However, you also understand and agree that you are giving up the opportunity to recover any compensation, damages, or any other form of relief in any proceeding brought by you or on your behalf, except that nothing herein shall restrict you from applying for or receiving an award in connection with a report by you to a government entity concerning potential securities law violations.

3. You agree to indemnify, defend and hold harmless SunPower from and against any and all loss, costs, damages or expenses, including, without limitation, attorneys' fees or expenses incurred by SunPower arising out of the breach of this Equity Agreement and Release by you, or from any false representation made herein by you. You further agree that in any such action or proceeding, this Equity Agreement and Release may be pled by SunPower as a complete defense, or may be asserted by way of counterclaim or cross-claim. In the event that you breach any of your obligations under this Equity Agreement and Release or as otherwise imposed by law, SunPower will be entitled to recover the sums and benefits paid under the Equity Agreement and Release and to obtain all other relief provided by law or equity. SunPower's rights and remedies arising hereunder are cumulative of any and all other rights or remedies SunPower may have in the event of a breach of this Equity Agreement and Release by you.

4. This Equity Agreement and Release shall be construed and enforceable in all respects pursuant to U.S. Federal law and Texas law, to the extent not preempted by U.S. Federal law, notwithstanding conflict of laws considerations or the preference, policy or law of any other jurisdiction or forum. The terms, provisions and language of this Equity Agreement and Release have been jointly negotiated and drafted by the Parties. Nothing in this

Equity Agreement and Release should be construed or interpreted against any Party as the drafting party, or for any other reason by operation of similar rules of construction.

5. Any dispute or action arising from or related to this Equity Agreement and Release or otherwise relating to or arising out of your employment with SunPower or the termination of that employment (collectively, the "Claims") shall be subject to final and binding arbitration in a location within 50 miles of your SunPower work location agreed to by the parties or ordered by JAMS or the arbitrator, before a retired judge then employed by JAMS under its arbitration rules and procedures, and the rules code of civil procedure of the state in which the arbitration occurs. This agreement to arbitrate requires that all claims be submitted to arbitration and that they be arbitrated on an individual basis only. Neither you nor SunPower is permitted to bring any Claim on a class, collective, consolidated or representative basis. Nor are you or SunPower permitted to join or participate as a party or member in any class, collective, consolidated, or representative action or purported arbitration brought by another person that involves a Claim. SunPower will be responsible for any fees charged by JAMS or the arbitrator. Except as provided in Paragraph 3, each party is responsible for its own attorneys' fees, except that, for statutory claims, the arbitrator may award attorney's fees and costs as provided by the applicable statute. The parties hereby waive their respective rights to have any dispute between them resolved in court by a judge or jury. This paragraph will not prevent either party from seeking preliminary injunctive relief or any other provisional remedy in aid of arbitration from any court having jurisdiction over the parties, and shall not apply to disputes that are expressly excluded from arbitration by statute.

6. This Equity Agreement and Release may be executed in counterparts and each counterpart, when executed, shall have the efficacy of a second original. Photographic, scan, or facsimile copies of any such signed counterparts may be used in lieu of the original for any purpose.

TO ACCEPT THIS EQUITY AGREEMENT AND RELEASE, PLEASE SIGN AND DATE IT BELOW AND RETURN IT TO: HR SHARED SERVICES, HUMAN RESOURCES, SUNPOWER CORPORATION, 2900 ESPERANZA CROSSING, FLOOR 3, AUSTIN, TEXAS, 78758. IN ADDITION TO MAIL, YOU MAY ALSO EMAIL YOUR AGREEMENT TO askHR@SUNPOWER.COM.

THIS EQUITY AGREEMENT AND RELEASE WILL NOT BE EFFECTIVE UNLESS YOU SIGN AND RETURN IT NO LATER THAN JUNE 25, 2018 AND DO NOT REVOKE IT.

ACKNOWLEDGED, UNDERSTOOD AND AGREED	ON BEHALF OF SUNPOWER CORPORATION
_____	_____
Charles Boynton Doug Richards	EVP Administration
Date: _____	Date: _____, 2018

EXHIBIT 31.1

CERTIFICATIONS

I, Thomas H. Werner, certify that:

1 I have reviewed this Quarterly Report on Form 10-Q of SunPower Corporation;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2018

/S/ THOMAS H. WERNER

Thomas H. Werner
Chief Executive Officer and Director
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Manavendra S. Sial, certify that:

1 I have reviewed this Quarterly Report on Form 10-Q of SunPower Corporation;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2018

/S/ MANAVENDRA S. SIAL

Manavendra S. Sial
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SunPower Corporation (the "Company") on Form 10-Q for the period ended July 1, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Thomas H. Werner and Manavendra S. Sial certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 1, 2018

/S/ THOMAS H. WERNER

Thomas H. Werner
Chief Executive Officer and Director
(Principal Executive Officer)

/S/ MANAVENDRA S. SIAL

Manavendra S. Sial
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.