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

FORM 10-K

T **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 30, 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock $0.001 par value	**Nasdaq Global Select Market**
Preferred Stock Purchase Rights	**Nasdaq Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes T No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. T

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

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 Act). Yes o No T

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 29, 2018 (the last business day of the registrant's most recently completed second fiscal quarter) was $469 million. Such aggregate market value was computed by reference to the closing price of the common stock as reported on the Nasdaq Global Select Market on June 29, 2018. For purposes of determining this amount only, the registrant has defined affiliates as

including Total Solar International SAS, formerly known as Total Energies Nouvelles Activités USA and Total Gas & Power USA, SAS and the executive officers and directors of the registrant on June 29, 2018.

The total number of outstanding shares of the registrant's common stock as of February 8, 2019 was 141,383,535.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the registrant's definitive proxy statement for the registrant's 2019 annual meeting of stockholders are incorporated by reference in Items 10, 11, 12, 13, and 14 of Part III of this Annual Report on Form 10-K.

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INTRODUCTORY NOTES

Trademarks

The following terms, among others, are our trademarks and may be used in this report: SunPower®, Maxeon®, Oasis®, OasisGEO™, EnergyLink™, InvisiMount®, Tenesol®, Greenbotics®, Customer Cost of Energy™ ("CCOE™"), SunPower Spectrum™, Helix™, Equinox™, Signature™, SolarBridge®, and The Power of One™. Other trademarks appearing in this report are the property of their respective owners.

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 to 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.

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K 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 and the assumptions underlying such statements. We use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "potential," "will," "would," "should," and similar expressions to identify forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K 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 measures, 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 our solar 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 strategic 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 Annual Report on Form 10-K and current expectations, forecasts and assumptions and involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks and uncertainties include a variety of factors, some of which are beyond our control. Please see "Item 1A. Risk Factors" herein and our other filings with the Securities and Exchange Commission ("SEC") for additional information on risks and uncertainties that could cause actual results to differ. These forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we are under no obligation to, and expressly disclaim any responsibility to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

The following information should be read in conjunction with the Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. 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.

PART I

ITEM 1. *BUSINESS*

Corporate History

SunPower has been a leader in the solar industry for over 30 years, originally incorporated in California in 1985 and reincorporated in Delaware during 2004 in connection with our initial public offering. In November 2011, our stockholders approved the reclassification of all outstanding former class A common stock and class B common stock into a single class of common stock listed on the Nasdaq Global Select Market under the symbol "SPWR." In fiscal 2011, we became a majority owned subsidiary of Total Solar International SAS, formerly known as Total Gas & Power USA, SAS and Total Energies Nouvelles Activités USA ("Total"), a subsidiary of Total S.A. ("Total S.A.").

Company Overview

We are a leading global energy company dedicated to changing the way our world is powered. We deliver complete solar solutions to residential, commercial, and power plant customers worldwide by offering:

- cutting-edge solar module technology and solar power systems that are designed to generate electricity over a system life typically exceeding 25 years;
- integrated storage and software solutions that enable customers to effectively manage and optimize their CCOE energy usage and expenses;
- installation, construction, and ongoing maintenance and monitoring services; and
- financing solutions that provide customers with a variety of options for purchasing or leasing high efficiency solar products at competitive energy rates.

Our global reach is enhanced by Total S.A.'s long-standing presence in many countries where significant solar installation goals are being established.

Recent Developments

Divestment of Microinverter Business

On August 9, 2018, we completed the sale of certain assets and intellectual property related to the production of microinverters to Enphase Energy, Inc. ("Enphase") in exchange for $25.0 million in cash and 7.5 million shares of Enphase common stock (the “Closing Shares”), pursuant to an Asset Purchase Agreement (the "Purchase Agreement") entered into on June 12, 2018. We received the Closing Shares and $15.0 million cash payment upon closing, and received the final $10.0 million cash payment of the purchase price on December 10, 2018.

For additional information, refer to "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 4. *Business Combination and Divestitures.*"

Acquisition of SolarWorld Americas

On April 16, 2018, we entered into a Sale and Purchase Agreement (the "Sale and Purchase Agreement") pursuant to which we agreed to purchase all of SolarWorld AG's shares of stock in SolarWorld Americas Inc. ("SolarWorld Americas"), and SolarWorld Industries Deutschland GmbH’s partnership interest in SolarWorld Industries America LP. On August 21, 2018, we terminated the Sale and Purchase Agreement and entered into an Asset Purchase Agreement with SolarWorld Americas, pursuant to which we agreed to purchase certain assets of SolarWorld Americas in exchange for consideration of $26.0 million, subject to certain closing and post-closing adjustments and other contingent payments. In connection with the termination of

the Sale and Purchase Agreement, we have recognized an expense of $20.0 million for the quarter ended September 30, 2018 in sales, general and administrative expense. On October 1, 2018, we completed the acquisition of certain assets of SolarWorld Americas, including its Hillsboro, Oregon facility and a significant portion of its manufacturing workforce of more than 200 employees. The purchase consideration consisted of $26.0 million in cash and additional contingent consideration of approximately $4.1 million.

For additional information, refer to "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 4. *Business Combination and Divestitures.*"

Formation of SunStrong Capital Holdings, LLC ("SunStrong") Joint Venture and Transfer of Interest in Residential Lease Portfolio

On November 5, 2018, we entered into a joint venture with HA SunStrong Capital LLC (“HA SunStrong Parent”), an affiliate of Hannon Armstrong Sustainable Infrastructure Capital, Inc. ("Hannon Armstrong"), to acquire, operate, finance, and maintain a portfolio of residential rooftop or ground-mounted solar photovoltaic electric generating systems ("Solar Assets"). Pursuant to the terms of the Purchase and Sale Agreement (the “PSA"), we sold to HA SunStrong Parent, in exchange for consideration of $10.0 million, membership units representing a 49.0% membership interest in SunStrong, formerly our wholly-owned subsidiary that historically held and controlled the assets and liabilities comprising our residential lease business (the "Residential Lease Portfolio"). Following the closing of the PSA, we deconsolidated certain entities involved in our Residential Lease Portfolio, as part of our previously announced decision to sell a portion of our interest in the Residential Lease Portfolio, and retained membership units representing a 51% membership interest in SunStrong.

In connection with the joint venture, we entered into various agreements including an operating agreement for SunStrong and a management agreement with respect to the Solar Assets, among others.

In connection with the closing of the PSA, SunStrong assumed all current and future debt service obligations associated with the subordinated mezzanine loan of $110.5 million and long-term loans to finance solar power systems and leases under our previous residential lease program.

On November 28, 2018, SunStrong closed the sale to external investors of its $400 million Solar Asset Backed Notes, Series 2018-1 ("Notes"). The Notes were priced at a fixed interest rate of 5.68 percent per annum and received a rating of A (sf) from KBRA and a Green Bond Assessment of GB1, the highest rating, by Moody’s Investor Services. The anticipated repayment date is in November 2028, with a rated final maturity date in November 2048. The Notes were issued by a special purpose entity, SunStrong 2018-1 Issuer, LLC, an indirectly wholly-owned subsidiary of SunStrong. SunPower received a special distribution of approximately $12.9 million from the proceeds generated by the sale of the Notes.

On November 5, 2018, SunStrong Capital Acquisition OF, LLC, a wholly-owned subsidiary of SunStrong (“Mezzanine Loan 2 Borrower”), and SunStrong Capital Lender 2 LLC, a subsidiary of Hannon Armstrong, entered into a loan agreement under which, Mezzanine Loan 2 Borrower may borrow a subordinated, mezzanine loan of up to $32.0 million (the “Mezzanine Loan 2”). The borrowing facilities provided by the Mezzanine Loan 2 have been determined in consideration of the residential lease assets for which we have either completed construction or have the obligation to complete construction after November 5, 2018.

For additional information, refer to "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 4. *Business Combination and Divestitures*, Note 7. *Leasing*, Note 11. *Equity Investments*, and Note 12. *Debt and Credit Sources.*"

Segments Overview

In the fourth quarter of 2018, in connection with our efforts to improve operational focus and transparency, drive overhead accountability into segment operating results, and increase strategic agility across the value chain from our upstream business' core strength in manufacturing and technology and our downstream business' core strength in offering complete solutions in residential and commercial markets, we reorganized our segment reporting to an upstream and downstream structure. Previously, we operated under three end-customer segments comprised of our (i) Residential Segment, (ii) Commercial Segment, and (iii) Power Plant Segment. Historically, the Residential Segment referred to sales of solar energy solutions to residential end-customers, the Commercial Segment referred to sales of energy solutions to commercial and public entity end-customers, and the Power Plant Segment referred to our large-scale solar products and systems and component sales.

Under the new segmentation, the SunPower Energy Services Segment ("SunPower Energy Services" or "Downstream") refers to sales of solar energy solutions in the North America region previously included in the legacy Residential Segment and Commercial Segment (collectively previously referred to as "Distributed Generation" or "DG") including direct sales of turn-key engineering, procurement and construction ("EPC") services, sales to our third-party dealer network, sales of energy under power purchase agreements ("PPAs"), storage solutions, cash sales and long-term leases directly to end customers, and sales to resellers. SunPower Energy Services Segment also includes sales of our global Operations and Maintenance ("O&M") services. The SunPower Technologies Segment ("SunPower Technologies" or "Upstream") refers to our technology development, worldwide solar panel manufacturing operations, equipment supply to resellers, commercial and residential end-customers outside of North America ("International DG"), and worldwide power plant project development and project sales. Upon reorganization, some support functions and responsibilities have been shifted to each segment, including financial planning and analysis, legal, treasury, tax and accounting support and services, among others.

The reorganization provides our management with a comprehensive financial overview of our key businesses. The application of this structure permits us to align our strategic business initiatives and corporate goals in a manner that best focuses our businesses and support operations for success.

Our Chief Executive Officer, as the chief operating decision maker (“CODM”), reviews our business, manages resource allocations and measures performance of our activities based on financial information for the SunPower Energy Services Segment and SunPower Technologies Segment.

Reclassifications of prior period segment information have been made to conform to the current period presentation. These changes do not affect our previously reported Consolidated Financial Statements.

SunPower Energy Services

North America Residential

Residential Systems

We offer a complete set of residential solutions that deliver value to homeowners and our dealer partners. We have developed the capability to deliver AC panels with factory-integrated microinverters. The AC system architecture, as compared with DC systems, facilitates direct panel installation, eliminating the need to mount or assemble additional components on the roof or the side of a building, driving down system costs, improving overall system reliability, and providing improved, cleaner design aesthetics. As part of our complete solution approach, we offer our Equinox residential market product, a fully-integrated solar platform utilizing Maxeon cells, AC microinverter, and EnergyLink monitoring hardware to combine solar power production and energy management, allowing residential installers to quickly and easily complete their system installations and to ensure always-on connectivity so homeowners can easily access their data anytime, anywhere. The Equinox platform is also sold with our EnergyLink software analytics, which provides our customers with detailed information about their energy consumption and production, enabling them to further reduce their energy costs.

Concurrent with the sale of certain assets and intellectual property related to the production of microinverters to Enphase on August 9, 2018, we entered into a Master Supply Agreement (the “MSA”) pursuant to which, with certain exceptions, we have agreed to exclusively procure module-level power electronics (“MLPE”) and alternating current (“AC”) cables from Enphase to meet all of our needs for MLPE and AC cables for the manufacture and distribution of AC modules and discrete MLPE system solutions for the U.S. residential market, including our current Equinox solution and any AC module-based successor products. We have also agreed not to pair any third-party MLPE or AC cables with any of our modules for use in the grid-tied U.S. residential market where an Enphase MLPE is qualified and certified for such module. The initial term of the MSA is through December 31, 2023, and the MSA term will automatically be extended for successive two-year periods unless either party provides written notice of non-renewal.

We offer the SunPower InvisiMount residential mounting system in our product portfolio. The InvisiMount system is designed specifically for use with our panels and reduces installation time through pre-assembled parts and integrated grounding. The InvisiMount system is well-suited for residential sloped roof applications and provides design flexibility and enhanced aesthetics by delivering a unique, "floating" appearance.

We support our hardware development with investments in our proprietary set of advanced monitoring applications (the "SunPower Monitoring System") and our EnergyLink customer portal, which enable customers to gain visibility into their solar

system production and household energy consumption. This software is available for use on the web or through the SunPower mobile application on smartphones and tablets.

Sales Channels, Residential Leasing Program, and other Financing Options

We sell our residential solar energy solutions to end customers through a variety of means, including cash sales directly to end customers, sales to resellers, including our third-party dealer network, and sales of our operations and maintenance (“O&M”) services.

We offer financing programs that are designed to offer customers a variety of options to obtain high efficiency solar products and systems, including loans arranged through our third-party lending partners, in some cases for no money down, or by leasing high efficiency solar systems at competitive energy rates. Since its launch in 2011, our residential lease program, in partnership with third-party investors, provides U.S. customers SunPower systems under 20-year lease agreements that include system maintenance and warranty coverage, including warranties on system performance. SunPower residential lease customers have the option to purchase their leased solar systems upon the sale or transfer of their home. These financing options enhance our ability to provide individually-tailored solar solutions to a broad range of residential customers.

As part of our strategic goals to de-lever our balance sheet and simplify our financial statements, we announced during the fourth quarter of 2017 our decision to monetize our interest in more than 400 MW of residential lease assets that historically have been consolidated in our balance sheets. On November 5, 2018, we sold a portion of our interest in certain entities that have historically held the assets and liabilities comprising our residential lease business to an affiliate of Hannon Armstrong Sustainable Infrastructure Capital, Inc.

For additional information, refer to "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 4. *Business Combination and Divestitures*, Note 7. *Leasing*, Note 11. *Equity Investments*, and Note 12. *Debt and Credit Sources*."

Historically, we had the ability to sell portfolios of residential system leases to 8point3 Energy Partners LP ("8point3 Energy Partners"), a joint Yieldco vehicle formed by us and First Solar, Inc. ("First Solar") in which we had an ownership stake. In fiscal 2017, following a review of our strategic alternatives, we decided to explore a divestiture jointly with First Solar. On February 5, 2018, 8point3 Energy Partners entered into an Agreement and Plan of Merger (the “8point3 Merger Agreement”) with CD Clean Energy and Infrastructure V JV, LLC, an equity fund managed by Capital Dynamics, Inc. and certain other co-investors (collectively, “Capital Dynamics” and the transaction, the "Divestiture Transaction"), and we entered into a Support Agreement which obligated us to support the Divestiture Transaction. On June 19, 2018, we completed the sale of our equity interest in 8point3 Energy Partners. As a result of this transaction, we received, after the payment of fees and expenses, merger proceeds of approximately $359.9 million in cash and no longer directly or indirectly own any equity interests in 8point3 Energy Partners.

For additional information on transactions with, and the divestiture of our interest in 8point3 Energy Partners, refer to "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 11. *Equity Investments*."

North America Commercial

Commercial Roof, Carport, and Ground Mounted Systems

As part of our complete solution product approach, we offer our Helix commercial market product. The Helix system is a pre-engineered, modular solution that combines our industry-leading solar module technology with integrated plug-and-play power stations, cable management systems, and mounting hardware that is built to last and fast to install, enabling customers to scale their solar programs quickly with minimal business disruption. The Helix platform is standardized across rooftop, carport, and ground installations and designed to lower system cost while improving performance. The Helix platform is also bundled with our Smart Energy software analytics, which provides our customers with information about their energy consumption and production, enabling them to further reduce their energy costs.

We also offer a variety of commercial solutions designed to address a wide range of site requirements for commercial rooftop, parking lot, and open space applications, including a portfolio of solutions utilizing framed panels and a variety of internally or externally developed mounting methods for flat roof and high tilt roof applications. Our commercial flat rooftop systems are designed to be lightweight and to interlock, enhancing wind resistance and providing for secure, rapid installations.

We offer parking lot structures designed specifically for SunPower panels, balance of system components, and inverters and in fiscal 2015 expanded our capability to design and install innovative solar structures and systems for carport applications. These systems are typically custom design-build projects that utilize standard templates and design best practices to create a

solution tailored to unique site conditions. SunPower's highest efficiency panels are especially well suited to stand-alone structures, such as those found in parking lot applications, because our systems require less steel and other materials per unit of power or energy produced as compared with our competitors.

Sales Channels and Financing Options

We sell our commercial 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, selling energy to customers under power purchase agreements ("PPAs"), sales to our third-party dealer network and sales of our O&M services.

Operations & Maintenance

Our solar power systems are designed to generate electricity over a system life typically exceeding 25 years. We offer our 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 terms and conditions of post-installation O&M services may provide for remote monitoring of system production and performance, including providing performance reports, preventative maintenance, including solar module cleanings, corrective maintenance, and rapid-response outage restoration, including repair or replacement of all system components covered under warranty or major maintenance agreements.

We incorporate leading information technology platforms to facilitate the management of our solar power systems operating globally. Real-time flow of data from our customers' sites is aggregated centrally where an engine applies advanced solar specific algorithms to detect and report potential performance issues. Our work management system routes any anomalies to the appropriate responders to help ensure timely resolution. Our performance model, PVSim, was developed over the last 20 years and has been audited by independent engineers. Solar panel performance coefficients are established through independent third-party testing. The SunPower Monitoring System also provides customers real-time performance status of their solar power system, with access to historical or daily system performance data through our customer website (www.sunpowermonitor.com). The SunPower Monitoring System is available through applications on Apple® and Android™ devices. Some customers choose to install "digital signs" or kiosks to display system performance information from the lobby of their facility. We believe these displays enhance our brand and educate the public and prospective customers about solar power.

We typically provide a system output performance warranty, separate from our standard solar panel product warranty, to customers that have subscribed to our post-installation O&M services. In connection with system output performance warranties, we agree 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. For leased systems, we provide a system output performance warranty with similar terms and conditions as that for non-leased systems.

We calculate our expectation of system output performance based on a particular system’s design specifications, including the type of panels used, the type of inverters used, site irradiation measures derived from historical weather data, our historical experience as a manufacturer, EPC services provider, and project developer as well as other unique design considerations such as system shading. The warrantied system output performance level varies by system depending on the characteristics of the system and the negotiated agreement with the customer, and the level declines over time to account for the expected degradation of the system. Actual system output is typically measured annually for purposes of determining whether warrantied performance levels have been met.

Our primary remedy for the system output performance warranty is our ongoing O&M services which enable us to quickly identify and remediate potential issues before they have a significant impact on system performance. We also have remedies in the form of our standard product warranties and third-party original equipment manufacturer warranties that cover certain components, such as inverters, to prevent potential losses under our system output performance warranties or to minimize further losses.

SunPower Energy Services Technology

Balance of System Components

"Balance of system components" are components of a solar power system other than the solar panels, and include mounting structures, charge controllers, grid interconnection equipment, and other devices, depending on the specific requirements of a particular system and project.

Inverters

Every solar power system needs an inverter to transform the direct current electricity collected from the solar panels into utility-grade AC power that is ready for use. We sell inverters manufactured by third parties, some of which are SunPower-branded. We also have integrated microinverter technology that converts DC generated by a single solar photovoltaic panel into AC directly on the panel. Subsequent to the sale of our microinverter business in August 2018, we exclusively procure microinverters for the manufacture and distribution of AC modules and discrete MLPE system solutions for the U.S. residential market from Enphase. Panels with these factory-integrated microinverters perform better in shaded applications compared to conventional string inverters and allow for optimization and monitoring at the solar panel level, enabling maximum energy production by the solar system.

Smart Energy

We see “Smart Energy” as a way to harness our world’s energy potential by connecting the most powerful and reliable solar systems on the market with an increasingly vast array of actionable data that can help our customers make smarter decisions about their energy use. 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. In order to enhance the portfolio of Smart Energy solutions we offer, we continue to invest in integrated technology solutions to help customers manage and optimize their CCOE measurement.

We have also negotiated several agreements with residential and commercial energy storage providers to integrate storage technology into our residential and commercial solar solutions. By combining storage with energy management, we lower our customers' cost of energy through improvements in self-consumption, rate arbitrage, demand management, and grid and market participation. We continue to work to make combined solar and storage solutions broadly commercially available.

We continue to work with Enphase to develop next generation microinverters for use with our high efficiency solar panels in order to enhance our portfolio of Smart Energy solutions. Panels with these factory-integrated microinverters can convert direct current generated by the solar panel into alternating current, enabling optimization and monitoring at the solar panel level to ensure maximum energy production by the solar system.

SunPower Technologies

SunPower Solutions

In 2017, SunPower established the SunPower Solutions division to deliver products and services to utility-scale photovoltaic ("PV") customers around the world. SunPower Solutions enables developers, independent power producers and EPCs to benefit from SunPower's extensive experience over the past decade developing, financing, constructing, operating and maintaining solar power plants. In the fourth quarter of fiscal 2018, this division was assigned to our SunPower Technologies Segment. We remain focused on transitioning from project development to equipment supply through SunPower Solutions.

The SunPower Solutions division sells SunPower’s high performance P-Series, Maxeon 2 (formally known as E-Series), and Maxeon 3 (formally known as X-Series) panels to non-U.S. customers. SunPower’s family of utility power plant PV panels deliver higher efficiency and energy yield with lower degradation than competing panels.

Project Development and Financing

Our project development business refers to sales of our large-scale solar systems, including power plant project development and project sales and EPC services for power plant construction. Our utility-scale solar power systems are typically purchased by an investor or financing company and operated as central-station solar power plants.

We are able to utilize various means to finance our utility-scale power plant development and construction projects, which include arranging tax equity financing structures and utilizing non-recourse project debt facilities in conjunction with project sales.

We believe that we possess a technological advantage as the leading manufacturer of back-contact, back-junction cells that enables our panels to produce more electricity, last longer and resist degradation more effectively. We believe that our technology allows us to deliver:

- superior performance, including the ability to generate up to 45% more power per unit area than conventional solar cells;
- superior aesthetics, with our uniformly black surface design that eliminates highly visible reflective grid lines and metal interconnection ribbons;
- superior reliability, as confirmed by multiple independent reports and internal reliability data;
- superior energy production per rated watt of power, as confirmed by multiple independent reports; and
- solar power systems that are designed to generate electricity over a system life typically exceeding 25 years.

With industry-leading conversion efficiencies, we continuously improve our Maxeon solar cells and believe they perform better and are tested more extensively to deliver maximum return on investment when compared with the products of our competitors.

Solar Panels

Solar panels are solar cells electrically connected together and encapsulated in a weatherproof panel. Solar cells are semiconductor devices that convert sunlight into direct current electricity. Our solar cells are designed without highly reflective metal contact grids or current collection ribbons on the front of the solar cell, which provides additional efficiency and allows our solar cells to be assembled into solar panels with a more uniform appearance. Our Maxeon 3 solar panels, made with our Maxeon Gen 3 solar cells, have demonstrated panel efficiencies exceeding 22% in high-volume production. In fiscal 2016, one of our standard production modules set a world record for aperture area efficiency as tested by the National Renewable Energy Laboratory. We believe our Maxeon 3 solar panels are the highest efficiency solar panels available for the mass market, and we continue to focus on increasing cell efficiency even as we produce solar cells with over 25% efficiency in a lab setting. Because our solar cells are more efficient relative to conventional solar cells, when our solar cells are assembled into panels, the assembly cost per watt is less because more power is incorporated into a given size panel. Higher solar panel efficiency allows installers to mount a solar power system with more power within a given roof or site area and can reduce per watt installation costs. Our suite of SunPower solar panels provides customers a variety of features to fit their needs, including the SunPower Signature black design which allows the panels to blend seamlessly into the rooftop. We offer panels that can be used both with inverters that require transformers as well as with the highest performing transformer-less inverters to maximize output. Both our Maxeon 3 and Maxeon 2 panels have proven performance with low levels of degradation, as validated by third-party performance tests. Since fiscal 2016, we launched a line of solar panels under the Performance Series ("P-Series") product name. These products utilize a proprietary manufacturing process to assemble conventional silicon solar cells into panels with increased efficiency and reliability compared with conventional panels. Designed to target a new set of customers and global markets, we expect P-Series panels to contribute to the growth of both of SunPower’s business segments.

In 2018, we continued the ramp up of our next-generation solar cells and panels with our Next Generation Technology ("NGT" or Maxeon 5), which offer efficiency of approximately 25%, roughly in line with our Maxeon 3 solar panels. When fully ramped, we expect the Maxeon 5 panels to compete with the mono-PERC solar panels, but with superior levelized cost of energy due to higher performance and durability. During the fourth quarter of 2018, we certified our first Maxeon 5 product, a 72-cell format panel rated at 450 watts, and expect delivery to initial customers in the first quarter of 2019. We eventually plan to transform all of our legacy Maxeon 2 production capacity to Maxeon 5. We are also actively pursuing a variety of partnerships and other options to enable further NGT expansion to gigawatt scale.

Warranties

SunPower provides a combined 25-year standard solar panel product and power warranty for defects in materials and workmanship. The solar product warranty also warrants that Maxeon 2 and Maxeon 3 panels will provide 98% of the panel's minimum peak power ("MPP") rating for the first year, declining due to expected degradation by no more than 0.25% per year for the following 24 years, such that the power output at the end of year 25 will be at least 92% of the panel's MPP rating. Our P-Series panels are warranted to provide 97% of the panel's MPP rating for the first year, declining due to expected degradation by no more than 0.6% per year for the following 24 years, such that the power output at the end of year 25 will be at least 82.6% of the panel's MPP rating. Our warranty provides that we will repair or replace any defective solar panels during the warranty period. We also pass through long-term warranties from the original equipment manufacturers of certain system components to customers for periods ranging from five to 20 years. In addition, we generally warrant our workmanship on installed systems for periods ranging up to 25 years.

Research and Development

We engage in extensive research and development efforts to improve solar cell efficiency through the enhancement of our existing products, development of new techniques, and by reductions in manufacturing cost and complexity. Our research and development group works closely with our manufacturing facilities, our equipment suppliers and our customers to improve our solar cell design and to lower solar cell, solar panel and system product manufacturing and assembly costs. In addition, we have dedicated employees who work closely with our current and potential suppliers of crystalline silicon, a key raw material used in the manufacture of our solar cells, to develop specifications that meet our standards and ensure the high quality we require, while at the same time controlling costs. Under our Research & Collaboration Agreement with Total, our majority stockholder, we have established a joint committee to engage in long-term research and development projects with continued focus on maintaining and expanding our technology position in the crystalline silicon domain and ensuring our competitiveness. Refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—*Research and Development*."

Supplier Relationships, Manufacturing, and Panel Assembly

We purchase polysilicon, ingots, wafers, solar cells, balance of system components, and inverters from various manufacturers on both a contracted and a purchase order basis. We have contracted with some of our suppliers for multi-year supply agreements. Under such agreements, we have annual minimum purchase obligations and in certain cases prepayment obligations. Refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—*Liquidity and Capital Resources—Contractual Obligations*" for further information regarding the amount of our purchase obligations in fiscal 2019 and beyond. Under other supply agreements, we are required to make prepayments to vendors over the terms of the arrangements. As of December 30, 2018, advances to suppliers totaled $172 million. We may be unable to recover such prepayments if the credit conditions of these suppliers materially deteriorate or if we are otherwise unable to fulfill our obligations under these supply agreements. For further information regarding our future prepayment obligations, refer to "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 10. *Commitments and Contingencies—Advances to Suppliers*." 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 over the next several years. For more information about risks related to our supply chain, including without limitation risks relating to announced tariffs on solar cells and modules imported into the U.S., refer to "Item 1A. Risk Factors—*Risks Related to Our Supply Chain*."

We 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. Crystalline silicon is the principal commercial material for solar cells and is used in several forms, including single-crystalline, or monocrystalline silicon, multi-crystalline, or polycrystalline silicon, ribbon and sheet silicon, and thin-layer silicon. Our solar cell value chain starts with high purity silicon called polysilicon. Polysilicon is created by refining quartz or sand.

Polysilicon is melted and grown into crystalline ingots and sawed into wafers by business partners specializing in those processes. The wafers are processed into solar cells in our manufacturing facilities located in the Philippines and Malaysia. During fiscal 2017, we completed the construction of the solar cell manufacturing facility that we own and operate in the Philippines which has an annual capacity of 450 MW. The solar cell manufacturing facility we own and operate in Malaysia has a total rated annual capacity of over 700 MW.

We use our solar cells to manufacture our Maxeon 3 and Maxeon 2 solar panels at our solar panel assembly facilities located in Mexico and France, while we source solar cells from third parties for use in our P-Series solar panels at our solar

panel assembly facility in Mexico and in Hillsboro, Oregon starting in 2019. Our solar panel manufacturing facilities have a combined total rated annual capacity of over 1.4 GW.

We source the solar panels and balance of system components based on quality, performance, and cost considerations both internally and from third-party suppliers. We typically assemble proprietary components, while we purchase generally available components from third-party suppliers. The balance of system components, along with the EPC cost to construct the project, can comprise as much as two-thirds of the cost of a solar power system. Therefore, we focus on standardizing our products with the goal of driving down installation costs, such as with our Equinox and Helix systems.

Customers

Effective in the fourth quarter of 2018, we now operate in two segments: (i) SunPower Energy Services Segment and (ii) SunPower Technologies Segment. Our scope and scale allow us to deliver solar solutions across all segments, ranging from consumer homeowners to the largest commercial and governmental entities in the world. Our customers typically include investors, financial institutions, project developers, electric utilities, independent power producers, commercial and governmental entities, production home builders, residential owners and small commercial building owners. We leverage a combination of direct sales as well as a broad partner ecosystem to efficiently reach our global customer base.

We work with development, construction, system integration, and financing companies to deliver our solar power products and solutions to wholesale sellers, retail sellers, and retail users of electricity. In the United States, commercial and electric utility customers typically choose to purchase solar electricity under a PPA with an investor or financing company that buys the system from us. End-user customers typically pay the investors and financing companies over an extended period of time based on energy they consume from the solar power systems, rather than paying for the full capital cost of purchasing the solar power systems. Our utility-scale solar power systems are typically purchased by an investor or financing company, and operated as central-station solar power plants. In addition, our third-party dealer network and our new homes division have deployed thousands of SunPower rooftop solar power systems to residential customers. See "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—*Revenue*" for our significant customers.

Competition

The market for solar electric power technologies is competitive and continually evolving. In the last year, we faced increased competition, resulting in price reductions in the market and reduced margins, which may continue and could lead to loss of market share. Our solar power products and systems compete with many competitors in the solar power market, including, but not limited to:

- *SunPower Energy Services Segment:* Canadian Solar Inc., Hanwha QCELLS Corporation, JA Solar Holdings Co., Kyocera Corporation, LG Corporation, Jinko Solar, NRG Energy, Inc., Panasonic Corporation, Sharp Corporation, SunRun, Inc., Tesla, Inc., Trina Solar Ltd., Vivint, Inc., LONGi Solar, REC Group, Hyundai Heavy Industries Co. Ltd., and Yingli Green Energy Holding Co. Ltd., First Solar, Inc.

- *SunPower Technologies:* Hanwha QCELLS Corporation, JA Solar Holdings Co., Trina Solar Ltd., Yingli Green Energy Holding Co., Ltd., Jinko Solar, First Solar Inc., Canadian SolarInc., LONGi Solar, Tongwei Co. Ltd., Array Technologies, Inc., Soltec, NEXTracker, Inc., Convert Italia, Arctech, Inc.

We also face competition from resellers that have developed related offerings that compete with our product and service offerings, or have entered into strategic relationships with other existing solar power system providers. We compete for limited government funding for research and development contracts, customer tax rebates and other programs that promote the use of solar, and other renewable forms of energy with other renewable energy providers and customers.

In addition, universities, research institutions, and other companies have brought to market alternative technologies, such as thin-film solar technology, which compete with our PV technology in certain applications. Furthermore, the solar power market in general competes with other energy providers such as electricity produced from conventional fossil fuels supplied by utilities and other sources of renewable energy such as wind, hydro, biomass, solar thermal, and emerging distributed generation technologies such as micro-turbines, sterling engines and fuel cells.

In the large-scale on-grid solar power systems market, we face direct competition from a number of companies, including those that manufacture, distribute, or install solar power systems as well as construction companies that have expanded into the renewable sector. In addition, we will occasionally compete with distributed generation equipment suppliers.

We believe that the key competitive factors in the market for solar power systems include:

- total system price;
- LCOE evaluation;
- CCOE evaluation;
- power efficiency and performance;
- aesthetic appearance of solar panels and systems;
- speed and ease of installation through modular solutions such as our Helix system;
- strength of distribution relationships;
- availability of third-party financing and investments;
- established sales channels to customers;
- timeliness of new product introductions;
- bankability, strength, and reputation of our company; and
- warranty protection, quality, and customer service.

We believe that we can compete favorably with respect to each of these elements, although we may be at a disadvantage in comparison to larger companies with broader product lines, greater technical service and support capabilities, and financial resources. For more information on risks related to our competition, please see the risk factors set forth under the caption "Item 1A. Risk Factors" including "Risks Related to Our Sales Channels—*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*."

Intellectual Property

We rely on a combination of patent, copyright, trade secret, trademark, and contractual protections to establish and protect our proprietary rights. "SunPower" and the "SunPower" logo are our registered trademarks in countries throughout the world for use with solar cells, solar panels, energy monitoring systems, inverters, and mounting systems. We also hold registered trademarks for, among others, “SunPower Equinox,” “SunPower Giving,” “SunPower Horizons,” “SunPower Energy Services,” “SunPower Technologies,” “Bottle the Sun,” “Demand Better Solar,” “EDDiE,” “EnergyLink,” “Equinox Energy Systems and Design,” “Equinox Solar Systems and Design,” “Equinox,” “Experiential Learning. Expanding Opportunities.,” “Equinox,” “Helix,” “InvisiMount,” “Light on Land,” “Maxeon,” “Oasis,” “Oasis Geo,” “Powering a Brighter Tomorrow,” “PowerLight,” “Serengeti,” “Smart Energy,” “Smarter Solar,” “Solar Showdown,” “Sol,” “Solaire,” “Solaire Generation,” “SunTile,” “SunPower Electric,” “Supo Solar,” “More Energy. For Life.,” “The Planet's Most Powerful Solar,” and “The Power of One” in certain countries. We are seeking and will continue to seek registration of the "SunPower" trademark and other trademarks in additional countries as we believe is appropriate. As of December 30, 2018, we held registrations for 26 trademarks in the United States, and had 4 trademark registration applications pending. We also held 68 trademark registrations and had 11 trademark applications pending in foreign jurisdictions. We typically require our business partners to enter into confidentiality and non-disclosure agreements before we disclose any sensitive aspects of our solar cells, technology, or business plans. We typically enter into proprietary information agreements with employees, consultants, vendors, customers, and joint venture partners.

We own multiple patents and patent applications that cover aspects of the technology in the solar cells, mounting products, and electrical and electronic systems that we currently manufacture and market. We continue to file for and receive new patent rights on a regular basis. The lifetime of a utility patent typically extends for 20 years from the date of filing with the relevant government authority. We assess appropriate opportunities for patent protection of those aspects of our technology, designs, methodologies, and processes that we believe provide significant competitive advantages to us, and for licensing opportunities of new technologies relevant to our business. As of December 30, 2018, we held 464 patents in the United States, which will expire at various times through 2037, and had 246 U.S. patent applications pending. We also held 535 patents and

had 592 patent applications pending in foreign jurisdictions. While patents are an important element of our intellectual property strategy, our business as a whole is not dependent on any one patent or any single pending patent application. We additionally rely on trade secret rights to protect our proprietary information and know-how. We employ proprietary processes and customized equipment in our manufacturing facilities. We therefore require employees and consultants to enter into confidentiality agreements to protect them.

When appropriate, we enforce our intellectual property rights against other parties. For more information about risks related to our intellectual property, please see the risk factors set forth under the caption "Item 1A. Risk Factors" including "Risks Related to Our Intellectual Property—*We depend on our intellectual property, and we may face intellectual property infringement claims that could be time-consuming and costly to defend and could result in the loss of significant rights*," "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*," and "Risks Related to Our Intellectual Property—*We may not obtain sufficient patent protection on the technology embodied in the solar products we currently manufacture and market, which could harm our competitive position and increase our expenses."*

Backlog

We believe that backlog is not a meaningful indicator of our future business prospects. In our SunPower Energy Services Segment's residential and commercial and international DG markets, we often sell large volumes of solar panels, mounting systems, and other solar equipment to third parties, which are typically ordered by our third-party dealer network and customers under standard purchase orders with relatively short delivery lead-times. Additionally, we often require project financing for development and construction of our SunPower Technologies Segment's solar power plant projects, which require significant investments before the equity is later sold by us to investors. Therefore, our solar power system project backlog would exclude sales contracts signed and completed in the same quarter and contracts still conditioned upon obtaining financing. Based on these reasons, we believe backlog at any particular date is not necessarily a meaningful indicator of our future revenue for any particular period of time.

Regulations

Public Policy Considerations

Different public policy mechanisms have been used by governments to accelerate the adoption and use of solar power. Examples of customer-focused financial mechanisms include capital cost rebates, performance-based incentives, feed-in tariffs, tax credits, and net metering. Some of these government mandates and economic incentives are scheduled to be reduced or to expire, or could be eliminated altogether. Capital cost rebates provide funds to customers based on the cost and size of a customer’s solar power system. Performance-based incentives provide funding to a customer based on the energy produced by their solar power system. Feed-in tariffs pay customers for solar power system generation based on energy produced, at a rate generally guaranteed for a period of time. Tax credits reduce a customer’s taxes at the time the taxes are due. Net metering allows customers to deliver to the electric grid any excess electricity produced by their on-site solar power systems, and to be credited for that excess electricity at or near the full retail price of electricity.

In addition to the mechanisms described above, new market development mechanisms to encourage the use of renewable energy sources continue to emerge. For example, many states in the United States have adopted renewable portfolio standards which mandate that a certain portion of electricity delivered to customers come from eligible renewable energy resources. Some states, such as California and Hawaii, have significantly expanded their renewable portfolio standards in recent years. In certain developing countries, governments are establishing initiatives to expand access to electricity, including initiatives to support off-grid rural electrification using solar power. 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 "Item 1A. Risk Factors" including "Risks Related to Our Sales Channels—*The reduction, modification or elimination of government incentives could cause our revenue to decline and harm our financial results*," "Risks Related to Our Sales Channels—*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*," and "*Changes in international trade policies, tariffs, or trade disputes could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows*."

Environmental Regulations

We use, generate, and discharge toxic, volatile, or otherwise hazardous chemicals and wastes in our research and development, manufacturing, and construction activities. We are subject to a variety of foreign, U.S. federal and state, and local governmental laws and regulations related to the purchase, storage, use, and disposal of hazardous materials. We believe that we have all environmental permits necessary to conduct our business and expect to obtain all necessary environmental permits for future activities. We believe that we have properly handled our hazardous materials and wastes and have appropriately remediated any contamination at any of our premises. For more information about risks related to environmental regulations, please see the risk factors set forth under the caption "Item 1A. Risk Factors" including "Risks Related to Our Operations—*Compliance with environmental regulations can be expensive, and noncompliance with these regulations may result in adverse publicity and potentially significant monetary damages and fines*."

Information concerning certain limited activities in Iran

Information concerning TOTAL's activities related to Iran that took place in 2018 provided in this section is disclosed according to Section 13(r) of the Securities Exchange Act of 1934, as amended ("U.S. Exchange Act"). TOTAL believes that these activities are not sanctionable, including for activities previously disclosed. Total S.A. and any of its subsidiaries and affiliates are collectively referred to as the Group.

The Group's operational activities related to Iran were stopped in 2018 following the withdrawal of the United States from the JCPOA in May 2018 and prior to the re-imposition of U.S. secondary sanctions on the oil industry as of November 5, 2018.

Statements in this section concerning affiliates intending or expecting to continue activities described below are subject to such activities continuing to be permissible under applicable international economic sanctions regimes.

a) Exploration & Production

Following the suspension of certain international economic sanctions against Iran on January 16, 2016, the Group commenced various business development activities in Iran. Total E&P South Pars S.A.S. ("TEPSP") (a wholly-owned affiliate), CNPC International Ltd. ("CNPCI") (a wholly-owned affiliate of China National Petroleum Company) and Petropars Ltd. ("Petropars") (a wholly-owned affiliate of NIOC) signed a 20-year risked service contract in July 2017, (the "Risked Service Contract") for the development and production of phase 11 of the South Pars gas field ("SP11").TEPSP (50.1%) was the operator and a partner of the project alongside CNPCI (30%) and Petropars (19.9%). These companies entered into a joint operating agreement in July 2017 (the "JOA") concerning, among other things, the governance of their obligations under the Risked Service Contract and the designation of TEPSP as the project's operator.

In 2018, TEPSP continued conducting petroleum operations on behalf of the above-mentioned consortium in accordance with the terms and conditions of the Risked Service Contract and the JOA. In particular, TEPSP: (i) held several meetings with the Iranian authorities, NIOC and other Iranian state owned/controlled entities; (ii) launched tenders for award of service contracts for the purposes of the SP11 project; (iii) negotiated various agreements (such as service and/or supply agreements and bank service agreements); and (iv) performed other activities under the Risked Service Contract and the JOA.

In 2018, TEPSP completed the technical studies, which were started in November 2016, in accordance with the technical services agreement (the "TSA") between NIOC and TEPSP, acting on behalf of the consortium.

However, as a result of the withdrawal of the U.S. from the JCPOA in May 2018, TOTAL ceased all of its activities related to the SP11 project and finalized its withdrawal from the SP11 project on October 29, 2018, at which time it transferred its participating interest and operatorship of the project to CNPCI.

The MOU entered into between TOTAL and NIOC in January 2016 to assess potential developments in Iran (including South Azadegan) was amended to include North Azadegan and to extend its duration. NIOC provided TOTAL in 2017 with technical data on the Azadegan oil field so that it could assess potential development of this field. Representatives of TOTAL held technical meetings in 2017 with representatives of NIOC and its affiliated companies and carried out a technical review of the Azadegan (South & North) oil field as well as the Iran LNG Project (a project contemplating a 10 Mt/y LNG production facility at Tombak Port on Iran's Persian Gulf coast), the results of which were partially disclosed to NIOC and relevant affiliated companies. In addition, TOTAL signed an MOU in 2017 with an international company to evaluate jointly the Azadegan oil field opportunity with NIOC. This international company decided in February 2018 to withdraw from this technical cooperation and a MOU termination agreement was formally executed with TOTAL on May 16, 2018. Technical

studies were pursued by TOTAL until March 2018 on the Azadegan area with regular contacts with NIOC. All work and contacts with NIOC on this subject ceased at the end of March 2018.

During 2018, in connection with the activities under the aforementioned Risked Service Contract and MOUs, and to discuss other new opportunities, representatives of TOTAL attended meetings with the Iranian oil and gas ministry and several Iranian companies with ties to the government of Iran. In connection with travel to Iran in 2018 by certain employees of the Group, TOTAL made payments to Iranian authorities for visas, airport services, exit fees and similar travel-related charges. In addition, representatives of TOTAL had meetings in France with the Iranian ambassador.

Neither revenues nor profits were recognized from any of the aforementioned activities under the aforementioned Risked Service Contract and MOUs in 2018.

Maersk Oil studied two potential projects with NIOC, prior to the acquisition of Maersk Oil by TOTAL in March 2018. These studies ceased after a meeting with NIOC representatives in May 2018.

The Tehran branch office of TEPSP, opened in 2017 for the purposes of the SP11 project, ceased all operational activities prior to November 1, 2018 and will be closed and de-registered in 2019. Since November 2018, Total Iran BV maintains a local representative office in Tehran with a few employees, solely for non-operational functions. Concerning payments to Iranian entities in 2018, Total Iran BV and Elf Petroleum Iran collectively made payments of approximately IRR 31.7 billion (approximately $300,000 (*Converted using the average exchange rate for fiscal year 2018, as published by Bloomberg.*) to the Iranian administration for taxes and social security contributions concerning the personnel of the aforementioned representative office and residual obligations related to various prior risked service contracts. In 2019, similar types of payments are to be made in connection with maintaining the representative office in Tehran, albeit in lower amounts. None of these payments has been or is expected to be executed in U.S. dollars.

Furthermore, Total E&P UK Limited (“TEP UK”), a wholly-owned affiliate, holds a 1% interest in a joint venture for the Bruce field in the United Kingdom with Serica Energy (UK) Limited (“Serica”) (98%, operator) and BP Exploration Operating Company Limited (“BP”) (1%), following the completion of the sale of 42.25% of TEP UK’s interests in the Bruce field on November 30, 2018 pursuant to a sale and purchase agreement dated August 2, 2018 between TEP UK and Serica. Upon the closing of the transaction on November 30, 2018, all other prior joint venture partners also sold their interests in the Bruce field to Serica (BP sold 36% retaining a 1% interest; BHP Billiton Petroleum Great Britain Limited (“BHP”) sold their full 16% interest and Marubeni Oil & Gas (U.K.) Limited ((“Marubeni”) sold their full 3.75%).

The Bruce field joint venture is party to an agreement (the “Bruce Rhum Agreement”) governing certain transportation, processing and operation services provided to another joint venture at the Rhum field in the UK, co-owned by Serica (50%, operator) and the Iranian Oil Company UK Ltd (“IOC”), a subsidiary of NIOC (50%). Under the terms of the Bruce Rhum Agreement, the Rhum field owners pay a proportion of the operating costs of the Bruce field facilities calculated on a gas throughput basis. IOC’s share of costs incurred under the Bruce Rhum Agreement have been paid to TEP UK in 2018 by Naftiran Intertrade Company Limited (“NICO”), the trading branch of the National Iranian Oil Company (“NIOC”). NIOC is the parent company of IOC and an Iranian government owned corporation. In 2018, based upon TEP UK’s 1% interest in the Bruce field and income from the net cash flow sharing arrangement with Serica, gross revenue to TEP UK from IOC’s share of the Rhum field resulting from the Bruce Rhum Agreement was approximately £8 million. This sum was used to offset operating costs on the Bruce field and as such, generated no net profit to TEP UK. This arrangement is expected to continue in 2019.

In 2018, TEP UK acted as agent for BHP and Marubeni, which faced difficulty securing banking arrangements allowing them to accept payments from IOC, and, thus, received payments from IOC in relation to BHP and Marubeni’s share of income from the Bruce Rhum Agreement under the terms of an agency agreement entered into in June 2018 between BHP, Marubeni and TEP UK (the “Agency Agreement”). Payments made from IOC to BHP and Marubeni in 2018 related to the periods prior to the completion of their divestment to Serica in November 2018. Total payment received on behalf of BHP and Marubeni by TEP UK under this arrangement in 2018 was approximately £7 million. This amount relates to income due to BHP and Marubeni under the Bruce Rhum Agreement for 2017 and 2018. TEP UK transferred all income received under the Agency Agreement to BHP and Marubeni and provided the service on a no profit, no loss basis. The Agency Agreement is expected to be terminated upon receipt of all payments relating to the period up to November 30, 2018.

Prior to the re-imposition of U.S. secondary sanctions on the oil industry as of November 5, 2018, TEP UK liaised directly with IOC concerning its interest in the Bruce Rhum Agreement and it received payments directly for services provided to IOC under the Bruce Rhum Agreement. In October 2018, the U.S. Treasury Department’s Office of Foreign Asset Control (“OFAC”) granted a new conditional license to BP and Serica authorizing the provision of services to the Rhum field, following the reinstatement of U.S. secondary sanctions. The principal condition of the OFAC license is that the Iranian government’s

shareholding in IOC is transferred into a trust in order that Iran may not derive any benefit from the Rhum field or exercise any control while the U.S. secondary sanctions are in place. A Jersey based trust has been put in place with the trustee holding IOC's shares in the Rhum field. IOC's interest is now managed by a new independent management company established by the trust and referred to as the "Rhum Management Company" ("RMC") and where necessary TEP UK liaises, and expects to continue doing so in 2019, with RMC in relation to the Bruce Rhum Agreement.

TEP UK is also party to an agreement with Serica whereby TEP UK uses reasonable endeavors to evacuate Rhum NGL from the St Fergus Terminal (the "Rhum NGL Agreement"). TEP UK provides this service - subject to Serica having title to all of the Rhum NGL to be evacuated and Serica having a valid license from OFAC for the activity - on a cost basis, but for which TEP UK charges a monthly handling fee that generates an income of approximately £35,000 per annum relating to IOC's 50% stake in the Rhum field. After costs, TEP UK realizes little profit from this arrangement.TEP UK expects to continue this activity in 2019.

Following the acquisition of Maersk Oil in 2018, the undeveloped Yeoman discovery is now wholly owned by the Group, under license P2158 granted to Maersk Oil North Sea UK Limited, recently renamed Total E&P North Sea UK Limited ("TEPNSUK"). Yeoman is situated adjacent to the Pardis discovery in which IOC held an interest, which it sold in October 2018. Prior to this divestment, non-legally binding technical and commercial discussions had taken place between TEPNSUK, IOC and the UK Government's Oil and Gas Authority during the first half of 2018 regarding a potential joint development of Yeoman and Pardis but no contractual arrangements were implemented in connection with such discussions. Also prior to this divestement, other discussions had taken place between TEPNSUK and IOC on an informal basis regarding a potential farm-in to Pardis by Maersk Oil.

Lastly, TOTAL S.A. paid approximately €8,000 to Iranian authorities related to various patents (*Section 560.509 of the U.S. Iranian Transactions and Sanctions Regulations provides an authorization for certain transactions in connection with patent, trademark, copyright or other intellectual property protection in the United States or Iran, including payments for such services and payments to persons in Iran directly connected to intellectual property rights, and TOTAL believes that the activities related to the industrial property rights described in this point 3.1.9.2 are consistent with that authorization.)* in 2018. Similar payments are expected to be made in 2019 for such patents.

b) Other business segments

In 2018, TOTAL S.A. paid fees of approximately €1,500 to Iranian authorities related to the maintenance and protection of trademarks and designs in Iran. Similar payments are expected to be made in 2019.

Trading & Shipping

Following the suspension of applicable EU and U.S. economic sanctions in 2016, the Group commenced the purchase of Iranian hydrocarbons through its wholly-owned affiliate TOTSA TOTAL OIL TRADING SA ("TOTSA"). In 2018, the Group continued its trading activities with Iran via TOTSA, which purchased approximately 18 Mb of Iranian crude oil for nearly €1 billion pursuant to term contracts. It is not possible to estimate the gross revenue and net profit related to these purchases because the totality of this crude oil was used to supply the Group's refineries. In addition, in 2018, approximately 1 Mb of petroleum products were sold to entities with ties to the government of Iran. These activities generated gross revenue of nearly €43 million and a net profit of approximately €1 million. The Group ceased these activities in June 2018.

Gas, Renewables & Power

Saft Groupe S.A. ("Saft"), a wholly-owned affiliate, in 2018 sold signaling and backup battery systems for metros and railways as well as products for the utilities and oil and gas sectors to companies in Iran, including some having direct or indirect ties with the Iranian government. In 2018, this activity generated gross revenue of approximately €2.5 million and net profit of approximately €0.3 million. Saft ceased this activity in 2018. Saft also attended the Iran Oil Show in 2018, where it discussed business opportunities with Iranian customers, including those with direct or indirect ties with the Iranian government. Saft ceased this activity in 2018.

Total Eren, a company in which Total Eren Holding holds an interest of 68.76% (TOTAL S.A. owns 33.86% of Total Eren Holding), had preliminary discussions during January to March 2018 for possible investments in renewable energy projects in Iran, including meetings with ministries of the Iranian government. These discussions and meetings ceased as of March 2018 and neither revenues nor profits were recognized from this activity in 2018.

Refining & Chemicals

As of May 2018, Hutchinson SA and its affiliates no longer accepted orders from Iranian companies and ceased all activities, in general, with Iran and all Iranian companies prior to August 6, 2018.

Le Joint Français, a wholly-owned affiliate of Hutchinson SA, sold vehicular O-ring seals in 2018 to Iran Khodro, a company in which the government of Iran holds a 20% interest and which is supervised by Iran's Industrial Management Organization. This activity generated gross revenue of approximately €54,056 and net profit of approximately €8,108. Le Joint Français also sold O-ring seals in 2018 to Al Khalsan. This activity generated gross revenue of approximately €29,348 and net profit of approximately €4,402.

Paulstra S.N.C., a wholly-owned affiliate of Hutchinson SA, obtained in 2017 an order from Iran Khodro to sell vehicular anti-vibration systems over a 5-year period. This activity did not generate any gross revenue or net profit in 2018 because Paulstra did not delivery any product to Iran Khodro. The order was terminated in 2018. Paulstra S.N.C. also sold oil seals in 2018 to Iran Khodro. This activity generated gross revenue of approximately €1,078,887 and net profit of approximately €161,833.

Catelsa Caceres, a wholly-owned affiliate of Hutchinson Iberia, itself wholly-owned by Hutchinson SA, sold sealing products to Iran Khodro in 2018. This activity generated gross revenue of approximately €1,449 and net profit of approximately €217.

Hutchinson GMBH, a wholly-owned affiliate of Hutchinson SA, sold hoses for automotive vehicles to Iran Khodro in 2018. This activity generated gross revenue for approximately €257,400 and net profit of approximately €38,610. The last shipments from Hutchinson and its affiliates to Iran Khodro were in August 2018 and last payments were made in October 2018.

Hanwha Total Petrochemicals ("HTC"), a joint venture in which Total Holdings UK Limited (a wholly-owned affiliate) holds a 50% interest and Hanwha General Chemicals holds a 50% interest, purchased approximately 17 Mb of condensates from NIOC for approximately KRW 1,310 billion (approximately $1.2 billion) from January to July 2018, then HTC has stopped purchasing from NIOC. These condensates are used as raw material for certain of HTC's steam crackers. HTC also chartered fifteen tankers of condensates with National Iranian Tanker Company (NITC), a subsidiary of NIOC, for approximately KRW 24 billion (approximately $22.3 million). In November 2018, South Korea was granted a significant reduction exemption waiver (the "SRE waiver") allowing it to import Iranian condensate from NIOC for six months. For 2019, based on the SRE waiver, HTC is reviewing the feasibility to resume purchases from NIOC.

Total Research & Technology Feluy ("TRTF", a wholly-owned affiliate), Total Marketing Services ("TMS", a wholly-owned affiliate), and Total Raffinage Chimie ("TRC") paid in 2018 fees totaling approximately €1,000 to Iranian authorities related to various patents. Similar payments are expected to be made by TRTF and TRC in 2019. TMS abandoned its patent rights in Iran in 2018, thus no payments are expected by TMS in 2019.

Marketing & Services

Until December 2012, at which time it sold its entire interest, the Group held a 50% interest in the lubricants retail company Beh Tam (formerly Beh Total) along with Behran Oil (50%), a company controlled by entities with ties to the government of Iran. As part of the sale of the Group's interest in Beh Tam, TOTAL S.A. agreed to license the trademark "Total" to Beh Tam for an initial 3-year period (renewed for an additional 3 year period) for the sale by Beh Tam of lubricants to domestic consumers in Iran. Royalty payments for 2014 were received by TOTAL S.A. during the first semester of 2018 in the amount of approximately €730,000. There remain outstanding royalty payments for 2015 through 2017 in favor of TOTAL S.A. This licensing agreement was terminated in 2018. In addition, representatives of Total Oil Asia-Pacific Pte Ltd, a wholly-owned affiliate, visited Behran Oil beginning 2018 regarding the potential purchase of 50% of the share capital of Beh Tam. Discussions on this matter ended following the announcement of the re-imposition of U.S. secondary sanctions on the oil industry.

Total Marketing Middle East FZE, a wholly-owned affiliate, sold lubricants to Beh Tam in 2018. The sale in 2018 of approximately 43 t of lubricants and special fluids generated gross revenue of approximately AED 500,000 (approximately $136,000) and net profit of approximately AED 260,000 (approximately $ 71,000) *(Converted using the average exchange rate for fiscal year 2018, as published by Bloomberg)*. The company stopped all transactions with this customer as of August 2018.

Total Marketing France (“TMF”), a company wholly-owned by TMS, provided in 2018 fuel payment cards to the Iranian embassy and delegation to UNESCO in France for use in the Group’s service stations. In 2018, these activities generated gross revenue of approximately €32,000 and net profit of approximately €5,000. The company expects to continue this activity in 2019.

TMF also sold jet fuel in 2018 to Iran Air as part of its airplane refueling activities in France. The sale of approximately 260 cubic meters of jet fuel generated gross revenue of approximately €130,000 and net profit of approximately €570. The company stopped all transactions with this customer prior to November 5, 2018.

Total Belgium, a wholly-owned affiliate, provided in 2018 fuel payment cards to the Iranian embassy in Brussels (Belgium) for use in the Group’s service stations. In 2018, these activities generated gross revenue of approximately €11,000 and net profit of approximately €4,000. The company expects to continue this activity in 2019.

Employees

As of December 30, 2018, we had approximately 6,600 full-time employees worldwide, of which 1,280 were located in the United States, 1,900 were located in the Philippines, 1,470 were located in Malaysia, and 1,950 were located in other countries. Of these employees, 4,485 were engaged in manufacturing, 1,075 in construction projects, 260 in research and development, 355 in sales and marketing, and 430 in general and administrative services. Although in certain countries we have works councils and statutory employee representation obligations, our employees are generally not represented by labor unions on an ongoing basis. We have never experienced a work stoppage, and we believe our relations with our employees to be good.

Seasonal Trends and Economic Incentives

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 our fiscal year. The construction of solar power systems or installation of solar power components and related revenue may decline during cold 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, 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.

Available Information

We make available our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") free of charge on our website at www.sunpower.com, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The contents of our website are not incorporated into, or otherwise to be regarded as part of this Annual Report on Form 10-K. Copies of such material may be obtained, free of charge, upon written request submitted to our corporate headquarters: SunPower Corporation, Attn: Investor Relations, 77 Rio Robles, San Jose, California, 95134. Copies of materials we file with the SEC may also be accessed the SEC's website at www.sec.gov.

ITEM 1A. *RISK FACTORS*

Our business is subject to various risks and uncertainties, including those described below and elsewhere in this Annual Report on Form 10-K, which could adversely affect our business, results of operations, and financial condition. Although we believe that we have identified and discussed below certain key risk factors affecting our business, there may be additional risks and uncertainties that are not currently known to us or that are not currently believed by us to be material that may also harm our business, results of operations, and financial condition.

Risks Related to Our Sales Channels

Our operating results are subject to significant fluctuations and are inherently unpredictable.

We do not know whether our revenue will continue to grow, or if it will continue to grow sufficiently to outpace our expenses, which we also expect to grow. As a result, we may not be profitable on a quarterly or annual basis. Our revenue and operating results are difficult to predict and have in the past fluctuated significantly from quarter to quarter. The principal reason for these significant fluctuations in our results is that we derive a substantial portion of our total revenues from our large commercial customers, consequently:

- the amount, timing and mix of sales to our large commercial customers often for a single medium or large-scale project, may cause large fluctuations in our revenue and other financial results because, at any given time, a single large-scale project can account for a material portion of our total revenue in a given quarter;
- our inability to monetize our projects as planned, or any delay in obtaining the required government support or initial payments to begin recognizing revenue under the relevant recognition criteria, and the corresponding revenue impact, may similarly cause large fluctuations in our revenue and other financial results;
- our ability to monetize projects as planned is also subject to market conditions, including fluctuations in demand based on the availability of regulatory incentives and other factors, changes in the internal rate of return expected by customers in light of market conditions, the increasing number of power plants being constructed or available for sale and competition for financing, which can make both financing and disposition more challenging and may significantly affect project sales prices;
- market conditions may deteriorate after we have committed to projects, resulting in delays in disposing of projects, or changes in amounts realized on disposition, which may lead to significant fluctuations in the period-over-period profile of our results of operations and our cash available for working capital needs;
- in the event a project is subsequently canceled, abandoned, or is deemed unlikely to occur, we will charge all prior capital costs as an operating expense in the quarter in which such determination is made, which could materially adversely affect operating results;
- a delayed disposition of a project could require us to recognize a gain on the sale of assets instead of recognizing revenue;
- our agreements with these customers may be canceled if we fail to meet certain product specifications or materially breach these agreements;
- in the event of a customer bankruptcy, our customers may seek to terminate or renegotiate the terms of current agreements or renewals; and
- the failure by any significant customer to pay for orders, whether due to liquidity issues or otherwise, could materially and adversely affect our results of operations.

Any decrease in revenue from our large commercial customers whether due to a loss or delay of projects or an inability to collect, could have a significant negative impact on our business. See also "Item 7A. Quantitative and Qualitative Disclosures About Market Risk." See also under this section "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*."

Sales to our residential and light commercial customers are similarly susceptible to fluctuations in volumes and revenue, as well as fluctuations in demand based on the availability of regulatory incentives and other factors. In addition, demand from our commercial and residential customers may fluctuate based on the perceived cost-effectiveness of the electricity generated by our solar power systems as compared to conventional energy sources, such as natural gas and coal (which fuel sources are subject to significant price swings from time to time), and other non-solar renewable energy sources, such as wind. Declining average selling prices immediately affect our residential and light commercial sales volumes, and therefore lead to large fluctuations in revenue.

Further, our revenue mix of materials sales versus project sales can fluctuate dramatically from quarter to quarter, which may adversely affect our margins and financial results in any given period.

Any of the foregoing may cause us to miss our financial guidance for a given period, which could adversely impact the market price for our common stock and our liquidity.

We base our planned operating expenses in part on our expectations of future revenue and a significant portion of our expenses is fixed in the short term. If revenue for a particular quarter is lower than we expect, we likely will be unable to proportionately reduce our operating expenses for that quarter, which would materially adversely affect our operating results for that quarter. See also under this section, "Risks Related to Our Sales Channels—*Our business could be adversely affected by seasonal trends and construction cycles*," "Risks Related to Our Sales Channels—*The reduction, modification or elimination of government incentives could cause our revenue to decline and harm our financial results*," and "*Risks Related to Our Sales Channels—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*."

Changes in international trade policies, tariffs, or trade disputes 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") solar 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. While solar cells and modules based on interdigitated back contact ("IBC") technology, like our Maxeon 3, Maxeon 2 and related products, were granted exclusion from these safeguard tariffs on September 19, 2018, our solar products based on other technologies continue to be subject to the safeguard tariffs. Although we are actively engaged in efforts to mitigate the effect of these tariffs, there is no guarantee that these efforts will be successful.

Additionally, the Office of the United States Trade Representative ("USTR") initiated an investigation under Section 301 of the Trade Act of 1974 into the government of China's acts, policies, and practices related to technology transfer, intellectual property, and innovation. In notices published June 20, 2018, August 16, 2018, and September 21, 2018, the USTR imposed additional import duties of up to 25% on certain Chinese products covered by the Section 301 remedy. These tariffs include certain solar power system components and finished products, including those purchased from our suppliers for use in our products and used in our business. The United States and China continue to signal the possibility of taking additional retaliatory measures in response to actions taken by the other country, which may result in changes to existing trade agreements and terms including additional tariffs on imports from China or other countries.

In the near term, uncertainty surrounding the implications of the existing tariffs affecting the U.S. solar market, the escalating trade tensions between China and the United States, and whether specific additional solar power products may be impacted, 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. With the uncertainties associated with the Section 201 and Section 301 trade cases, events and changes in circumstances indicated that the carrying values of our long-lived assets associated with our manufacturing operations might not be recoverable.

The execution of our growth strategy is dependent upon the continued availability of third-party financing arrangements for our solar power plants, our residential lease program, and our customers, and is affected by general economic conditions and other factors.

Our growth strategy depends on third-party financing arrangements. We often require project financing for development and construction of our solar power plant projects, which require significant investments before the equity is later sold to investors. Many purchasers of our systems projects have entered into third-party arrangements to finance their systems over an extended period of time, while many end-customers have chosen to purchase solar electricity under a power purchase agreement ("PPA") with an investor or financing company that purchases the system from us or our authorized dealers. We often execute PPAs directly with the end-user, with the expectation that we will later assign the PPA to a financier. Under such arrangements, the financier separately contracts with us to acquire and build the solar power system, and then sells the electricity to the end-user under the assigned PPA. When executing PPAs with end-users, we seek to mitigate the risk that financing will not be available for the project by allowing termination of the PPA in such event without penalty. However, we may not always be successful in negotiating for penalty-free termination rights for failure to obtain financing, and certain end-users have required substantial financial penalties in exchange for such rights. These structured finance arrangements are complex and may not be feasible in many situations.

Global economic conditions, including conditions that may make it more difficult or expensive for us to access credit and liquidity, could materially and adversely affect our business and results of operations. Credit markets are unpredictable, and if they become more challenging, we may be unable to obtain project financing for our projects, customers may be unable or unwilling to finance the cost of our products, we may have difficulties in reaching agreements with financiers to finance the construction of our solar power systems, or the parties that have historically provided this financing may cease to do so, or only do so on terms that are substantially less favorable for us or our customers, any of which could materially and adversely affect our revenue and growth in both segments of our business. Our plans to continue to grow our residential lease program may be delayed if credit conditions prevent us from obtaining or maintaining arrangements to finance the program. We are actively arranging additional third-party financing for our residential lease program; however, if we encounter challenging credit markets, 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 event we enter into a material number of additional leases without obtaining corresponding third-party financing, our cash, working capital and financial results could be negatively affected. In addition, a rise in interest rates would likely increase our customers' cost of financing or leasing our products and could reduce their profits and expected returns on investment in our products. The general reduction in available credit to would-be borrowers or lessees, worldwide economic uncertainty, and the condition of worldwide housing markets could delay or reduce our sales of products to new homebuilders and authorized resellers. For more information, see "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 7. *Leasing*."

The availability of financing depends on many factors, including market conditions, the demand for and supply of solar projects, and resulting risks of refinancing or disposing of such projects. It also depends in part on government incentives, such as tax incentives. In the United States, with the expiration of the Treasury Grant under Section 1603 of the American Recovery and Reinvestment Act program, we have needed to identify interested financiers with sufficient taxable income to monetize the tax incentives created by our solar systems. In the long term, as we look toward markets not supported (or supported less) by government incentives, we will continue to need to identify financiers willing to finance residential solar systems without such incentives. Our failure to effectively do so could materially and adversely affect our business and results of operations. In addition, with the recent passage of comprehensive reform of the Code, the impact of revisions to various industry-specific tax incentives, such as accelerated depreciation, and an overall reduction in corporate tax rates may lead to changes in the market and availability of tax equity investors.

The lack of project financing, due to tighter credit markets or other reasons, could delay the development and construction of our solar power plant projects, thus reducing our revenues from the sale of such projects. We may in some cases seek to pursue partnership arrangements with financing entities to assist residential and other customers to obtain financing for the purchase or lease of our systems, which would expose us to credit or other risks. We face competition for financing partners and if we are unable to continue to offer a competitive investment profile, we may lose access to financing partners or they may offer financing on less favorable terms than our competitors, which could materially and adversely affect our business and results of operations.

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.

Our solar panels are currently competitive in the market compared with lower cost conventional solar cells, such as thin-film, due to our products' higher efficiency, among other things. Given the general downward pressure on prices for solar panels driven by increasing supply and technological change, a principal component of our business strategy is reducing our costs to manufacture our products to remain competitive. We also focus on standardizing our products with the goal of driving down installation costs. If our competitors are able to drive down their manufacturing and installation costs or increase the efficiency of their products faster than we can, or if competitor products are exempted from tariffs and quotas and ours are not, our products may become less competitive even when adjusted for efficiency. Further, if raw materials costs and other third-party component costs were to increase, we may not meet our cost reduction targets. If we cannot effectively execute our cost reduction roadmap, our competitive position will suffer, and we could lose market share and our margins would be adversely affected as we face downward pricing pressure.

The solar power market is characterized by continually changing technology and improving features, such as increased efficiency, higher power output and enhanced aesthetics. Technologies developed by our direct competitors, including thin-film solar panels, concentrating solar cells, solar thermal electric and other solar technologies, may provide energy at lower costs than our products. We also face competition in some markets from other energy generation sources, including conventional fossil fuels, wind, biomass, and hydro. In addition, other companies could potentially develop a highly reliable renewable energy system that mitigates the intermittent energy production drawback of many renewable energy systems. Companies could also offer other value-added improvements from the perspective of utilities and other system owners, in which case such companies could compete with us even if the cost of electricity associated with any such new system is higher than that of our systems. We also compete with traditional utilities that supply energy to our potential customers. Such utilities have greater financial, technical, operational and other resources than we do. If electricity rates decrease and our products become less competitive by comparison, our operating results and financial condition will be adversely affected.

Our failure to further refine our technology, reduce cost in our manufacturing process, and develop and introduce new solar power products could cause our products or our manufacturing facilities to become less competitive or obsolete, which could reduce our market share, cause our sales to decline, and cause the impairment of our assets. This risk requires us to continuously develop new solar power products and enhancements for existing solar power products to keep pace with evolving industry standards, competitive pricing and changing customer preferences, expectations, and requirements. It is difficult to successfully predict the products and services our customers will demand. If we cannot continually improve the efficiency and prove the reliability of our solar panels as compared with those of our competitors, our pricing will become less competitive, we could lose market share and our margins would be adversely affected.

As we introduce new or enhanced products or integrate new technology and components into our products, we will face risks relating to such transitions including, among other things, the incurrence of high fixed costs, technical challenges, acceptance of products by our customers, disruption in customers' ordering patterns, insufficient supplies of new products to meet customers' demand, possible product and technology defects arising from the integration of new technology and a potentially different sales and support environment relating to any new technology. Our failure to manage the transition to newer products or the integration of newer technology and components into our products could adversely affect our business's operating results and financial condition. See also under this section, "Risks Related to Our Sales Channels—*Changes in international trade policies, tariffs, or trade disputes could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows*."

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.

Global solar cell and panel production capacity has been materially increasing overall, and solar cell and solar panel manufacturers currently have excess capacity, particularly in China. Excess capacity and industry competition have resulted in the past, and may continue to result, in substantial downward pressure on the price of solar cells and panels, including SunPower products. Intensifying competition could also cause us to lose sales or market share. Such price reductions or loss of sales or market share could have a negative impact on our revenue and earnings, and could materially adversely affect our business, financial condition and cash flows. In addition, our internal pricing forecasts may not be accurate in such a market environment, which could cause our financial results to be different than forecasted. Uncertainty with respect to Chinese government policies, including subsidies or other incentives for solar projects, may cause increased, decreased, or volatile supply and/or demand for solar products, which could negatively impact our revenue and earnings. Finally, the imposition by the U.S. of tariffs and quotas could materially adversely affect our ability to compete with other suppliers and developers in the U.S. market. See also under this section, "Risks Related to Our Sales Channels—*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 "Risks Related to Our Sales Channels—*Changes in international trade policies, tariffs, or trade disputes could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows*."

The reduction, modification or elimination of government incentives could cause our revenue to decline and harm our financial results.

The market for on-grid applications, where solar power is used to supplement a customer's electricity purchased from the utility network or sold to a utility under tariff, depends in large part on the availability and size of government mandates and economic incentives because, at present, the cost of solar power generally exceeds retail electric rates in many locations and wholesale peak power rates in some locations. Incentives and mandates vary by geographic market. Various government bodies in most of the countries where we do business have provided incentives in the form of feed-in tariffs, rebates, and tax credits and other incentives and mandates, such as renewable portfolio standards and net metering, to end-users, distributors, system integrators and manufacturers of solar power products to promote the use of solar energy in on-grid applications and to reduce dependency on other forms of energy. These various forms of support for solar power are subject to change (as, for example, occurred in 2015 with Nevada's decision to change net energy metering; and in 2017 with California's adoption of new time-of-use rates that reduced the price paid to solar system owners for mid-day electricity production), and are expected in the longer term to decline. Even changes that may be viewed as positive (such as the extension at the end of 2015 of U.S. tax credits related to solar power) can have negative effects if they result, for example, in delaying purchases that otherwise might have been made before expiration or scheduled reductions in such credits. Governmental decisions regarding the provision of economic incentives often depend on political and economic factors that we cannot predict and that are beyond our control. The reduction, modification or elimination of grid access, government mandates or economic incentives in one or more of our customer markets would materially and adversely affect the growth of such markets or result in increased price competition, either of which could cause our revenue to decline and materially adversely affect our financial results.

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.

The market for electric generation products is heavily influenced by federal, state and local government laws, regulations and policies concerning the electric utility industry in the United States and abroad, as well as policies promulgated by electric utilities. These regulations and policies often relate to electricity pricing and technical interconnection of customer-owned electricity generation, and changes that make solar power less competitive with other power sources could deter investment in the research and development of alternative energy sources as well as customer purchases of solar power technology, which could in turn result in a significant reduction in the demand for our solar power products. The market for electric generation equipment is also influenced by trade and local content laws, regulations and policies that can discourage growth and competition in the solar industry and create economic barriers to the purchase of solar power products, thus reducing demand for our solar products. In addition, on-grid applications depend on access to the grid, which is also regulated by government entities. We anticipate that our solar power products and their installation will continue to be subject to oversight and regulation in accordance with federal, state, local and foreign regulations relating to construction, safety, environmental protection, utility interconnection and metering, trade, and related matters. It is difficult to track the requirements of individual states or local jurisdictions and design equipment to comply with the varying standards. In addition, the U.S., European Union and Chinese governments, among others, have imposed tariffs or are in the process of evaluating the imposition of tariffs on solar panels, solar cells, polysilicon, and potentially other components. These and any other tariffs or similar taxes or duties may increase the price of our solar products and adversely affect our cost reduction roadmap, which could harm our results of operations and financial condition. Any new regulations or policies pertaining to our solar power products may result in significant additional expenses to us, our resellers and our resellers' customers, which could cause a significant reduction in demand for our solar power products. See also under this section, "Risks Related to Our Sales Channels—*Changes in international trade policies, tariffs, or trade disputes could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows*."

We may not achieve some or all of the expected benefits of our restructuring plans and our restructuring may adversely affect our business.

We announced a restructuring plan in February 2018 to reduce operating expenses and cost of revenue overhead in light of the known shorter-term impact of U.S. tariffs imposed on PV solar cells and modules pursuant to Section 201 of the Trade Act of 1974 and our broader initiatives to control costs and improve cash flow. While we expect to complete the plan in 2019, additional actions may be costly and disruptive to our business, and we may not be able to obtain the cost savings and benefits that were initially anticipated in connection with our restructuring. Additionally, we may experience a loss of continuity, loss of accumulated knowledge, or inefficiency during transitional periods associated with our restructuring. Reorganization and restructuring can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing our business. If we fail to achieve some or all of the expected benefits of restructuring, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. For more information about our restructuring plan, see "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 9. *Restructuring*."

As owners and operators of solar power systems that deliver electricity to the grid, certain of our affiliated entities may be considered public utilities for purposes of the Federal Power Act, as amended (the "FPA"), and are subject to regulation by the Federal Energy Regulatory Commission ("FERC"), as well as various local and state regulatory bodies.

Although we are not directly subject to FERC regulation under the FPA, we are considered to be a "holding company" for purposes of Section 203 of the FPA, which regulates certain transactions involving public utilities, and such regulation could adversely affect our ability to grow the business through acquisitions. Likewise, investors seeking to acquire our public utility subsidiaries or acquire ownership interests in their securities may require prior FERC approval to do so. Such approval could result in transaction delays or uncertainties.

Public utilities under the FPA are required to obtain FERC acceptance of their rate schedules for wholesale sales of electricity and to comply with various regulations. FERC may grant our affiliated entities the authority to sell electricity at market-based rates and may also grant them certain regulatory waivers, such as waivers from compliance with FERC's accounting regulations. These FERC orders reserve the right to revoke or revise market-based sales authority if FERC subsequently determines that our affiliated entities can exercise market power in the sale of generation products, the provision of transmission services, or if it finds that any of the entities can create barriers to entry by competitors. In addition, if the entities fail to comply with certain reporting obligations, FERC may revoke their power sales tariffs. Finally, if the entities were deemed to have engaged in manipulative or deceptive practices concerning their power sales transactions, they would be

subject to potential fines, disgorgement of profits, and/or suspension or revocation of their market-based rate authority. If our affiliated entities were to lose their market-based rate authority, such companies would be required to obtain FERC's acceptance of a cost-of-service rate schedule and could become subject to the accounting, record-keeping, and reporting requirements that are imposed on utilities with cost-based rate schedules, which would impose cost and compliance burdens on us and have an adverse effect on our results of operations. In addition to the risks described above, we may be subject to additional regulatory regimes at state or foreign levels to the extent we own and operate solar power systems in such jurisdictions.

As our sales to residential customers have grown, we have increasingly become subject to substantial financing and consumer protection laws and regulations.

As we continue to seek to expand our retail customer base, our activities with customers – and in particular, our financing activities with our residential customers – are subject to consumer protection laws that may not be applicable to our commercial and power plant businesses, such as federal truth-in-lending, consumer leasing, and equal credit opportunity laws and regulations, as well as state and local finance laws and regulations. Claims arising out of actual or alleged violations of law may be asserted against us by individuals or governmental entities and may expose us to significant damages or other penalties, including fines. In addition, our affiliations with third-party dealers may subject us to alleged liability in connection with actual or alleged violations of law by such dealers, whether or not actually attributable to us, which may expose us to significant damages and penalties, and we may incur substantial expenses in defending against legal actions related to third-party dealers, whether or not we are ultimately found liable.

We may incur unexpected warranty and product liability claims that could materially and adversely affect our financial condition and results of operations.

Our current standard product warranty for our solar panels and their components includes a 25-year warranty period for defects in materials and workmanship and for greater than promised declines in power performance. We believe our warranty offering is in line with industry practice. This long warranty period creates a risk of extensive warranty claims long after we have shipped product and recognized revenue. We perform accelerated life cycle testing that exposes our products to extreme stress and climate conditions in both environmental simulation chambers and in actual field deployments in order to highlight potential failures that could occur over the 25-year warranty period. We also employ measurement tools and algorithms intended to help us assess actual and expected performance; these attempt to compare actual performance against an expected performance baseline that is intended to account for many factors (like weather) that can affect performance. Although we conduct accelerated testing of our solar panels and components, they have not and cannot be tested in an environment that exactly simulates the 25-year warranty period and it is difficult to test for all conditions that may occur in the field. Further, there can be no assurance that our efforts to accurately measure and predict panel and component performance will be successful. We have sold products under our warranties since the early 2000s and have therefore not experienced the full warranty cycle.

In our project installations, our current standard warranty for our solar power systems differs by geography and end-customer application and usually includes a limited warranty of 10 years for defects in workmanship, after which the customer may typically extend the period covered by its warranty for an additional fee. We also typically provide a system output performance warranty, separate from our standard solar panel product warranty, to customers that have subscribed to our post-installation O&M services. The long warranty period and nature of the warranties create a risk of extensive warranty claims long after we have completed a project and recognized revenues. Warranty and product liability claims may also result from defects or quality issues in certain technology and components (whether manufactured by us or third parties) that we incorporate into our solar power systems, such as solar cells, panels, inverters, and microinverters, over which we may have little or no control. See also under this section "Risks Related to Our Supply Chain—*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 time frames and could in turn result in sales and installation delays, cancellations, penalty payments and loss of market share*." While we generally pass through to our customers the manufacturer warranties we receive from our suppliers, in some circumstances, we may be responsible for repairing or replacing defective parts during our warranty period, often including those covered by manufacturers' warranties, or incur other non-warranty costs. If a manufacturer disputes or otherwise fails to honor its warranty obligations, we may be required to incur substantial costs before we are compensated, if at all, by the manufacturer. Furthermore, our warranties may exceed the period of any warranties from our suppliers covering components, such as third-party solar cells, third-party panels and third-party inverters, included in our systems. In addition, manufacturer warranties may not fully compensate us for losses associated with third-party claims caused by defects or quality issues in their products. For example, most manufacturer warranties exclude certain losses that may result from a system component's failure or defect, such as the cost of de-installation, re-installation, shipping, lost electricity, lost renewable energy credits or other solar incentives, personal injury, property damage, and other

losses. In certain cases, the direct warranty coverage we provide to our customers, and therefore our financial exposure, may exceed our recourse available against cell, panel or other manufacturers for defects in their products. In addition, in the event we seek recourse through warranties, we will also be dependent on the creditworthiness and continued existence of the suppliers to our business. In the past, certain of our suppliers have entered bankruptcy and our likelihood of a successful warranty claim against such suppliers is minimal.

Increases in the defect rate of SunPower or third-party products, including components, could cause us to increase the amount of warranty reserves and have a corresponding material, negative impact on our results of operations. Further, potential future product or component failures could cause us to incur substantial expense to repair or replace defective products or components, and we have agreed in some circumstances to indemnify our customers and our distributors against liability from some defects in our solar products. A successful indemnification claim against us could require us to make significant damage payments. Repair and replacement costs, as well as successful indemnification claims, could materially and negatively impact our financial condition and results of operations.

Like other retailers, distributors and manufacturers of products that are used by customers, we face an inherent risk of exposure to product liability claims in the event that the use of the solar power products into which solar cells, solar panels, and microinverters are incorporated results in injury, property damage or other damages. We may be subject to warranty and product liability claims in the event that our solar power systems fail to perform as expected or if a failure of our solar power systems or any component thereof results, or is alleged to result, in bodily injury, property damage or other damages. Since our solar power products are electricity-producing devices, it is possible that our systems could result in injury, whether by product malfunctions, defects, improper installation or other causes. In addition, since we only began selling our solar cells and solar panels in the early 2000s and the products we are developing incorporate new technologies and use new installation methods, we cannot predict the extent to which product liability claims may be brought against us in the future or the effect of any resulting negative publicity on our business. Moreover, we may not have adequate resources to satisfy a successful claim against us. We rely on our general liability insurance to cover product liability claims. A successful warranty or product liability claim against us that is not covered by insurance or is in excess of our available insurance limits could require us to make significant payments of damages. In addition, quality issues can have various other ramifications, including delays in the recognition of revenue, loss of revenue, loss of future sales opportunities, increased costs associated with repairing or replacing products, and a negative impact on our goodwill and reputation, any of which could adversely affect our business, operating results and financial condition.

We do not typically maintain long-term agreements with our customers and accordingly we could lose customers without warning, which could adversely affect our operating results.

Our product sales to residential dealers and components customers typically are not made under long-term agreements. We often contract to construct or sell large projects with no assurance of repeat business from the same customers in the future. Although cancellations of our purchase orders to date have been infrequent, our customers may cancel or reschedule purchase orders with us on relatively short notice. Cancellations or rescheduling of customer orders could result in the delay or loss of anticipated sales without allowing us sufficient time to reduce, or delay the incurrence of, our corresponding inventory and operating expenses. In addition, changes in forecasts or the timing of orders from these or other customers expose us to the risks of inventory shortages or excess inventory. These circumstances, in addition to the completion and non-repetition of large projects, declining average selling prices, changes in the relative mix of sales of solar equipment versus solar project installations, and the fact that our supply agreements are generally long-term in nature and many of our other operating costs are fixed, could cause our operating results to fluctuate and may result in a material adverse effect in our business, results of operations, and financial condition. In addition, since we rely partly on our network of international dealers for marketing and other promotional programs, if our dealers fail to perform up to our standards, our operating results could be adversely affected.

Our business could be adversely affected by seasonal trends and construction cycles.

Our business is subject to significant industry-specific seasonal fluctuations. Our sales have historically reflected these seasonal trends, with the largest percentage of our total revenues realized during the second half of each fiscal year. There are various reasons for this seasonality, mostly related to economic incentives and weather patterns. For example, in European countries with feed-in tariffs, the construction of solar power systems may be concentrated during the second half of the calendar year, largely due to the annual reduction of the applicable minimum feed-in tariff and the fact that the coldest winter months in the Northern Hemisphere are January through March. In the United States, many customers make purchasing decisions towards the end of the year in order to take advantage of tax credits. In addition, sales in the new home development market are often tied to construction market demands, which tend to follow national trends in construction, including declining sales during cold weather months.

The competitive environment in which we operate often requires us to undertake customer obligations, which may turn out to be costlier than anticipated and, in turn, materially and adversely affect our business, results of operations and financial condition.

We are often required, as a condition of financing or at the request of our end customer, to undertake certain obligations such as:

- system output performance warranties;
- system maintenance;
- penalty payments or customer termination rights if the system we are constructing is not commissioned within specified timeframes or other construction milestones are not achieved;
- guarantees of certain minimum residual value of the system at specified future dates;
- system put-rights whereby we could be required to buy back a customer's system at fair value on a future date if certain minimum performance thresholds are not met; and
- indemnification against losses customers may suffer as a result of reductions in benefits received under the solar commercial investment tax credit ("ITC") under Section 48(c) of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury grant programs under Section 1603 of the American Recovery and Reinvestment Act (the "Cash Grant").

Such financing arrangements and customer obligations involve complex accounting analyses and judgments regarding the timing of revenue and expense recognition, and in certain situations these factors may require us to defer revenue or profit recognition until projects are completed or until contingencies are resolved, which could adversely affect our revenues and profits in a particular period.

Risks Related to Our Liquidity

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, including our Next Generation Technology ("NGT" or Maxeon 5), 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. See also under this section, "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*," and "*Changes in international trade policies, tariffs, or trade disputes could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows."*

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. As we ramp our Maxeon 5 technology and begin volume production in 2019, we may pursue scale-up partnerships or other financing options to fund the NGT expansion. 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. See also under this section, "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.*"

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 December 30, 2018, had an outstanding amount of $18.1 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 had an outstanding amount of $36.3 million as of December 30, 2018. Any draws under these uncollateralized facilities would require us to immediately reimburse the bank for the drawn amount. A default under 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 December 30, 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 8. Financial Statements—Note 2. *Transactions with Total and Total S.A.*" in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K). As of December 30, 2018, we had $75.0 million in additional borrowing capacity under our other limited recourse construction financing facilities.

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 investments 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 investments 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 investments 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 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 the debentures and our other debt.

We currently have a significant amount of debt and debt service requirements. As of December 30, 2018, we had approximately $0.9 billion of outstanding debt.

This level of debt could have material consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under the debentures and our other outstanding debt;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements (with certain covenants becoming more restrictive over time), which event of default could result in all or a significant portion of our debt becoming immediately due and payable;
- reducing the availability of our cash flows to fund working capital, capital expenditures, project development, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our credit agreement with Credit Agricole;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared with our competitors that have less debt or have lower leverage ratios.

In the event, expected or unexpected, that any of our joint ventures is consolidated with our financial statements, such consolidation could significantly increase our indebtedness.

Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flows, which, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flows from operations, or that future borrowings will be available to us under our existing or any future credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under our debentures and our other debt and to fund other liquidity needs. If we are unable to generate sufficient cash flows to service our debt obligations, we may need to refinance or restructure our debt, including our debentures, sell assets, reduce or delay capital investments, or seek to raise additional capital. There can be no assurance that we will be successful in any sale of assets, refinancing, or restructuring effort. See also under this section, "Risks Related to Our Operations—*We may in the future be required to consolidate the assets, liabilities, and financial results of certain of our existing or future joint ventures, which could have an adverse impact on our financial position, gross margin and operating results*", "Risks Related to Our Sales Channels—*Changes in international trade policies, tariffs, or trade disputes could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows*," and "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 1. *Organization and Summary of Significant Accounting Policies—Liquidity*."

Although we are currently in compliance with the covenants contained in our debt agreements, we cannot assure you that we will be able to remain in compliance with such covenants in the future. We may not be able to cure future violations or obtain waivers from our creditors in order to avoid a default. An event of default under any of our debt agreements could have a material adverse effect on our liquidity, financial condition, and results of operations.

Our current tax holidays in the Philippines and Malaysia will expire within the next several years, and other related international tax developments could adversely affect our results.

We benefit from income tax holiday incentives in the Philippines in accordance with our subsidiary's registration with the Philippine Economic Zone Authority ("PEZA"), which provide that we pay no income tax in the Philippines for those operations subject to the ruling (through July 2019). Tax savings associated with the Philippines tax holidays were approximately $3.4 million, $5.6 million, and $10.0 million in fiscal 2018, 2017, and 2016, respectively, which provided a diluted net income (loss) per share benefit of $0.02, $0.04, and $0.07 in fiscal 2018, 2017, and 2016, respectively.

Our income tax holidays were granted as manufacturing lines were placed in service. We plan to apply for extensions and renewals upon expiration; however, while we expect all approvals to be granted, we can offer no assurance that they will be. We believe that if our Philippine tax holidays are not extended or renewed, (a) gross income attributable to activities covered by our PEZA registrations will be taxed at a 5% preferential rate, and (b) our Philippine net income attributable to all other activities will be taxed at the statutory Philippine corporate income tax rate, currently 30%. An increase in our tax liability could materially and adversely affect our business, financial condition and results of operations.

We continued to qualify for the auxiliary company status in Switzerland where we sell our solar power products. The auxiliary company status entitles us to a tax rate of 11.5% in Switzerland, reduced from approximately 24.2%. Tax savings associated with this ruling were approximately $1.8 million, $2.4 million, and $1.9 million in fiscal 2018, 2017, and 2016,

respectively, which provided a diluted net income (loss) per share benefit of $0.01, $0.02, and $0.01 in fiscal 2018, 2017, and 2016, respectively.

We also benefit from a tax holiday granted by the Malaysian government, subject to certain hiring, capital spending, and manufacturing requirements. We have successfully negotiated with the Malaysian government to modify the requirements of the tax holiday; we are currently in compliance with the modified requirements of the tax holiday. We received approval from the Malaysian government of the extension of our tax holiday for a second five-year term (through June 30, 2021). Tax savings associated with the Malaysia tax holiday were approximately $7.6 million, $6.8 million, and $2.0 million in fiscal 2018, 2017, and 2016 respectively, which provided a diluted net income (loss) per share benefit of $0.05, $0.05, and $0.01 in fiscal 2018, 2017, and 2016 respectively. Although we were granted the extension, should we fail to meet certain requirements in the future and are unable to renegotiate the tax ruling further, we could be retroactively and prospectively subject to statutory tax rates and repayment of certain incentives which could negatively impact our business.

More generally, with the finalization of specific actions contained within the Organization for Economic Development and Cooperation's ("OECD") Base Erosion and Profit Shifting ("BEPS") study ("Actions"), many OECD countries have acknowledged their intent to implement the Actions and update their local tax regulations. Among the considerations required by the Actions is the need for appropriate local business operational substance to justify any locally granted tax incentives, such as those described above, and that the incentives are not determined to constitute "state aid" which would invalidate the incentive. If we fail to maintain sufficient operational substance or if the countries determine the incentive regimes do not conform with the BEPS regulations being considered for implementation, adverse material economic impacts may result.

A change in our effective tax rate could have a significant adverse impact on our business, and an adverse outcome resulting from examination of our income or other tax returns could adversely affect our results.

A number of factors may adversely affect our future effective tax rates, such as the jurisdictions in which our profits are determined to be earned and taxed; changes in the valuation of our deferred tax assets and liabilities; adjustments to estimated taxes upon finalization of various tax returns; adjustments to our interpretation of transfer pricing standards; changes in available tax credits, grants and other incentives; changes in stock-based compensation expense; the availability of loss or credit carryforwards to offset taxable income; changes in tax laws or the interpretation of such tax laws (for example U.S. and international tax reform); changes in U.S. generally accepted accounting principles (U.S. GAAP); expiration or the inability to renew tax rulings or tax holiday incentives. A change in our effective tax rate due to any of these factors may adversely affect our future results from operations.

On December 22, 2017, the U.S. enacted significant changes to U.S. tax law following the passage and signing of H.R.1, "An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018" (previously known as "The Tax Cuts and Jobs Act" and, as enacted, the "Tax Act"). The Tax Act reduced the U.S. federal corporate tax rate from 35% to 21%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and created new taxes on certain foreign sourced earnings. The U.S. Department of Treasury has broad authority to issue regulations and interpretive guidance that may significantly impact how we will apply the law and impact our results of operations in the period issued. The Tax Act required complex computations not previously provided in U.S. tax law. As such, the application of accounting guidance for such items was previously uncertain. As of December 30, 2018, we have completed our "Tax Act" analysis and it did not have any impact to our expectations of actual cash payments for income tax in the foreseeable future.

Changes made to the Code by the Tax Act — in particular, the reduction of the U.S. federal corporate tax rate from 35% to 21% — could affect the cost of capital provided by third-party investors for our projects. In particular, the reduction of the U.S. federal corporate tax rate from 35% to 21% decreases the value of depreciation to potential tax equity investors who may, as a result, require higher cash flow from solar project customers, and investors in SunPower solar energy projects may pay less for the project, in each case to compensate for the lower tax benefit value.

Significant judgment is required to determine the recognition and measurement attributes prescribed in the accounting guidance for uncertainty in income taxes. The accounting guidance for uncertainty in income taxes applies to all income tax positions, including the potential recovery of previously paid taxes, which if settled unfavorably could adversely affect our provision for income taxes. In addition, we are subject to examination of our income tax returns by various tax authorities. We regularly assess the likelihood of adverse outcomes resulting from any examination to determine the adequacy of our provision for income taxes. An adverse determination of an examination could have an adverse effect on our operating results and financial condition. See also "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 14. *Income Taxes*."

Additionally, longstanding international tax norms that determine each country's jurisdiction to tax cross-border international trade are evolving (for example, those relating to the Actions currently being undertaken by the OECD and similar actions by the G8 and G20) and U.S. tax reform may lead to further changes in (or departure from) these norms. As these and other tax laws and related regulations change, our financial results could be materially impacted. Given the unpredictability of these possible changes and their potential interdependency, it is very difficult to assess whether the overall effect of such potential tax changes would be cumulatively positive or negative for our earnings and cash flow, but such changes could adversely impact our financial results.

Our credit agreements contain covenant restrictions that may limit our ability to operate our business.

We may be unable to respond to changes in business and economic conditions, engage in transactions that might otherwise be beneficial to us, or obtain additional financing, because our debt agreements, our Affiliation Agreement with Total, foreign exchange hedging agreements and equity derivative agreements contain, and any of our other future similar agreements may contain, covenant restrictions that limit our ability to, among other things:

- incur additional debt, assume obligations in connection with letters of credit, or issue guarantees;
- create liens;
- make certain investments or acquisitions;
- enter into transactions with our affiliates;
- sell certain assets;
- redeem capital stock or make other restricted payments;
- declare or pay dividends or make other distributions to stockholders; and
- merge or consolidate with any person.

Our ability to comply with these covenants is dependent on our future performance, which will be subject to many factors, some of which are beyond our control, including prevailing economic conditions. In addition, our failure to comply with these covenants could result in a default under our other debt instruments, which could permit the holders to accelerate such debt. If any of our debt is accelerated, we may not have sufficient funds available to repay such debt, which could materially and negatively affect our financial condition and results of operations.

Risks Related to Our Supply Chain

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.

If our supply agreements provide insufficient inventory to meet customer demand, or if our suppliers are unable or unwilling to provide us with the contracted quantities, we may be forced to purchase additional supply at market prices, which could be greater than expected and could materially and adversely affect our results of operations. Due to the industry-wide shortage of polysilicon experienced before 2011, we purchased polysilicon that we resold to third-party ingot and wafer manufacturers who deliver wafers to us that we then use in the manufacturing of our solar cells. Without sufficient polysilicon, some of those ingot and wafer manufacturers would not have been able to produce the wafers on which we rely. We have historically entered into multiple long-term fixed supply agreements for periods of up to 10 years to match our estimated customer demand forecasts and growth strategy for the next several years. The long-term nature of these agreements, which often provide for fixed or inflation-adjusted pricing, may prevent us from benefiting from decreasing polysilicon costs, has, and may continue to, cause us to pay more at unfavorable payment terms than the current market prices and payment terms available to our competitors, and has in the past, and could again in the future, cause us to record an impairment. In the event that we have inventory in excess of short-term requirements of polysilicon, in order to reduce inventory or improve working capital, we may, and sometimes do, elect to sell such inventory in the marketplace at prices below our purchase price, thereby incurring a loss.

Additionally, because certain of these agreements are "take or pay," if certain of our agreements for polysilicon from these suppliers were to decrease in the future, we could be required to purchase polysilicon that we do not need, resulting in either storage costs or payment for polysilicon we nevertheless choose not to accept from such suppliers. Additionally, existing arrangements from prior years have resulted in above current market pricing for purchasing polysilicon, resulting in inventory losses we have realized. Further, we face significant, specific counterparty risk under long-term supply agreements when

dealing with suppliers without a long, stable production and financial history. In the event any such supplier experiences financial difficulties or goes into bankruptcy, it could be difficult or impossible, or may require substantial time and expense, for us to recover any or all of our prepayments. Any of the foregoing could materially harm our financial condition and results of operations.

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.

We rely on a limited number of third-party suppliers for certain raw materials and components for our solar cells, panels and power systems, such as polysilicon, inverters and module material. If we fail to maintain our relationships with our suppliers or to build relationships with new suppliers, or if suppliers are unable to meet demand through industry consolidation, we may be unable to manufacture our products or our products may be available only at a higher cost or after a long delay.

To the extent the processes that our suppliers use to manufacture components are proprietary, we may be unable to obtain comparable components from alternative suppliers. In addition, the financial markets could limit our suppliers' ability to raise capital if required to expand their production or satisfy their operating capital requirements. As a result, they could be unable to supply necessary raw materials, inventory and capital equipment which we would require to support our planned sales operations to us, which would in turn negatively impact our sales volume, profitability, and cash flows. The failure of a supplier to supply raw materials or components in a timely manner, or to supply raw materials or components that meet our quality, quantity and cost requirements, could impair our ability to manufacture our products or could increase our cost of production. If we cannot obtain substitute materials or components on a timely basis or on acceptable terms, we could be prevented from delivering our products to our customers within required timeframes.

Any such delays could result in sales and installation delays, cancellations, penalty payments or loss of revenue and market share, any of which could have a material adverse effect on our business, results of operations, and financial condition.

We utilize construction loans, term loans, sale-leaseback, preferred equity, and other financing structures to fund acquisition, development, construction, and expansion of photovoltaic power plant projects in the future, and such funds may or may not continue to be available as required to further our plans. Furthermore, such project financing increases our consolidated debt and may be structurally senior to other debt such as our Credit Agricole revolving credit facility and outstanding convertible debentures.

Certain of our subsidiaries and other affiliates are separate and distinct legal entities and, except in limited circumstances, have no obligation to pay any amounts due with respect to our indebtedness or indebtedness of other subsidiaries or affiliates, and do not guarantee the payment of interest on or principal of such indebtedness. Such subsidiaries may borrow funds to finance particular projects. In the event of a default under a project financing which we do not cure, the lenders or lessors generally have rights to the power plant project and related assets. In the event of foreclosure after a default, we may not be able to retain any interest in the power plant project or other collateral supporting such financing. In addition, any such default or foreclosure may trigger cross default provisions in our other financing agreements, including our corporate debt obligations, which could materially and adversely affect our results of operations. In the event of our bankruptcy, liquidation or reorganization (or the bankruptcy, liquidation or reorganization of a subsidiary or affiliate), such subsidiaries' or other affiliates' creditors, including trade creditors and holders of debt issued by such subsidiaries or affiliates, will generally be entitled to payment of their claims from the assets of those subsidiaries or affiliates before any assets are made available for distribution to us or the holders of our indebtedness. As a result, holders of our corporate indebtedness will be effectively subordinated to all present and future debts and other liabilities (including trade payables) of certain of our subsidiaries. As of December 30, 2018, our subsidiaries had $6.5 million in subsidiary project financing, which is effectively senior to our corporate debt, such as our Credit Agricole revolving credit facility, our 4.00% debentures due 2023 and our 0.875% debentures due 2021.

Risks Related to Our Operations

We have significant international activities and customers, and plan to continue these efforts, which subject us to additional business risks, including logistical complexity and political instability.

A substantial portion of our sales are made to customers outside of the United States, and a substantial portion of our supply agreements are with supply and equipment vendors located outside of the United States. We have solar cell and module production lines located at our manufacturing facilities in the Philippines, Mexico, France, and Malaysia.

Risks we face in conducting business internationally include:

- multiple, conflicting and changing laws and regulations, export and import restrictions, employment laws, environmental protection, regulatory requirements, international trade agreements, and other government approvals, permits and licenses;
- difficulties and costs in staffing and managing foreign operations as well as cultural differences;
- potentially adverse tax consequences associated with current, future or deemed permanent establishment of operations in multiple countries;
- relatively uncertain legal systems, including potentially limited protection for intellectual property rights, and laws, changes in the governmental incentives we rely on, regulations and policies which impose additional restrictions on the ability of foreign companies to conduct business in certain countries or otherwise place them at a competitive disadvantage in relation to domestic companies;
- one-time transition tax by the U.S. on earnings of certain foreign subsidiaries that were previously tax deferred;
- inadequate local infrastructure and developing telecommunications infrastructures;
- financial risks, such as longer sales and payment cycles and greater difficulty collecting accounts receivable;
- currency fluctuations, government-fixed foreign exchange rates, the effects of currency hedging activity, and the potential inability to hedge currency fluctuations;
- political and economic instability, including wars, acts of terrorism, political unrest, boycotts, curtailments of trade and other business restrictions;
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries; and
- liabilities associated with compliance with laws (for example, the Foreign Corrupt Practices Act in the U.S. and similar laws outside of the U.S.).

We have a complex organizational structure involving many entities globally. This increases the potential impact of adverse changes in laws, rules and regulations affecting the free flow of goods and personnel, and therefore heightens some of the risks noted above. Further, this structure requires us to effectively manage our international inventory and warehouses. If we fail to do so, our shipping movements may not map with product demand and flow. Unsettled intercompany balances between entities could result, if changes in law, regulations or related interpretations occur, in adverse tax or other consequences affecting our capital structure, intercompany interest rates and legal structure. If we are unable to successfully manage any such risks, any one or more could materially and negatively affect our business, financial condition and results of operations.

If we experience interruptions in the operation of our solar cell production lines, our revenue and results of operations may be materially and adversely affected.

If our solar cell or module production lines suffer problems that cause downtime, we might be unable to meet our production targets, which would adversely affect our business. Our manufacturing activities require significant management attention, a significant capital investment and substantial engineering expenditures.

The success of our manufacturing operations is subject to significant risks including:

- cost overruns, delays, supply shortages, equipment problems and other operating difficulties;
- custom-built equipment may take longer or cost more to engineer than planned and may never operate as designed;
- incorporating first-time equipment designs and technology improvements, which we expect to lower unit capital and operating costs, but which may not be successful;

- our ability to obtain or maintain third-party financing to fund capital requirements;
- difficulties in maintaining or improving our historical yields and manufacturing efficiencies;
- difficulties in protecting our intellectual property and obtaining rights to intellectual property developed by our manufacturing partners;
- difficulties in hiring and retaining key technical, management, and other personnel;
- potential inability to obtain, or obtain in a timely manner, financing, or approvals from governmental authorities for operations; and
- tariffs imposed on imported solar cells and modules which may cause market volatility, price fluctuations, supply shortages, and project delays.

Any of these or similar difficulties may unexpectedly delay or increase costs of our supply of solar cells.

If we do not achieve satisfactory yields or quality in manufacturing our solar products, our sales could decrease and our relationships with our customers and our reputation may be harmed.

The manufacture of solar cells is a highly complex process. Minor deviations in the manufacturing process can cause substantial decreases in yield and in some cases, cause production to be suspended or yield no output. We have from time to time experienced lower than anticipated manufacturing yields. As we expand our manufacturing capacity and qualify additional suppliers, we may initially experience lower yields. If we do not achieve planned yields, our product costs could increase, and product availability would decrease resulting in lower revenues than expected. In addition, in the process of transforming polysilicon into ingots, a significant portion of the polysilicon is removed in the process. In circumstances where we provide the polysilicon, if our suppliers do not have very strong controls in place to ensure maximum recovery and utilization, our economic yield can be less than anticipated, which would increase the cost of raw materials to us.

Additionally, products as complex as ours may contain undetected errors or defects, especially when first introduced. For example, our solar cells or solar panels may contain defects that are not detected until after they are shipped or are installed because we cannot test for all possible scenarios. These defects could cause us to incur significant warranty, non-warranty, and re-engineering costs, divert the attention of our engineering personnel from product development efforts, and significantly affect our customer relations and business reputation. If we deliver solar products with errors or defects, including cells or panels of third-party manufacturers, or if there is a perception that such solar products contain errors or defects, our credibility and the market acceptance and sales of our products could be harmed. In addition, some of our arrangements with customers include termination or put rights for non-performance. In certain limited cases, we could incur liquidated damages or even be required to buy back a customer's system at fair value on specified future dates if certain minimum performance thresholds are not met.

A change in our 1603 U.S. Treasury Department Cash Grant proceeds or solar investment tax credits could adversely affect our business, revenues, margins, results of operations and cash flows.

We have incorporated into our financial planning and agreements with our customers certain assumptions regarding the future level of U.S. tax incentives, including the ITC, which is administered by the U.S. Treasury Department ("U.S. Treasury"). The ITC allows qualified applicants to claim an amount equal to 30% of the eligible cost basis for qualifying solar energy property. The U.S. Treasury also made payments under the Cash Grant program in lieu of the ITC for projects which commenced construction prior to December 31, 2011 and completed construction by December 31, 2016. We hold projects and have sold projects to certain customers based on certain underlying assumptions regarding the ITC and Cash Grant, including for our California Valley Solar Ranch and Solar Star projects. We have also accounted for certain projects and programs in our business using the same assumptions.

Owners of our qualifying projects and our residential lease program have applied or will apply for the ITC, and have applied for the Cash Grant. We have structured the tax incentive applications, both in timing and amount, to be in accordance with the guidance provided by the U.S. Treasury and U.S. Internal Revenue Service ("IRS"). Any changes to the U.S. Treasury or IRS guidance which we relied upon in structuring our projects, failure to comply with the requirements, including the safe harbor protocols, lower levels of incentives granted, or changes in assumptions including the estimated residual values and the estimated fair market value of financed and installed systems for the purposes of Cash Grant and ITC applications, could

materially and adversely affect our business and results of operations. While all grants related to our projects have been fully paid by the U.S. Treasury, if the IRS or U.S. Treasury disagrees, as a result of any future review or audit, with the fair market value of, or other assumptions concerning, our solar projects or systems that we have constructed or that we construct in the future, including the systems for which tax incentives have already been paid, it could have a material adverse effect on our business and financial condition. We also have obligations to indemnify certain of our customers for the loss of tax incentives to such customers. We may have to recognize impairments or lower margins than initially anticipated for certain of our projects or our residential lease program. Additionally, if the amount or timing of the Cash Grant or ITC payments received varies from what we have projected, our revenues, margins and cash flows could be adversely affected and we may have to recognize losses, which would have a material adverse effect on our business, results of operations and financial condition.

There are continuing developments in the interpretation and application of how companies should calculate their eligibility and level of Cash Grant and ITC incentives. There have been recent cases in the U.S. district courts that challenge the criteria for a true lease, which could impact whether the structure of our residential lease program qualifies under the Cash Grant and ITC. Additionally, the Office of the Inspector General of the U.S. Treasury has issued subpoenas to a number of significant participants in the rooftop solar energy installation industry. The Inspector General is working with the Civil Division of the U.S. Department of Justice to investigate the administration and implementation of the Cash Grant program, including potential misrepresentations concerning the fair market value of certain solar power systems submitted for Cash Grant. While we have not received a subpoena, we could be asked to participate in the information gathering process. The results of the current investigation could affect the underlying assumption used by the solar industry, including us, in our Cash Grant and ITC applications, which could reduce eligibility and level of incentives and could adversely affect our results of operations and cash flows. If the IRS redetermines the amount of the cash grant awards, investors may be required to make corresponding adjustments to their taxable income or other changes. Such adjustments may provide us with an indication of IRS practice regarding the valuation of residential leased solar assets, and we would consider such adjustments in our accounting for our indemnification obligations to investors who receive cash grants and investment tax credits.

We obtain certain of our capital equipment used in our manufacturing process from sole suppliers and if this equipment is damaged or otherwise unavailable, our ability to deliver products on time will suffer, which in turn could result in order cancellations and loss of revenue.

Some of the capital equipment used in the manufacture of our solar power products has been developed and made specifically for us, is not readily available from multiple vendors and would be difficult to repair or replace if it were to become damaged or stop working. If any of these suppliers were to experience financial difficulties or go out of business, or if there were any damage to or a breakdown of our manufacturing equipment, our business would suffer. In addition, a supplier’s failure to supply this equipment in a timely manner, with adequate quality and on terms acceptable to us, could delay our future capacity expansion or manufacturing process improvements and otherwise disrupt our production schedule or increase our costs of production.

If we cannot offer residential lease customers an attractive value proposition due to an inability to continue to monetize tax benefits in connection with our residential lease arrangements, an inability to obtain financing for our residential lease program, challenges implementing our third-party ownership model in new jurisdictions, declining costs of retail electricity, or other reasons, we may be unable to continue to increase the size of our residential lease program, which could have a material adverse effect on our business, results of operations, and financial condition.

Our residential lease program has been eligible for the ITC and Cash Grant. We have relied on, and expect to continue to rely on, financing structures that monetize a substantial portion of those benefits. If we were unable to continue to monetize the tax benefits in our financing structures or such tax benefits were reduced or eliminated, we might be unable to provide financing or pricing that is attractive to our customers. Under current law, the ITC will be reduced from approximately 30% of the cost of the solar system to approximately 26% for solar systems placed into service after December 31, 2019, and then further reduced to approximately 22% for solar systems placed into service after December 31, 2020, before being reduced permanently to 10% for commercial projects and 0% for residential projects. In addition, Cash Grants are no longer available for new solar systems.

Changes in existing law and interpretations by the IRS, Treasury, and the courts could reduce the willingness of financing partners to invest in funds associated with our residential lease program. Additionally, benefits under the Cash Grant and ITC programs are tied, in part, to the fair market value of our systems, as ultimately determined by the federal agency administering the benefit program. This means that, in connection with implementing financing structures that monetize such benefits, we need to, among other things, assess the fair market value of our systems in order to arrive at an estimate of the amount of tax benefit expected to be derived from the benefit programs. We incorporate third-party valuation reports that we believe to be reliable into our methodology for assessing the fair market value of our systems, but these reports or other

elements of our methodology may cause our fair market value estimates to differ from those ultimately determined by the federal agency administering the applicable benefit program. If the amount or timing of Cash Grant payments or ITC received in connection with our residential lease program varies from what we have projected, due to discrepancies in our fair value assessments or otherwise, our revenues, cash flows, and margins could be adversely affected.

Additionally, if any of our financing partners that currently provide financing for our solar systems decide not to continue to provide financing due to general market conditions, changes in tax benefits associated with our solar systems, concerns about our business or prospects, or any other reason, or if they materially change the terms under which they are willing to provide future financing, we will need to identify new financing partners and negotiate new financing terms.

See also under this section, "Risks Related to Our Supply Chain—*A change in our 1603 Treasury Cash Grant proceeds or solar investment tax credit could adversely affect our business, revenues, margins, results of operations and cash flows.*"

We have to continuously build and improve infrastructure to support our residential lease program, and any failure or delay in implementing the necessary processes and infrastructure could adversely affect our financial results. We establish credit approval limits based on the credit quality of our customers. We may be unable to collect rent payments from our residential lease customers in the event they enter into bankruptcy or otherwise fail to make payments when due. If we experience higher customer default rates than we currently experience or if we lower credit rating requirements for new customers, it could be more difficult or costly to attract future financing. See also under this section, "Risks Related to Our Sales Channels—*The execution of our growth strategy is dependent upon the continued availability of third-party financing arrangements for our solar power plants, our residential lease program, and our customers, and is affected by general economic conditions.*"

We make certain assumptions in accounting for our residential lease program, including, among others, assumptions in accounting for our residual value of the leased systems. As our residential lease program grows, if the residual value of leased systems does not materialize as assumed, it will adversely affect our results of operations. At the end of the term of the lease, our customers have the option to extend the lease and certain of those customers may either purchase the leased systems at fair market value or return them to us. Should there be a large number of returns, we may incur de-installation costs in excess of amounts reserved.

We believe that, as with our other customers, retail electricity prices factor significantly into the value proposition of our products for our residential lease customers. If prices for retail electricity or electricity from other renewable sources decrease, our ability to offer competitive pricing in our residential lease program could be jeopardized because such decreases would make the purchase of our solar systems or the purchase of energy under our lease agreements and PPAs less economically attractive.

Our leases are third-party ownership arrangements. Sales of electricity by third parties face regulatory challenges in some states and jurisdictions. Other challenges pertain to whether third-party owned systems qualify for the same levels of rebates or other non-tax incentives available for customer-owned solar energy systems. Reductions in, or eliminations of, this treatment of these third-party arrangements could reduce demand for our residential lease program. As we look to extend the third-party ownership model outside of the United States, we will be faced with the same risks and uncertainties we have in the United States. Our growth outside of the United States could depend on our ability to expand the third-party ownership model, and our failure to successfully implement a third-party ownership model globally could adversely affect our financial results.

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.

The development and construction of solar power electric generation facilities and other energy infrastructure projects involve numerous risks. We may be required to spend significant sums for preliminary engineering, permitting, legal, and other expenses before we can determine whether a project is feasible, economically attractive or capable of being built. In addition, we will often choose to bear the costs of such efforts prior to obtaining project financing, prior to getting final regulatory approval, and prior to our final sale to a customer, if any.

Successful completion of a particular project may be adversely affected by numerous factors, including:

- failures or delays in obtaining desired or necessary land rights, including ownership, leases and/or easements;
- failures or delays in obtaining necessary permits, licenses or other governmental support or approvals, or in overcoming objections from members of the public or adjoining land owners;
- uncertainties relating to land costs for projects;
- unforeseen engineering problems;
- access to available transmission for electricity generated by our solar power plants;
- construction delays and contractor performance shortfalls;
- work stoppages or labor disruptions and compliance with labor regulations;
- cost over-runs;
- availability of products and components from suppliers;
- adverse weather conditions;
- environmental, archaeological and geological conditions; and
- availability of construction and permanent financing.

If we are unable to complete the development of a solar power plant, or fail to meet one or more agreed target construction milestone dates, we may be subject to liquidated damages and/or penalties under the EPC agreement or other agreements relating to the power plant, and we typically will not be able to recover our investment in the project. We expect to invest a significant amount of capital to develop projects initially owned by us or ultimately owned by third parties. If we are unable to complete the development of a solar power project, we may write-down or write-off some or all of these capitalized investments, which would have an adverse impact on our net income in the period in which the loss is recognized.

We act as the general contractor for many of our customers in connection with the installations of our solar power systems and are subject to risks associated with construction, cost overruns, delays and other contingencies tied to performance bonds and letters of credit, or other required credit and liquidity support guarantees, any of which could have a material adverse effect on our business and results of operations.

We act as the general contractor for many of our customers in connection with the installation of our solar power systems. Some customers require performance bonds issued by a bonding agency or letters of credit issued by financial institutions, or may require other forms of liquidity support. Due to the general performance risk inherent in construction activities, it has become increasingly difficult to attain suitable bonding agencies willing to provide performance bonding. Obtaining letters of credit may require collateral. In the event we are unable to obtain bonding, sufficient letters of credit, or other liquidity support, we will be unable to bid on, or enter into, sales contracts requiring such bonding.

Almost all of our EPC contracts are fixed price contracts. We attempt to estimate all essential costs at the time of entering into the EPC contract for a particular project, and these are reflected in the overall price that we charge our customers for the project. These cost estimates are preliminary and may or may not be covered by contracts between us or the subcontractors, suppliers, and any other parties that may become necessary to complete the project. In addition, we require qualified, licensed subcontractors to install most of our systems. Thus, if the cost of materials or skilled labor were to rise dramatically, or if financing costs were to increase, our operating results could be adversely affected.

In addition, the contracts with some of our larger customers obligate us to pay substantial penalty payments for each day or other period beyond an agreed target date that a solar installation for any such customer is not completed, up to and including the return of the entire project sale price. This is particularly true in Europe, where long-term, fixed feed-in tariffs available to investors are typically set during a prescribed period of project completion, but the fixed amount declines over time for projects completed in subsequent periods. We face material financial penalties in the event we fail to meet the completion deadlines, including but not limited to a full refund of the contract price paid by the customers. In certain cases, we do not

control all of the events which could give rise to these penalties, such as reliance on the local utility to timely complete electrical substation construction.

Furthermore, investors often require that the solar power system generate specified levels of electricity in order to maintain their investment returns, allocating substantial risk and financial penalties to us if those levels are not achieved, up to and including the return of the entire project sale price. Also, our customers often require protections in the form of conditional payments, payment retentions or holdbacks, and similar arrangements that condition its future payments on performance. Delays in solar panel or other supply shipments, other construction delays, unexpected performance problems in electricity generation or other events could cause us to fail to meet these performance criteria, resulting in unanticipated and severe revenue and earnings losses and financial penalties. Construction delays are often caused by inclement weather, failure to timely receive necessary approvals and permits, or delays in obtaining necessary solar panels, inverters or other materials. Additionally, we sometimes purchase land in connection with project development and assume the risk of project completion. All such risks could have a material adverse effect on our business and results of operations.

Acquisitions of other companies, project development pipelines and other assets, or investments in joint ventures with other companies could materially and adversely affect our financial condition and results of operations, and dilute our stockholders' equity.

To expand our business and maintain our competitive position, we have acquired a number of other companies and entered into several joint ventures over the past several years, including our acquisitions of Cogenra Solar, Inc. and Solaire Generation, Inc. in fiscal 2015, our acquisition of 100% of the equity voting interest in our former joint venture AUO SunPower Sdn. Bhd. in fiscal 2016, our entry into a manufacturing joint venture in China in 2017 and our SunStrong joint venture with Hannon Armstrong and acquisition of SolarWorld Americas in fiscal 2018. In the future, we may acquire additional companies, project pipelines, products, or technologies or enter into additional joint ventures or other strategic initiatives.

Acquisitions and joint ventures involve a number of risks that could harm our business and result in the acquired business or joint venture not performing as expected, including:

- insufficient experience with technologies and markets in which the acquired business or joint venture is involved, which may be necessary to successfully operate and/or integrate the business or the joint venture;
- problems integrating the acquired operations, personnel, IT infrastructure, technologies or products with the existing business and products;
- diversion of management time and attention from the core business to the acquired business or joint venture;
- potential failure to retain or hire key technical, management, sales and other personnel of the acquired business or joint venture;
- difficulties in retaining or building relationships with suppliers and customers of the acquired business or joint venture, particularly where such customers or suppliers compete with us;
- potential failure of the due diligence processes to identify significant issues with product quality and development or legal and financial liabilities, among other things;
- potential inability to obtain, or obtain in a timely manner, approvals from governmental authorities or work councils, which could delay or prevent acquisitions, delay our ability to achieve synergies, or adversely impact our successful operation of acquired companies or joint ventures;
- potential necessity to re-apply for permits of acquired projects;
- problems managing joint ventures with our partners, meeting capital requirements for expansion, potential litigation with joint venture partners and reliance upon joint ventures which we do not control; for example, our ability to effectively manage the SunStrong joint venture with Hannon Armstrong;
- differences in philosophy, strategy, or goals with our joint venture partners;
- subsequent impairment of the acquired assets, including intangible assets; and

- assumption of liabilities including, but not limited to, lawsuits, tax examinations, warranty issues, environmental matters, and liabilities associated with compliance with laws (for example, the FCPA).

Additionally, we may decide that it is in our best interests to enter into acquisitions or joint ventures that are dilutive to earnings per share or that negatively impact margins as a whole. In an effort to reduce our cost of revenue, we have and may continue to enter into acquisitions or joint ventures involving suppliers or manufacturing partners, which would expose us to additional supply chain risks. Acquisitions or joint ventures could also require investment of significant financial resources and require us to obtain additional equity financing, which may dilute our stockholders' equity, or require us to incur additional indebtedness. Such equity or debt financing may not be available on terms acceptable to us. In addition, we could in the future make additional investments in our joint ventures or 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 ventures.

To the extent that we invest in upstream suppliers or downstream channel capabilities, we may experience competition or channel conflict with certain of our existing and potential suppliers and customers. Specifically, existing and potential suppliers and customers may perceive that we are competing directly with them by virtue of such investments and may decide to reduce or eliminate their supply volume to us or order volume from us. In particular, any supply reductions from our polysilicon, ingot or wafer suppliers could materially reduce manufacturing volume.

Acquisitions could also result in dilutive issuances of equity securities, the use of our available cash, or the incurrence of debt, which could harm our operating results.

We could be adversely affected by any violations of the FCPA and foreign anti-bribery laws.

The FCPA generally prohibits companies and their intermediaries from making improper payments to non-U.S. government officials for the purpose of obtaining or retaining business. Other countries in which we operate also have anti-bribery laws, some of which prohibit improper payments to government and non-government persons and entities. Our policies mandate compliance with these anti-bribery laws. We continue to acquire businesses outside of the United States and operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. In addition, due to the level of regulation in our industry, our entry into new jurisdictions through internal growth or acquisitions requires substantial government contact where norms can differ from U.S. standards. While we implement policies and procedures and conduct training designed to facilitate compliance with these anti-bribery laws, thereby mitigating the risk of violations of such laws, our employees, subcontractors and agents may take actions in violation of our policies and anti-bribery laws. Any such violation, even if prohibited by our policies, could subject us to criminal or civil penalties or other sanctions, which could have a material adverse effect on our business, financial condition, cash flows, and reputation.

Fluctuations in the demand for our products may cause impairment of our project assets and other long-lived assets or cause us to write off equipment or inventory, and each of these events would adversely affect our financial results.

We have tangible project assets on our Consolidated Balance Sheets related to capitalized costs incurred in connection with the development of solar power systems. Project assets consist primarily of capitalized costs relating to solar power system projects in various stages of development that we incur prior to the sale of the solar power system to a third party. These costs include costs for land and costs for developing and constructing a solar power system. These project assets could become impaired if there are changes in the fair value of these capitalized costs. If these project assets become impaired, we may write-off some or all of the capitalized project assets, which would have an adverse impact on our financial results in the period in which the loss is recognized.

In addition, if the demand for our solar products decreases, our manufacturing capacity could be underutilized, and we may be required to record an impairment of our long-lived assets, including facilities and equipment, which would increase our expenses. In improving our manufacturing processes consistent with our cost reduction roadmap, we could write off equipment that is removed from the manufacturing process. In addition, if product demand decreases or we fail to forecast demand accurately, we could be required to write off inventory or record excess capacity charges, which would have a negative impact on our gross margin. Factory-planning decisions may shorten the useful lives of long-lived assets, including facilities and equipment, and cause us to accelerate depreciation. Each of the above events would adversely affect our future financial results.

Our success depends on the continuing contributions of our key personnel.

We rely heavily on the services of our key executive officers and the loss of services of any principal member of our management team could adversely affect our operations. We have experienced significant turnover in our management team in the recent past, and we are investing significant resources in developing new members of management as we complete our restructuring and strategic transformation. We also anticipate that over time we will need to hire a number of highly skilled technical, manufacturing, sales, marketing, administrative, and accounting personnel. In recent years, we have conducted several restructurings, which may negatively affect our ability to execute our strategy and business model. The competition for qualified personnel is intense in our industry. We may not be successful in attracting and retaining sufficient numbers of qualified personnel to support our anticipated growth. We cannot guarantee that any employee will remain employed with us for any definite period of time since all of our employees, including our key executive officers, serve at-will and may terminate their employment at any time for any reason.

We may not be able to expand our business or manage our future growth effectively.

We may not be able to expand our business or manage future growth. We plan to continue to improve our manufacturing processes and build additional manufacturing production over the next five years, which will require successful execution of:

- expanding our existing manufacturing facilities and developing new manufacturing facilities, which would increase our fixed costs and, if such facilities are underutilized, would negatively impact our results of operations;
- ensuring delivery of adequate polysilicon, ingots, and third-party cells;
- enhancing our customer resource management and manufacturing management systems;
- implementing and improving additional and existing administrative, financial and operations systems, procedures and controls, including the need to centralize, update and integrate our global financial internal control;
- hiring additional employees;
- expanding and upgrading our technological capabilities;
- managing multiple relationships with our customers, suppliers and other third parties;
- maintaining adequate liquidity and financial resources; and
- continuing to increase our revenues from operations.

Improving our manufacturing processes, expanding our manufacturing facilities or developing new facilities may be delayed by difficulties such as unavailability of equipment or supplies or equipment malfunction. Ensuring delivery of adequate polysilicon, ingots, and third-party cells is subject to many market risks including scarcity, significant price fluctuations and competition. Maintaining adequate liquidity is dependent upon a variety of factors including continued revenues from operations, working capital improvements, and compliance with our indentures and credit agreements. If we are unsuccessful in any of these areas, we may not be able to achieve our growth strategy and increase production capacity as planned during the foreseeable future. In addition, we need to manage our organizational growth, including rationalizing reporting structures, support teams, and enabling efficient decision making. For example, the administration of the residential lease program requires processes and systems to support this business model. If we are not successful or if we delay our continuing implementation of such systems and processes, we may adversely affect the anticipated volumes in our residential lease business. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, develop new solar cells and other products, satisfy customer requirements, execute our business plan, or respond to competitive pressures.

Fluctuations in foreign currency exchange rates and interest rates could adversely affect our business and results of operations.

We have significant sales globally, and we are exposed to movements in foreign exchange rates, primarily related to sales to European customers that are denominated in Euros. A depreciation of the Euro would adversely affect our margins on sales to European customers. 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. As a result, substantial unfavorable changes in foreign currency exchange rates could have a substantial adverse effect on our financial condition and results of operations. Although we seek to reduce our currency exposure by engaging in hedging transactions where we deem it appropriate, we do not know whether our efforts will be successful. Because we hedge some of our expected future foreign exchange exposure, if associated revenues do not materialize, we could experience losses. In the past, we have experienced an adverse impact on our revenue, gross margin, cash position and profitability as a result of foreign currency fluctuations. In addition, any break-up of the Eurozone would disrupt our sales and supply chain, expose us to financial counterparty risk, and materially and adversely affect our results of operations and financial condition.

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 affect 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, which could reduce our revenue and gross margin and adversely affect our operating results. Our interest expense would increase to the extent interest rates rise in connection with our variable interest rate borrowings. Conversely, lower interest rates have an adverse impact on our interest income. See also "Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*" and under this section "Risks Related to Our Sales Channels—*The execution of our growth strategy is dependent upon the continued availability of third-party financing arrangements for our solar power plants, our residential lease program and our customers, and is affected by general economic conditions*."

We depend on third-party contract manufacturers to assemble a portion of our solar cells into solar panels and any failure to obtain sufficient assembly and test capacity could significantly delay our ability to ship our solar panels and damage our customer relationships.

We outsource a portion of module manufacturing to contract manufacturers in China. As a result of outsourcing this final step in our production, we face several significant risks, including limited control over assembly and testing capacity, delivery schedules, quality assurance, manufacturing yields, production costs and tariffs. If the operations of our third-party contract manufacturers were disrupted or their financial stability impaired, or if they were unable or unwilling to devote capacity to our solar panels in a timely manner, our business could suffer as we might be unable to produce finished solar panels on a timely basis. We also risk customer delays resulting from an inability to move module production to an alternate provider or to complete production internationally, and it may not be possible to obtain sufficient capacity or comparable production costs at another facility in a timely manner. In addition, migrating our design methodology to third-party contract manufacturers or to a captive panel assembly facility could involve increased costs, resources and development time, and utilizing additional third-party contract manufacturers could expose us to further risk of losing control over our intellectual property and the quality of our solar panels. Any reduction in the supply of solar panels could impair our revenue by significantly delaying our ability to ship products and potentially damage our relationships with new and existing customers, any of which could have a material and adverse effect on our financial condition and results of operation.

While we believe we currently have effective internal control over financial reporting, we may identify a material weakness in our internal control over financial reporting that could cause investors to lose confidence in the reliability of our financial statements and result in a decrease in the value of our common stock.

Our management is responsible for maintaining internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP. Management concluded that as of the end of each of fiscal 2018, 2017, and 2016, our internal control over financial reporting and our disclosure controls and procedures were effective.

We need to continuously maintain our internal control processes and systems and adapt them as our business grows and changes. This process is expensive, time-consuming, and requires significant management attention. We cannot be certain

that our internal control measures will continue to provide adequate control over our financial processes and reporting and ensure compliance with Section 404 of the Sarbanes-Oxley Act. Furthermore, as we grow our business or acquire other businesses, our internal controls may become more complex and we may require significantly more resources to ensure they remain effective. Failure to implement required new or improved controls, or difficulties encountered in their implementation, either in our existing business or in businesses that we may acquire, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our independent registered public accounting firm identify material weaknesses in our internal controls, the disclosure of that fact, even if quickly remedied, may cause investors to lose confidence in our financial statements and the trading price of our common stock may decline.

Remediation of a material weakness could require us to incur significant expense and if we fail to remedy any material weakness, our financial statements may be inaccurate, our ability to report our financial results on a timely and accurate basis may be adversely affected, our access to the capital markets may be restricted, the trading price of our common stock may decline, and we may be subject to sanctions or investigation by regulatory authorities, including the Securities and Exchange Commission ("SEC") or The NASDAQ Global Select Market. We may also be required to restate our financial statements from prior periods.

We may in the future be required to consolidate the assets, liabilities and financial results of certain of our existing or future joint ventures, which could have an adverse impact on our financial position, gross margin, and operating results.

The Financial Accounting Standards Board has issued accounting guidance regarding variable interest entities (“VIEs”) that affects our accounting treatment of our existing and future joint ventures. To ascertain whether we are required to consolidate an entity, we determine whether it is a VIE and if we are the primary beneficiary in accordance with the accounting guidance. Factors we consider in determining whether we are the VIE’s primary beneficiary include the decision making authority of each partner, which partner manages the day-to-day operations of the joint venture and each partner’s obligation to absorb losses or right to receive benefits from the joint venture in relation to that of the other partner. Changes in the financial accounting guidance, or changes in circumstances at each of these joint ventures, could lead us to determine that we have to consolidate the assets, liabilities and financial results of such joint ventures. Consolidation of our VIEs could have a material adverse impact on our financial position, gross margin and operating results and could significantly increase our indebtedness. In addition, we may enter into future joint ventures or make other equity investments, which could have an adverse impact on us because of the financial accounting guidance regarding VIEs.

Our affiliation with Total S.A. may require us to join in certain tax filings with Total S.A. in the future. The allocation of tax liabilities between us and Total S.A., and any future agreements with Total S.A. regarding tax indemnification and certain tax liabilities may adversely affect our financial position.

We have not joined in tax filings on a consolidated, combined or unitary basis with Total S.A., and no tax sharing agreement is currently in place. We may in the future become required to join in certain tax filings with Total S.A. on a consolidated, combined, or unitary basis in certain jurisdictions, at which point we may seek to enter into a tax sharing agreement with Total S.A., which would allocate the tax liabilities among the parties. The entry into any future agreement with Total S.A. may result in less favorable allocation of certain liabilities than we experienced before becoming subject to consolidated, combined, or unitary filing requirements, and may adversely affect our financial position.

Our ability to use our net operating loss and credit carryforwards to offset future taxable income may be subject to certain limitations.

As of December 30, 2018, we had federal net operating loss carryforwards of $779.9 million for tax purposes; of which, $81.6 million was generated in fiscal year 2018 and can be carried forward indefinitely under the Tax Cuts and Job Acts of 2017 (“The Act”). The remaining federal net operating loss carry forward of $698.3 million, which were generated prior to 2018, will expire at various dates from 2031 to 2037. As of December 30, 2018, we had California state net operating loss carryforwards of approximately $777.7 million, of which $5.2 million relate to debt issuance and will benefit equity when realized. These California net operating loss carryforwards will expire at various dates from 2029 to 2038. We also had federal credit carryforwards of approximately $73.9 million, of which $19.2 million relate to debt issuance and will benefit equity when realized. We had California credit carryforwards of $9.0 million for state tax purposes, of which $4.7 million relate to debt issuance and will benefit equity when realized. These federal credit carryforwards will expire at various dates from 2019 to 2038, and the California credit carryforwards do not expire. Our ability to utilize our net operating loss and credit carryforwards is dependent upon our ability to generate taxable income in future periods and may be limited due to restrictions imposed on utilization of net operating loss and credit carryforwards under federal and state laws upon a change in ownership, such as transaction with Cypress Semiconductor Corporation ("Cypress") while we were deemed to be a member and subsidiary of the Cypress consolidated group.

Section 382 of the Code imposes restrictions on the use of a corporation’s net operating losses, as well as certain recognized built-in losses and other carryforwards, after an “ownership change” occurs. A Section 382 “ownership change” occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within the prior three-year period (calculated on a rolling basis). The issuance of common stock upon a conversion of our outstanding convertible notes debentures, and/or other issuances or sales of our stock (including certain transactions involving our stock that are outside of our control) could result in (or could have resulted in) an ownership change under Section 382. If an “ownership change” occurs, Section 382 would impose an annual limit on the amount of pre-change net operating losses and other losses we can use to reduce our taxable income generally equal to the product of the total value of our outstanding equity immediately prior to the “ownership change” and the applicable federal long-term tax-exempt interest rate for the month of the “ownership change” (subject to certain adjustments).

The majority of U.S. federal net operating losses were generated prior to 2018, and these losses may be carried forward for up to 20 years. The annual limitation may effectively provide a cap on the cumulative amount of pre-ownership change losses, including certain recognized built-in losses that may be utilized. Such pre-ownership change losses in excess of the cap may be lost. In addition, if an ownership change were to occur, it is possible that the limitations imposed on our ability to use pre-ownership change losses and certain recognized built-in losses could cause a net increase in our U.S. federal income tax liability and require U.S. federal income taxes to be paid earlier than otherwise would be paid if such limitations were not in effect. Further, if for financial reporting purposes the amount or value of these deferred tax assets is reduced, such reduction would have a negative impact on the book value of our common stock.

Our headquarters and manufacturing facilities, as well as the facilities of certain subcontractors and suppliers, are located in regions that are subject to earthquakes, floods, and other natural disasters, and climate change and climate change regulation could have an adverse effect on our operations.

Our headquarters and research and development operations are located in California, and our manufacturing facilities are located in the Philippines, Malaysia, France, Mexico and Oregon, U.S. Any significant earthquake, flood, or other natural disaster in these countries or countries where our suppliers are located could materially disrupt our management operations and/or our production capabilities, and could result in our experiencing a significant delay in delivery, or substantial shortage, of our products and services.

In addition, legislators, regulators, and non-governmental organizations, as well as companies in many business sectors, are considering ways to reduce green-house gas emissions. Further regulation could be forthcoming at the federal or state level with respect to green-house gas emissions. Such regulation or similar regulations in other countries could result in regulatory or product standard requirements for our global business, including our manufacturing operations. Furthermore, the potential physical impacts of climate change on our operations may include changes in weather patterns (including floods, tsunamis, drought and rainfall levels), water availability, storm patterns and intensities, and temperature levels. These potential physical effects may adversely affect the cost, production, sales and financial performance of our operations.

We sell our solar products to agencies of the U.S. government, and as a result, we are subject to a number of procurement rules and regulations, and our business could be adversely affected by an audit by the U.S. government if it were to identify errors or a failure to comply with regulations.

We have sold and continue to sell our solar power systems to various U.S. government agencies. In connection with these contracts, we must comply with and are affected by laws and regulations relating to the award, administration, and performance of U.S. government contracts, which may impose added costs on our business. We are expected to perform in compliance with a vast array of federal laws and regulations, including, without limitation, the Federal Acquisition Regulation, the Truth in Negotiations Act, the Federal False Claims Act, the Anti-Kickback Act of 1986, the Trade Agreements Act, the Buy American Act, the Procurement Integrity Act, and the Davis Bacon Act. A violation of specific laws and regulations, even if prohibited by our policies, could result in the imposition of fines and penalties, reductions of the value of our contracts, contract modifications or termination, or suspension or debarment from government contracting for a period of time.

In some instances, these laws and regulations impose terms or rights that are more favorable to the government than those typically available to commercial parties in negotiated transactions. For example, the U.S. government may terminate any of our government contracts either at its convenience or for default based on performance. A termination arising out of our default may expose us to liability and have a material adverse effect on our ability to compete for future contracts.

U.S. government agencies may audit and investigate government contractors. These agencies review a contractor's performance under its contracts, cost structure, and compliance with applicable laws, regulations, and standards. If an audit or investigation uncovers improper or illegal activities, we may be subject to civil or criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or prohibition from doing business with the U.S. government. In addition, we could suffer reputational harm if allegations of impropriety were made against us.

Compliance with environmental regulations can be expensive, and noncompliance with these regulations may result in adverse publicity and potentially significant monetary damages and fines.

We are required to comply with all foreign, U.S. federal, state and local laws and regulations regarding pollution control and protection of the environment. In addition, under some statutes and regulations, a government agency, or other parties, may seek recovery and response costs from owners or operators of property where releases of hazardous substances have occurred or are ongoing, even if the owner or operator was not responsible for such release or otherwise at fault. We use, generate and discharge toxic, volatile and otherwise hazardous chemicals and wastes in our research and development and manufacturing activities. Any failure by us to control the use of, or to restrict adequately the discharge of, hazardous substances could subject us to, among other matters, potentially significant monetary damages and fines or liabilities or suspensions in our business operations. In addition, if more stringent laws and regulations are adopted in the future, the costs of compliance with these new laws and regulations could be substantial. If we fail to comply with present or future environmental laws and regulations, we may be required to pay substantial fines, suspend production or cease operations, or be subjected to other sanctions.

In addition, U.S. legislation includes disclosure requirements regarding the use of "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries and procedures regarding a manufacturer's efforts to prevent the sourcing of such "conflict" minerals. We have incurred and will incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. The implementation of these requirements could affect the sourcing and availability of minerals used in the manufacture of solar products. As a result, there may only be a limited pool of suppliers who provide conflict free minerals, and we cannot be certain that we will be able to obtain products in sufficient quantities or at competitive prices. Since our supply chain is complex, we have not been able to sufficiently verify, and in the future we may not be able to sufficiently verify, the origins for these conflict minerals used in our products. As a result, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins for all minerals used in our products.

Our insurance for certain indemnity obligations we have to our officers and directors may be inadequate, and potential claims could materially and negatively impact our financial condition and results of operations.

Pursuant to our certificate of incorporation, by-laws, and certain indemnification agreements, we indemnify our officers and directors for certain liabilities that may arise in the course of their service to us. Although we currently maintain directors and officers liability insurance for certain potential third-party claims for which we are legally or financially unable to indemnify them, such insurance may be inadequate to cover certain claims. In addition, in previous years, we have primarily self-insured with respect to potential third-party claims. If we were required to pay a significant amount on account of these liabilities for which we self-insured, our business, financial condition, and results of operations could be materially harmed.

Risks Related to Our Intellectual Property

We depend on our intellectual property, and we may face intellectual property infringement claims that could be time-consuming and costly to defend and could result in the loss of significant rights.

From time to time, we, our respective customers, or third parties with whom we work may receive letters, including letters from other third parties, and may become subject to lawsuits with such third parties alleging infringement of their patents. Additionally, we are required by contract to indemnify some of our customers and our third-party intellectual property providers for certain costs and damages of patent infringement in circumstances where our products are a factor creating the customer's or these third-party providers' infringement liability. This practice may subject us to significant indemnification claims by our customers and our third-party providers. We cannot assure investors that indemnification claims will not be made or that these claims will not harm our business, operating results or financial condition. Intellectual property litigation is very expensive and time-consuming and could divert management's attention from our business and could have a material adverse effect on our business, operating results or financial condition. If there is a successful claim of infringement against us, our customers or our third-party intellectual property providers, we may be required to pay substantial damages to the party claiming infringement, stop selling products or using technology that contains the allegedly infringing intellectual property, or enter into royalty or license agreements that may not be available on acceptable terms, if at all. Parties making infringement claims may also be able to bring an action before the International Trade Commission that could result in an order stopping the importation into the United States of our solar products. Any of these judgments could materially damage our business. We may have to develop non-infringing technology, and our failure in doing so or in obtaining licenses to the proprietary rights on a timely basis could have a material adverse effect on our business.

We have filed, and may continue to file, claims against other parties for infringing our intellectual property that may be very costly and may not be resolved in our favor.

To protect our intellectual property rights and to maintain our competitive advantage, we have filed, and may continue to file, suits against parties who we believe infringe our intellectual property. Intellectual property litigation is expensive and time consuming, could divert management's attention from our business, and could have a material adverse effect on our business, operating results, or financial condition, and our enforcement efforts may not be successful. In addition, the validity of our patents may be challenged in such litigation. Our participation in intellectual property enforcement actions may negatively impact our financial results.

Our business is subject to a variety of U.S. and international laws, rules, policies, and other obligations regarding privacy, data protection, and other matters.

We are subject to federal, state, and international laws relating to the collection, use, retention, security, and transfer of customer, employee, and business partner personally identifiable information ("PII"), including the European Union's General Data Protection Regulation ("GDPR"), which came into effect in May 2018. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between one company and its subsidiaries, and among the subsidiaries and other parties with which we have commercial relations. The introduction of new products or expansion of our activities in certain jurisdictions may subject us to additional laws and regulations. Foreign data protection, privacy, and other laws and regulations, including GDPR, can be more restrictive than those in the United States. These U.S. federal and state and foreign laws and regulations, including GDPR which can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations, including GDPR, are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to inquiries or investigations, claims or other remedies, including fines, which may be significant, or demands that we modify or cease existing business practices.

A failure by us, our suppliers, or other parties with whom we do business to comply with posted privacy policies or with other federal, state, or international privacy-related or data protection laws and regulations, including GDPR, in effect since May 2018, could result in proceedings against us by governmental entities or others, which could have a material adverse effect on our business, results of operations, and financial condition.

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.

We seek to protect our proprietary manufacturing processes, documentation, and other written materials primarily under trade secret and copyright laws. We also typically require employees, consultants, and third parties, such as our vendors and customers, with access to our proprietary information to execute confidentiality agreements. The steps we take to protect our proprietary information may not be adequate to prevent misappropriation of our technology. Our systems may be subject to intrusions, security breaches, or targeted theft of our trade secrets. In addition, our proprietary rights may not be adequately protected because:

- others may not be deterred from misappropriating our technologies despite the existence of laws or contracts prohibiting such misappropriation;
- policing unauthorized use of our intellectual property may be difficult, expensive, and time-consuming, the remedy obtained may be inadequate to restore protection of our intellectual property, and moreover, we may be unable to determine the extent of any unauthorized use;
- the laws of other countries in which we market our solar products, such as some countries in the Asia/Pacific region, may offer little or no protection for our proprietary technologies; and
- reports we file in connection with government-sponsored research contracts are generally available to the public and third parties may obtain some aspects of our sensitive confidential information.

Reverse engineering, unauthorized copying, or other misappropriation of our proprietary technologies could enable third parties to benefit from our technologies without compensating us for doing so. Our joint ventures or our partners may not be deterred from misappropriating our proprietary technologies despite contractual and other legal restrictions. Legal protection in countries where our joint ventures are located may not be robust and enforcement by us of our intellectual property rights may be difficult. As a result, our joint ventures or our partners could directly compete with our business. Any such activities or any other inabilities to adequately protect our proprietary rights could harm our ability to compete, to generate revenue, and to grow our business.

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 breach, which may also detrimentally affect our business, results of operations, and financial condition as discussed above. See also under this section, “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.*”

We may not obtain sufficient patent protection on the technology embodied in the solar products we currently manufacture and market, which could harm our competitive position and increase our expenses.

Although we substantially rely on trade secret laws and contractual restrictions to protect the technology in the solar products we currently manufacture and market, our success and ability to compete in the future may also depend to a significant degree upon obtaining patent protection for our proprietary technology. We currently own multiple patents and patent applications which cover aspects of the technology in the solar cells and mounting systems that we currently manufacture and market. Material patents that relate to our systems products and services primarily relate to our rooftop mounting products and ground-mounted tracking products. We intend to continue to seek patent protection for those aspects of our technology, designs, and methodologies and processes that we believe provide significant competitive advantages.

Our patent applications may not result in issued patents, and even if they result in issued patents, the patents may not have claims of the scope we seek or we may have to refile patent applications due to newly discovered prior art. In addition, any issued patents may be challenged, invalidated, or declared unenforceable, or even if we obtain an award of damages for infringement by a third party, such award could prove insufficient to compensate for all damages incurred as a result of such infringement.

The term of any issued patent is generally 20 years from its earliest filing date and if our applications are pending for a long time period, we may have a correspondingly shorter term for any patent that may issue. Our present and future patents may provide only limited protection for our technology and may be insufficient to provide competitive advantages to us. For example, competitors could develop similar or more advantageous technologies on their own or design around our patents. Also, patent protection in certain foreign countries may not be available or may be limited in scope and any patents obtained may not be readily enforceable because of insufficient judicial effectiveness, making it difficult for us to aggressively protect

our intellectual property from misuse or infringement by other companies in these countries. Our inability to obtain and enforce our intellectual property rights in some countries may harm our business. In addition, given the costs of obtaining patent protection, we may choose not to protect certain innovations that later turn out to be important.

We may not be able to prevent others from using the term SunPower or similar terms, or other trademarks which we hold, in connection with their solar power products which could adversely affect the market recognition of our name and our revenue.

"SunPower" and the SunPower logo are our registered trademarks in certain countries, including the United States, for uses that include solar cells and solar panels. We are seeking registration of these trademarks in other countries, but we may not be successful in some of these jurisdictions. We hold registered trademarks for SunPower, Maxeon, Oasis, EnergyLink, InvisiMount, Greenbotics, SolarBridge, The Power of One, and many more marks, in certain countries, including the United States. We have not registered, and may not be able to register, these trademarks in other key countries. In the foreign jurisdictions where we are unable to obtain or have not tried to obtain registrations, others may be able to sell their products using trademarks compromising or incorporating “SunPower,” or a variation thereof, or our other chosen brands, which could lead to customer confusion. In addition, if there are jurisdictions where another proprietor has already established trademark rights in marks containing “SunPower,” or our other chosen brands, we may face trademark disputes and may have to market our products with other trademarks or without our trademarks, which may undermine our marketing efforts. We may encounter trademark disputes with companies using marks which are confusingly similar to the SunPower mark, or our other marks, which if not resolved favorably, could cause our branding efforts to suffer. In addition, we may have difficulty in establishing strong brand recognition with consumers if others use similar marks for similar products.

Our past and possible future reliance on government programs to partially fund our research and development programs could impair our ability to commercialize our solar power products and services.

Government funding of some of our research and development efforts imposed certain restrictions on our ability to commercialize results and could grant commercialization rights to the government. In some funding awards, the government is entitled to intellectual property rights arising from the related research. Such rights include a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced each subject invention developed under an award throughout the world by or on behalf of the government. Other rights include the right to require us to grant a license to the developed technology or products to a third party or, in some cases, if we refuse, the government may grant the license itself, if the government determines that action is necessary because we fail to achieve practical application of the technology, because action is necessary to alleviate health or safety needs, to meet requirements of federal regulations, or to give the United States industry preference. Accepting government funding can also require that manufacturing of products developed with federal funding be conducted in the United States.

We may be subject to information technology system failures or network disruptions that could damage our business operations, financial conditions, or reputation.

We may be subject to information technology system failures and network disruptions. These may be caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or similar events or disruptions. System redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could result in delayed or canceled orders. System failures and disruptions could also impede the manufacturing and shipping of products, delivery of online services, transactions processing, and financial reporting.

Risks Related to Our Debt and Equity Securities

Our debentures are effectively subordinated to our existing and any future secured indebtedness and structurally subordinated to existing and future liabilities and other indebtedness of our current and any future subsidiaries.

Our debentures are our general, unsecured obligations and rank equally in right of payment with all of our existing and any future unsubordinated, unsecured indebtedness. As of December 30, 2018, we and our subsidiaries had $825.0 million in principal amount of senior unsecured indebtedness outstanding, which ranks *pari passu* with our debentures. Our debentures are effectively subordinated to our existing and any future secured indebtedness we may have, including for example, our $300.0 million revolving credit facility with Credit Agricole, to the extent of the value of the assets securing such indebtedness, and structurally subordinated to our existing and any future liabilities and other indebtedness of our subsidiaries. In addition to our unsecured indebtedness described above, as of December 30, 2018, we and our subsidiaries had $49.1 million in principal amount of senior secured indebtedness outstanding, which includes $6.7 million in non-recourse project debt and zero in non-recourse long-term debt related to our residential lease business. These liabilities may also include other indebtedness, trade payables, guarantees, lease obligations, and letter of credit obligations. Our debentures do not restrict us or our current or any future subsidiaries from incurring indebtedness, including senior secured indebtedness, in the future, nor do they limit the amount of indebtedness we can issue that is equal in right of payment. For a discussion the impact of our liquidity on our ability to meet our payment obligations under our debentures, see also "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.*"

Total's majority ownership of our common stock may adversely affect the liquidity and value of our common stock.

As of December 30, 2018, Total owned approximately 56% of our outstanding common stock. Pursuant to the Affiliation Agreement between us and Total, the Board of Directors of SunPower includes five designees from Total, giving Total majority control of our Board. As a result, subject to the restrictions in the Affiliation Agreement, Total possesses significant influence and control over our affairs. Our non-Total stockholders have reduced ownership and voting interest in our company and, as a result, have less influence over the management and policies of our company than they exercised prior to Total's tender offer. As long as Total controls us, the ability of our other stockholders to influence matters requiring stockholder approval is limited. Total's stock ownership and relationships with members of our Board of Directors could have the effect of preventing minority stockholders from exercising significant control over our affairs, delaying or preventing a future change in control, impeding a merger, consolidation, takeover, or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, limiting our financing options. These factors in turn could adversely affect the market price of our common stock or prevent our stockholders from realizing a premium over the market price of our common stock. The Affiliation Agreement limits Total and any member of the Total affiliated companies ("Total Group") from effecting, seeking, or entering into discussions with any third party regarding any transaction that would result in the Total Group beneficially owning our shares in excess of certain thresholds during a standstill period. The Affiliation Agreement also imposes certain limitations on the Total Group's ability to seek to effect a tender offer or merger to acquire 100% of our outstanding voting power. Such provisions may not be successful in preventing the Total Group from engaging in transactions which further increase their ownership and negatively impact the price of our common stock. See also "Risks Related to Our Liquidity—*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*." Finally, the market for our common stock has become less liquid and more thinly traded as a result of the Total tender offer. The lower number of shares available to be traded could result in greater volatility in the price of our common stock and affect our ability to raise capital on favorable terms in the capital markets.

Conversion of our outstanding 0.875% debentures or 4.00% debentures, and future substantial issuances or dispositions of our common stock or other securities, could dilute ownership and earnings per share or cause the market price of our stock to decrease.

The conversion of some or all of our outstanding 0.875% or 4.00% debentures into shares of our common stock will dilute the ownership interests of existing stockholders, including holders who had previously converted their debentures. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. Sales of our common stock in the public market or sales of any of our other securities could dilute ownership and earnings per share, and even the perception that such sales could occur could cause the market prices of our common stock to decline. In addition, the existence of our outstanding debentures may encourage short selling of our common stock by market participants who expect that the conversion of the debentures could depress the prices of our common stock.

Future sales of our common stock in the public market could lower the market price for our common stock and adversely impact the trading price of our debentures.

In the future, we may sell additional shares of our common stock to raise capital. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. In addition, a substantial number of shares of our common stock is reserved for issuance upon the exercise of stock options, restricted stock awards, restricted stock units, warrants, and upon conversion of the debentures and our outstanding 0.875% and 4.00% debentures. The issuance and sale of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the trading price of our debentures and the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity-linked securities.

The price of our common stock, and therefore of our outstanding 0.875% and 4.00% debentures, may fluctuate significantly.

Our common stock has experienced extreme price and volume fluctuations. The trading price of our common stock could be subject to further wide fluctuations due to many factors, including the factors discussed in this risk factors section. In addition, the stock market in general, and The NASDAQ Global Select Market and the securities of technology companies and solar companies in particular, have experienced severe price and volume fluctuations. These trading prices and valuations, including our own market valuation and those of companies in our industry generally, may not be sustainable. These broad market and industry factors may decrease the market price of our common stock, regardless of our actual operating performance. Because the 0.875% and 4.00% debentures are convertible into our common stock (and/or cash equivalent to the value of our common stock), volatility or depressed prices of our common stock could have a similar effect on the trading price of the debentures.

If securities or industry analysts change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us, our business or our market. If one or more of the analysts who cover us change their recommendation regarding our stock adversely, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume, and the value of our debentures, to decline.

We do not intend to pay dividends on our common stock in the foreseeable future.

We have never declared or paid cash dividends. For the foreseeable future, we intend to retain any earnings, after considering any dividends on any preferred stock, to finance the development of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then-existing conditions, including our operating results and financial condition, capital requirements, contractual restrictions, business prospects, and other factors that our Board of Directors considers relevant. Accordingly, holders of our common stock must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their shares of common stock.

Delaware law and our certificate of incorporation and by-laws contain anti-takeover provisions and our outstanding 0.875% and 4.00% debentures provide for a right to convert upon certain events, any of which could delay or discourage takeover attempts that stockholders may consider favorable.

Provisions in our certificate of incorporation and by-laws may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

- the right of the Board of Directors to elect a director to fill a vacancy created by the expansion of the Board of Directors;
- the prohibition of cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;
- the requirement for advance notice for nominations for election to the Board of Directors or for proposing matters that can be acted upon at a stockholders' meeting;

- the ability of the Board of Directors to issue, without stockholder approval, up to 10 million shares of preferred stock with terms set by the Board of Directors, which rights could be senior to those of common stock;
- our Board of Directors is divided into three classes of directors, with the classes to be as nearly equal in number as possible;
- stockholders may not call special meetings of the stockholders, except by Total under limited circumstances; and
- our Board of Directors is able to alter our by-laws without obtaining stockholder approval.

Certain provisions of our outstanding debentures could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, including an entity (such as Total) becoming the beneficial owner of 75% of our voting stock, holders of our outstanding debentures will have the right, at their option, to require us to repurchase, at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest on the debentures, all or a portion of their debentures. We may also be required to issue additional shares of our common stock upon conversion of such debentures in the event of certain fundamental changes.

ITEM 1B: ***UNRESOLVED STAFF COMMENTS***

None.

ITEM 2: ***PROPERTIES***

The table below presents details for each of our principal properties:

Facility	Location	Approximate Square Footage	Held	Lease Term
Solar cell manufacturing facility[1, 2]	Philippines	390,000	Owned	n/a
Solar cell manufacturing facility[3]	Malaysia	885,000	Owned	n/a
Former solar cell manufacturing facility[1, 4]	Philippines	641,000	Owned	n/a
Solar cell manufacturing support and storage facility	Philippines	167,000	Leased	2024
Former solar module assembly facility[1, 4]	Philippines	132,000	Owned	n/a
Solar cell and module manufacturing facility[5]	Oregon, U.S.	600,000	Owned	n/a
Solar module assembly facility	Mexico	320,000	Leased	2021
Solar module assembly facility	Mexico	191,000	Leased	2026
Solar module assembly facility	France	36,000	Owned	n/a
Solar module assembly facility	France	42,000	Leased	2018
Corporate headquarters	California, U.S.	129,000	Leased	2021
Global support offices	California, U.S.	163,000	Leased	2023
Global support offices	Texas, U.S.	69,000	Leased	2019
Global support offices	France	27,000	Leased	2023
Global support offices	Philippines	65,000	Owned	n/a

[1] The lease for the underlying land expires in May 2048 and is renewable for an additional 25 years.
[2] The solar cell manufacturing facility we operate in the Philippines has a total annual capacity of 450 MW.
[3] The solar cell manufacturing facility we operate in Malaysia has a total rated annual capacity of over 700 MW.
[4] We still owned this facility as of December 30, 2018; however, relevant operations ceased during fiscal 2016.
[5] The solar cell manufacturing facility we operate in Oregon, U.S. has a total rated annual capacity of over 250 MW.

As of December 30, 2018, our principal properties included operating solar cell manufacturing facilities with a combined total annual capacity of over 1.4 GW and solar module assembly facilities with a combined total annual capacity of approximately 1.5 GW. For more information about our manufacturing capacity, see "Item 1. Business."

We identify and allocate property, plant and equipment by country and by business segment. For more information see "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 6. *Balance Sheet Components* and Note 18. *Segments*, respectively."

ITEM 3. ***LEGAL PROCEEDINGS***

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

ITEM 4: ***MINE SAFETY DISCLOSURES***

Not applicable.

PART II

ITEM 5: ***MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

Our common stock is listed on the Nasdaq Global Select Market under the trading symbol "SPWR."

As of February 8, 2019, there were approximately 730 holders of record of our common stock. A substantially greater number of holders are in "street name" or beneficial holders, whose shares are held of record by banks, brokers, and other financial institutions.

Dividends

We have never declared or paid any cash dividend on our common stock, and we do not currently intend to pay a cash dividend on our common stock in the foreseeable future. Certain of our debt agreements place restrictions on us and our subsidiaries' ability to pay cash dividends. For more information on our common stock and dividend rights, see "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 15. *Common Stock*."

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 Exchange Act, 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
October 1, 2018 through October 28, 2018	14,035	$ 6.83	—	—
October 29, 2018 through November 25, 2018	16,349	$ 6.33	—	—
November 26, 2018 through December 30, 2018	12,268	$ 6.66	—	—
	42,652	$ 6.59	—	—

[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: *SELECTED CONSOLIDATED FINANCIAL DATA*

The following selected consolidated financial data should be read together with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" included in this Annual Report on Form 10-K.

	Year Ended[1]				
(In thousands, except per share data)	**December 30, 2018**	**December 31, 2017**	**January 1, 2017**	**January 3, 2016**	**December 28, 2014**
Consolidated Statements of Operations Data					
Revenue	$ 1,726,085	$ 1,794,047	$ 2,552,637	$ 1,576,473	$ 3,027,265
Gross margin	$ (297,081)	$ (18,645)	$ 221,819	$ 244,646	$ 625,127
Operating income (loss)	$ (849,031)	$ (1,024,917)	$ (427,754)	$ (206,294)	$ 251,240
Income (loss) from continuing operations before income taxes and equity in earnings (loss) of unconsolidated investees	$ (898,671)	$ (1,200,750)	$ (528,392)	$ (242,311)	$ 184,614
Income (loss) from continuing operations per share of common stock:					
Basic	$ (5.76)	$ (6.67)	$ (3.25)	$ (1.39)	$ 1.91
Diluted	$ (5.76)	$ (6.67)	$ (3.25)	$ (1.39)	$ 1.55

[1]Previously reported information for fiscal years 2017 and 2016 have been restated for the adoption of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, while previously reported information for fiscal years 2015 and 2014 have not been restated and are, therefore, not comparable to the fiscal years 2018, 2017 and 2016 information. For further discussion of this standard, see Note 1 to the Consolidated Financial Statements.

	As of[1]				
(In thousands)	**December 30, 2018**	**December 31, 2017**	**January 1, 2017**	**January 3, 2016**	**December 28, 2014**
Consolidated Balance Sheet Data					
Cash and cash equivalents	$ 309,407	$ 435,097	$ 425,309	$ 954,528	$ 956,175
Working capital	$ 368,765	$ 253,424	$ 832,754	$ 1,515,918	$ 1,273,236
Total assets	$ 2,352,649	$ 4,028,656	$ 4,968,742	$ 4,856,993	$ 4,345,582
Long-term debt	$ 40,528	$ 430,634	$ 451,243	$ 478,948	$ 214,181
Convertible debt, net of current portion	$ 818,356	$ 816,454	$ 1,113,478	$ 1,110,960	$ 692,955
Total stockholders' equity	$ (208,696)	$ 588,209	$ 1,531,038	$ 1,449,149	$ 1,534,174

[1]Previously reported information for fiscal years 2017 and 2016 have been restated for the adoption of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, while previously reported information for fiscal years 2015 and 2014 have not been restated and are, therefore, not comparable to the fiscal years 2018, 2017 and 2016 information. For further discussion of this standard, see Note 1 to the Consolidated Financial Statements.

ITEM 7: *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 our consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties within the meaning of the Private Securities Litigation Reform Act of 1995. Our actual results could differ materially from those discussed below. 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 those discussed in the section titled "Risk Factors" included in this Annual Report on Form 10-K. 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.

Overview

SunPower Corporation (together with its subsidiaries, "SunPower," "we," "us," or "our") is a leading global energy company that delivers complete solar solutions to 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 this Annual Report on Form 10-K.

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 II—Item 8. Financial Statements—Notes to the Consolidated Financial Statements—Note 1. *Organization and Summary of Significant Accounting Policies*" of this Annual Report on Form 10-K. All amounts and disclosures set forth in this Form 10-K reflect these changes.

Segments Overview

In the fourth quarter of 2018, in connection with our efforts to improve operational focus and transparency, drive overhead accountability into segment operating results, and increase strategic agility across the value chain from our upstream business' core strength in manufacturing and technology and our downstream business's core strength in offering complete solutions in residential and commercial markets, we reorganized our segment reporting to an upstream and downstream structure. Previously, we operated under three end-customer segments, comprised of our (i) Residential Segment, (ii) Commercial Segment, and (iii) Power Plant Segment. Historically, the Residential Segment referred to sales of solar energy solutions to residential end-customers, the Commercial Segment referred to sales of energy solutions to commercial and public entity end-customers, and the Power Plant Segment referred to our large-scale solar products and systems and component sales.

Under the new segmentation, SunPower Energy Services Segment ("SunPower Energy Services" or "Downstream") refers to sales of solar energy solutions in the North America region previously included in the legacy Residential Segment and Commercial Segment (collectively previously referred to as "Distributed Generation" or "DG") including direct sales of turn-key engineering, procurement and construction ("EPC") services, sales to our third-party dealer network, sales of energy under power purchase agreements ("PPAs"), storage solutions, cash sales and long-term leases directly to end customers, and sales to resellers. The SunPower Energy Services Segment also includes sales of our global Operations and Maintenance ("O&M") services. The SunPower Technologies Segment ("SunPower Technologies" or "Upstream") refers to our technology development, worldwide solar panel manufacturing operations, equipment supply to resellers and commercial and residential end-customers outside of North America ("International DG"), and worldwide power plant project development and project sales. Upon reorganization, some support functions and responsibilities, which previously resided within the corporate function, have been shifted to each segment, including financial planning and analysis, legal, treasury, tax and accounting support and services, among others.

The reorganization provides our management with a comprehensive financial overview of our key businesses. The application of this structure permits us to align our strategic business initiatives and corporate goals in a manner that best focuses our businesses and support operations for success.

Our Chief Executive Officer, as the chief operating decision maker (“CODM”), reviews our business, manages resource allocations and measures performance of our activities among the SunPower Energy Services Segment and SunPower Technologies Segment.

Reclassifications of prior period segment information have been made to conform to the current period presentation. These changes do not affect our previously reported Consolidated Financial Statements.

For more information about our business segments, see the section titled "Part I. Item 1. Business" of this Annual Report on Form 10-K. For more segment information, see "Item 8. Financial Statements—Note 18. *Segment Information*" in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

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 measures for photovoltaic ("PV") 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 sources, 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 customers to compare different portfolios of generation sources, energy storage, and energy management, and to tailor their solution towards optimization.

Seasonal Trends and Economic Incentives

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, 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. Fiscal 2018, 2017 and 2016 are 52-week fiscal years. Our fiscal 2018 ended on December 30, 2018, fiscal 2017 ended on December 31, 2017 and fiscal 2016 ended on January 1, 2017.

Outlook

Demand

During fiscal 2018 we faced market challenges, including competitive solar product pricing pressure including the impact of tariffs imposed pursuant to Section 201 and Section 301 of the Trade Act of 1974. 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. The tariffs went into effect on February 7, 2018. While solar cells and modules based on interdigitated back contact ("IBC") technology, like our Maxeon 3, Maxeon 2 and related products, were granted exclusion from these safeguard tariffs on September 19, 2018, our solar products based on other technologies continue to be subject to the safeguard tariffs. Additionally, the Office of the United States Trade Representative (“USTR”) initiated an investigation under Section 301 of the Trade Act of 1974 into the government of China’s acts, policies, and practices related to technology transfer, intellectual property, and innovation. The USTR imposed additional import duties of up to 25% on certain Chinese products covered by the Section 301 remedy. These tariffs include certain solar power system components and finished products, including those purchased from our suppliers for use in our products and used in our business. In the near term, imposition of these tariffs - on top of anti-dumping and countervailing duties on Chinese solar cells and modules, imposed under the prior administration - is likely to result in a wide range of impacts to the U.S. solar industry, global manufacturing market and our business. Such tariffs could cause market volatility, price fluctuations, and demand reduction. Uncertainties associated with the Section 201 and Section 301 trade cases prompted us to adopt a restructuring plan and implement initiatives to reduce operating expenses and cost of revenue overhead and improve cash flow. During fiscal 2018, we incurred total tariffs charges of approximately $42.5 million.

In fiscal 2019, we continue to focus on investments that we expect will offer the best opportunities for growth including our industry-leading Maxeon 5 cell and panel technology, solar-plus-storage solutions and digital platform to improve customer service and satisfaction in our SunPower Energy Services offerings. We believe that our strategic decision to re-segment our business into an upstream and downstream structure to focus our downstream efforts on our leading U.S. DG business while growing global sales of our upstream solar panel business through our SunPower Solutions group will improve transparency and enable us to regain profitability in 2019.

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%. During December 2017, 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 this Annual Report on Form 10-K. 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 this Annual Report on Form 10-K.

Supply

We are focused on delivering complete solar power generation solutions to our customers in both of our business segments. As part of our complete solution approach, we launched our SunPower Helix product for our commercial business customers during fiscal 2015 and our SunPower Equinox product for our residential business customers 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 Maxeon Gen 3 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 next 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-customers. 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, 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 Maxeon 3 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, including our newly-acquired U.S. manufacturing capabilities.

We are focused on reducing the cost of our solar panels and systems, including 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 and 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 both of our 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 8. Financial Statements—Note 4. *Divestiture*" and "Note 10. *Commitments and Contingencies*" in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

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 supply contracts may exceed market value. For example, we purchase our polysilicon under fixed-price long-term supply agreements. When the purchases under these agreements significantly exceed market value they may result in inventory write-downs based on expected net realizable value. Additionally, existing arrangements from prior years have resulted in above current market pricing for purchasing polysilicon, resulting in inventory losses we have realized. For several years now, we have 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, 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 this Annual Report on Form 10-K.

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 IBC technology to Maxeon 5. Accordingly, we are upgrading the equipment associated with our manufacturing operations for the production of Maxeon 5 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 our fixed asset investment recoverability test performed, we determined that our estimate of future undiscounted net cash in-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.

Consistent with our accounting practices, in estimating the fair value of the long-lived assets, we made estimates and judgments that we believe reasonable market participants would make. 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, and 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 this evaluation, we recognized a non-cash impairment charge of $369.2 million during our fiscal quarter 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 year ended December 30, 2018. Further, the $355.1 million non-cash impairment charge in "Cost of revenue" was allocated to our SunPower Technology segment in the second quarter of fiscal 2018.

Residential Lease Assets

In conjunction with our efforts to generate more available liquid funds and simplify our balance sheet, we made the decision to sell our interest in the Residential Lease Portfolio and engaged an external investment banker to assist with the related marketing efforts in the fourth quarter of fiscal 2017. 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.

In proceeding with the impairment evaluation, we determined that financing receivables related to sales-type leases, which were previously classified as held for investment, qualified as held for sale based on our decision to sell our interest in the Residential Lease Portfolio. Accordingly, we recognized an allowance for estimated losses for the amount by which cost exceeded fair value. In addition, we reviewed the cash flows we would expect to derive from the underlying asset that we recover from the lessees (unguaranteed residual value). Due to our planned sale of the Residential Lease Portfolio and based on the indication of value received, we determined that the decline in estimated residual value was other than temporary.

We also performed a recoverability test for the assets subject to operating leases by first 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 the assets subject to operating leases 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 assets subject to operating leases and factored the indicative value obtained from a prospective purchaser together with the probability of retaining the assets 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 evaluation 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 subject to operating leases and consequently performed an impairment analysis by comparing the carrying value of the assets to their estimated fair value.

We computed the fair value for the financing receivables associated with sales-type leases and long-lived assets subject to operating leases using consistent methodology and assumptions that market participants would use in their estimates of fair value. The estimates and judgments about future cash flows were made using an income approach defined as Level 3 inputs under fair value measurement standards. The impairment evaluation was based on the income approach (specifically a discounted cash flow analysis) and included assumptions for, among others, forecasted contractual lease income, lease expenses, residual value of these lease assets, long-term discount rates, and forecasted default rates over the lease term and discount rates, some of which require significant judgment by management.

We updated the impairment evaluation discussed above to include new leases that were placed in service since the last evaluation was performed. In accordance with such evaluation, we recognized a non-cash impairment charge of $189.7 million as "Impairment of residential lease assets" on the Consolidated Statement of Operations for the year ended December 30, 2018. Due to the fact that the Residential Lease Portfolio assets are held in partnership flip structures with noncontrolling interests, we allocated a portion of the impairment charge related to such noncontrolling interests through the hypothetical liquidation at book value ("HLBV") method. The allocation method applied to the noncontrolling interests and redeemable noncontrolling interests resulted in a net gain of $9.6 million and a net gain of $150.6 million for the year ended December 30, 2018 and December 31, 2017, respectively. As a result, the net impairment charges attributable to our stockholders totaled $180.1 million and $473.7 million for the year ended December 30, 2018 and December 31, 2017, respectively, and were recorded within the SunPower Energy Services Segment.

The impairment evaluation includes uncertainty because it requires us to make assumptions and to apply judgment to estimate future cash flows and assumptions.

Consistent with our intentions discussed above, on November 5, 2018, we entered into a Purchase and Sale agreement (the “PSA”) with HA SunStrong Capital LLC (“HA SunStrong Parent”), a subsidiary of Hannon Armstrong, to sell 49.0% membership interests in SunStrong for cash proceeds of $10.0 million.

On November 5, 2018, HA SunStrong Capital LLC (“HA SunStrong Parent”), a subsidiary of Hannon Armstrong, acquired 49% equity interests in SunStrong, a previously wholly owned subsidiary. We have concluded that we are not the primary beneficiary of SunStrong and have recorded an equity investment in SunStrong for our retained equity interests. The transaction resulted to a net loss on sale of our Residential Lease Portfolio of $62.3 million for the year ended December 30, 2018, which was recorded within the SunPower Energy Services Segment. The transaction decreased our long-term financing receivables, net and solar power systems leased and to be leased by $388.2 million and $262.8 million, respectively, as of December 30, 2018. We intend to sell the remainder of our residential lease portfolio to SunStrong. See Note 4. *Business Combinations and Divestitures* for further details.

Divestment of Microinverter Business

On August 9, 2018, we completed the sale of certain assets and intellectual property related to the production of microinverters to Enphase Energy, Inc. ("Enphase") in exchange for $25.0 million in cash and 7.5 million shares of Enphase common stock (the “Closing Shares”), pursuant to an Asset Purchase Agreement (the "Purchase Agreement") entered into on June 12, 2018. We received the Closing Shares and $15.0 million cash upon closing and receive the final $10.0 million cash payment of the purchase price on December 10, 2018.

In connection with the closing under the Purchase Agreement, we entered into a Master Supply Agreement (the “MSA”) with Enphase. Pursuant to the MSA, with certain exceptions, we have agreed to exclusively procure module-level power electronics (“MLPE”) and alternating current (“AC”) cables from Enphase to meet all of our needs for MLPE and AC cables for the manufacture and distribution of AC modules and discrete MLPE system solutions for the U.S. residential market, including our current Equinox solution and any AC module-based successor products. We have also agreed not to pair any third-party MLPE or AC cables with any of our modules for use in the grid-tied U.S. residential market where an Enphase MLPE is qualified and certified for such module. Under the MSA, we have agreed to use our best efforts to transition to purchasing other identified Enphase products in accordance with the MSA as soon as possible following execution of the MSA. The MSA does not otherwise restrict us from manufacturing, selling or purchasing any goods or products other than as restricted by the exclusivity provisions under the MSA. In consideration of our exclusivity undertakings, Enphase has agreed to prioritize and supply the applicable products under the MSA before supplying the same products to third parties. The MSA also includes customary provisions relating to requirements forecasting, warranty, liability, and quality assurance provisions. The initial term of the MSA is through December 31, 2023, and the MSA term will automatically be extended for successive two-year periods unless either party provides written notice of non-renewal. The MSA is subject to customary provisions permitting termination by the parties in connection with specified events of default and subject to applicable cure periods.

Additionally, in connection with the closing under the Purchase Agreement, we also entered into a Stockholders Agreement (the “Stockholders Agreement”) with Enphase, pursuant to which we and Enphase agreed to, among other things: (a) a six-month lock-up period and other transfer and resale restrictions applicable to the Closing Shares; (b) registration rights with respect to the Closing Shares pursuant to which Enphase filed with the Securities and Exchange Commission a registration statement on Form S-3 to register for resale the Closing Shares; (c) our right to appoint one person to the Enphase board of directors for so long as we own at least 55% of the Closing Shares; (d) voting agreements that require us, subject to certain exceptions and so long as we have the right to appoint one person to the Enphase board of directors, to cause the Closing Shares to be present at Enphase stockholders meetings for quorum purposes and to vote the Closing Shares in favor of Enphase’s board nominees and routine management proposals; and (e) stand-still provisions, that expire upon the earlier of (y) the termination of the Stockholders Agreement, or (z) the date of the termination of our right to appoint a director, our designee no longer serves on the Enphase board of directors and the MSA has been terminated.

Acquisition of SolarWorld Americas

On April 16, 2018, we entered into a Sale and Purchase Agreement (the "Sale and Purchase Agreement") pursuant to which we agreed to purchase all of SolarWorld AG's shares of stock in SolarWorld Americas Inc. ("SolarWorld Americas"), and SolarWorld Industries Deutschland GmbH’s partnership interest in SolarWorld Industries America LP. On August 21, 2018, we terminated the Sale and Purchase Agreement and entered into an Asset Purchase Agreement with SolarWorld Americas, pursuant to which we agreed to purchase certain assets of SolarWorld Americas in exchange for consideration of $26.0 million, subject to certain closing and post-closing adjustments and other contingent payments. In connection with the termination of the Sale and Purchase Agreement, we have recognized an expense of $20.0 million for the quarter ended September 30, 2018 in sales, general and administrative expense. On October 1, 2018, we completed the acquisition of certain assets of SolarWorld Americas, including its Hillsboro, Oregon facility and a significant portion of its manufacturing workforce of more than 200 employees. The purchase consideration consisted of $26.0 million in cash and additional contingent consideration of approximately $4.1 million. The acquisition will provide us with U.S. manufacturing capability to serve the U.S. market demand and SolarWorld Americas provides a platform for us to implement our commercial P-Series solar panel manufacturing technology and selected R&D activities.

Components of Results of Operations

The following section describes certain line items in our Consolidated Statements of Operations:

Revenue

We recognize revenue from the following activities and transactions within our two operating segments:

- *Solar power components:* revenue from the sale of solar panels and related solar system components, primarily to dealers, system integrators and distributors, and in some cases on a multi-year, firm commitment basis.

- *Solar power systems:* revenue from the design, manufacture, and sale of high-performance rooftop and ground-mounted solar power systems under construction and development agreements.

- *Residential leasing:* revenue recognized on solar systems under lease agreements with residential customers for terms of up to 20 years.

- *Other:* revenue related to our solar power services and solutions, such as post-installation solar systems monitoring and maintenance in connection with construction contracts and commercial PPAs.

For a discussion of how and when we recognize revenue, see "-Critical Accounting Estimates-*Revenue Recognition*."

Cost of Revenue

We generally recognize our cost of revenue in the same period that we recognize related revenue. Our cost of revenue fluctuates from period to period due to the mix of solar projects that we complete and the associated revenue that we recognize, particularly for construction contracts and large-scale development projects. For a discussion of how and when we recognize revenue, see "-Critical Accounting Estimates-*Revenue Recognition*."

The cost of solar panels is the single largest cost element in our cost of revenue. Our cost of solar panels consists primarily of: (i) polysilicon, silicon ingots and wafers used in the production of solar cells, (ii) other materials and chemicals

including glass, frame, and backing, and (iii) direct labor costs and assembly costs. Other cost of revenue associated with the construction of solar power systems includes real estate, mounting systems, inverters, capitalized financing costs, and construction subcontract and dealer costs. Other factors that contribute to our cost of revenue include salaries and personnel-related costs, depreciation, facilities related charges, freight, as well as charges related to sales of raw material inventory and write-downs on certain solar power development projects when costs exceed expected selling prices.

Gross Margin

Our gross margin each quarter is affected by a number of factors, including average selling prices for our solar power components, the timing and nature of project revenue recognition, the types of projects in progress, the gross margins estimated for those projects in progress, our product mix, our actual manufacturing costs, the utilization rate of our solar cell manufacturing facilities, inventory net realizable value charges, impairment of property, plant and equipment, losses on third party polysilicon sales, and actual overhead costs.

Research and Development

Research and development expense consists primarily of salaries and related personnel costs, depreciation of equipment, and the cost of solar panel materials, various prototyping materials, and services used for the development and testing of products. Research and development expense is reported net of contributions under collaborative arrangements.

Sales, General and Administrative

Sales, general and administrative expense consists primarily of salaries and related personnel costs, professional fees, bad debt expenses, and other selling and marketing expenses.

Restructuring

Restructuring expense in fiscal 2018, 2017 and 2016 consists mainly of costs associated with our August 2016, December 2016 and February 2018 restructuring plans aimed to realign our downstream investments, optimize our supply chain, and reduce operating expenses in response to expected near-term challenges. Charges in connection with these plans consist primarily of asset impairments, severance benefits, and lease and related termination costs. For more information, see "Item 8. Financial Statements and Supplementary Data-Notes to Consolidated Financial Statements-Note 9. *Restructuring*."

Loss on sale and impairment of residential lease assets

In December 2017, our Board of Directors approved a future sale of a portion of our interest in the assets and liabilities comprising our residential lease business (the "Residential Lease Portfolio") that resulted in the sale of partial equity interests in SunStrong, our wholly owned subsidiary, to Hannon Armstrong on November 5, 2018 (See "Item 8. Financial Statements and Supplementary Data-Notes to Consolidated Financial Statements-Note 4. *Business Combinations and Divestitures"*) and as a result of this triggering event, determined it was necessary to evaluate the potential for impairment in our ability to recover the carrying amount of the Residential Lease Portfolio. In accordance with such evaluation, we recognized a non-cash impairment charge on our solar power systems leased and to be leased and an allowance for losses related to financing receivables. For more information, see Item 8. Financial Statements and Supplementary Data-Notes to Consolidated Financial Statements-Note 7. *Leasing*."

On November 5, 2018, we entered into a joint venture with HA SunStrong Capital LLC (“HA SunStrong Parent”), an affiliate of Hannon Armstrong Sustainable Infrastructure Capital, Inc., ("Hannon Armstrong") to acquire, operate, finance, and maintain a portfolio of residential rooftop or ground-mounted solar photovoltaic electric generating systems ("Solar Assets"). Pursuant to the terms of the Purchase and Sale Agreement (the “PSA"), we sold to HA SunStrong Parent, in exchange for consideration of $10.0 million, membership units representing a 49.0% membership interest in SunStrong Capital Holdings, LLC (“SunStrong”), formerly our wholly-owned subsidiary that historically held and controlled the assets and liabilities comprising our residential lease business (the "Residential Lease Portfolio"). In connection with the sale transactions, we recognized a $62.3 million net loss on the sale within "Loss on sale and impairment of residential lease assets" in our Consolidated Statements of Operations for the year ended December 30, 2018.

Following the closing of the PSA, we deconsolidated certain entities involved in our Residential Lease Portfolio. For more information, see Item 8. Financial Statements and Supplementary Data-Notes to Consolidated Financial Statements-Note 4. *Business Combination and Divestitures.*

Gain on Business Divestiture

In fiscal 2018, we recognized a gain from the divestment of our microinverter business to Enphase of $59.3 million.

Other Income (Expense), Net

Interest expense primarily relates to: (i) amortization expense recorded for warrants issued to Total S.A. in connection with the Liquidity Support Agreement, (ii) debt under our senior convertible debentures, (iii) fees for our outstanding letters of credit; and (iv) other outstanding bank solar project debt. Other income (expense) includes non-operating charges and benefits such as the impairment of goodwill and equity method investments. Other, net includes gains or losses on foreign exchange and derivatives as well as gains or losses related to sales and impairments of certain equity method investments.

Income Taxes

The Tax Cuts and Jobs Act (the “Tax Act”) was enacted on December 22, 2017. The Tax Act provided for numerous significant tax law changes and modifications, including the reduction of the U.S. federal corporate income tax rate from 35% to 21%, the requirement for companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creation of new taxes on certain foreign sourced earnings. In accordance with accounting standard ASC 740, Income Taxes, companies are required to recognize the tax law changes in the period of enactment. The SEC staff issued SAB 118 to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. We provided a reasonable estimate of the effects of the Tax Act in our financial statements in 2017. December 22, 2018 marked the end of the measurement period for purposes of SAB 118. We completed our analysis based on legislative updates currently available and reported the changes to the provisional amounts previously recorded which did not impact our income tax provision. We also confirmed that the Tax Act does not impact our expectations of actual cash payments for income taxes in the foreseeable future. For more information, see "Item 8. Financial Statements and Supplementary Data-Notes to Consolidated Financial Statements-Note 14. *Income taxes*."

Deferred tax assets and liabilities are recognized for temporary differences between financial statement and income tax bases of assets and liabilities. Valuation allowances are provided against deferred tax assets when management cannot conclude that it is more likely than not that some portion or all deferred tax assets will be realized.

We currently benefit from income tax holidays incentives in the Philippines in accordance with our registration with the Philippine Economic Zone Authority ("PEZA"). We also benefit from a tax holiday granted by the Malaysian government to our former joint venture AUOSP (now our wholly-owned subsidiary, SunPower Malaysia Manufacturing Sdn. Bhd.) subject to certain hiring, capital spending, and manufacturing requirements. We continue to qualify to be taxed as an auxiliary company in Switzerland and benefit from a reduced tax rate. For additional information see "-Note 1. *The Company and Summary of Significant Accounting Policies*" and "-Note 14. *Income Taxes*" under "Item 8. Financial Statements and Supplementary Data."

For financial reporting purposes, during periods when we were a subsidiary of Cypress, income tax expense and deferred income tax balances were calculated as if we were a separate entity and had prepared our own separate tax return. Effective with the closing of our public offering of common stock in June 2006, we were no longer eligible to file federal and most state consolidated tax returns with Cypress. As of September 29, 2008, Cypress completed a spin-off of all of its shares of our former class B common stock to its shareholders, so we are no longer eligible to file any remaining state consolidated tax returns with Cypress. Under our tax sharing agreement with Cypress, we agreed to pay Cypress for any federal and state income tax credit or net operating loss carryforwards utilized in our federal and state tax returns in subsequent periods that originated while our results were included in Cypress’ federal tax returns.

Equity in Earnings (Loss) of Unconsolidated Investees

Equity in earnings (loss) of unconsolidated investees represents our reportable share of earnings (loss) generated from entities in which we own an equity interest accounted for under the equity method.

Net Loss Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

We have entered into facilities with third-party investors under which the parties invest in entities that hold SunPower solar power systems and leases with residential customers. We determined that we hold controlling interests in these less-than-wholly-owned entities and have fully consolidated these entities as a result. The investors were determined to hold noncontrolling interests, some of which are redeemable at the option of the noncontrolling interest holder. We apply the hypothetical liquidation at book value 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.

On November 5, 2018, we sold a 49% of our interest in our residential lease assets portfolio to a joint venture. As a result of this transaction, the partnerships holding such assets was deconsolidated and the non-controlling interests that existed prior to this transaction were eliminated from our balance sheet. For additional information, refer to "Item 8. Financial Statements and Supplementary Data-Notes to Consolidated Financial Statements-Note 4. *Business Combination and Divestitures."*

Results of Operations

Revenue

	Fiscal Year					
(In thousands, except percents)	**2018**	**% of total revenue**	**2017**	**% of total revenue**	**2016**	**% of total revenue**
SunPower Energy Services	$ 1,045,614	61 %	$ 910,206	51 %	$ 999,000	39 %
SunPower Technologies	1,069,010	62 %	1,350,790	75 %	2,000,174	78 %
Intersegment eliminations	(388,539)	(23)%	(466,949)	(26)%	(446,537)	(17)%
Total Revenue	$ 1,726,085		$ 1,794,047		$ 2,552,637	

[1] See "Item 8. Financial Statements—Note 18. *Segments*" in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for further information regarding our other segments reporting adjustments, net.

Total Revenue:

Our total revenue decreased by 4% during fiscal 2018 as compared to fiscal 2017, primarily due to reduced sales in our SunPower Technologies Segment in the U.S. and in Asia as result of our decision to cease the development of large-scale solar power projects. We sold our remaining U.S. power plant development portfolio in the third quarter of fiscal 2018. This was partially offset by an increase in our SunPower Energy Services Segment in the proportion of capital leases placed in service relative to total leases placed in service under our residential leasing program within the U.S., as well as stronger sales of solar power systems and components to residential customers in all regions, and stronger sales of commercial solar power projects in all regions.

Our total revenue decreased by 30% during fiscal 2017 as compared to fiscal 2016, primarily due to a decline in the revenue recognized in our SunPower Technologies Segment as we shift away from global power plant development resulting in a decreased number of large-scale solar power projects in our project pipeline. We recognized two smaller projects in the second half of fiscal 2017, compared to several larger utility-scale solar power projects in fiscal 2016. Also contributing to the decrease in overall revenue was the decline in sales of SunPower Energy Services Segment's solar power systems and components to our residential customers in the U.S. during fiscal 2017, partially offset by stronger sales of solar power systems and components to our commercial customers, particularly in the U.S.

Concentrations:

Our SunPower Energy Services Segment as a percentage of total revenue recognized was 61% during fiscal 2018 as compared to 51% during fiscal 2017. The relative change in revenue for SunPower Energy Services Segment as a percentage of total revenue recognized reflects the impact of a significant decline in revenue in SunPower Technologies Segment as well as higher sales to residential customers plus stronger sales to commercial customers. Our SunPower Technologies Segment as a percentage of total revenue recognized was 62% during fiscal 2018, as compared to 75% during fiscal 2017. The relative change in revenue for SunPower Technologies Segment as a percentage of total revenue recognized reflects the impact of our decision to shift our focus away from global power plant development with a resulting decrease in the number of large-scale solar power projects in our project pipeline.

Our SunPower Energy Services Segment as a percentage of total revenue recognized was approximately 51% during fiscal 2017 as compared to 39% during fiscal 2016. The relative change in revenue for SunPower Energy Services Segment as a percentage of total revenue recognized reflects the impact of a significant decline in revenue in SunPower Technologies Segment as well as lower sales to residential customers partially offset by stronger sales to commercial customers. Our SunPower Technologies Segment as a percentage of total revenue recognized were approximately 75% during fiscal 2017, as compared to 78% during fiscal 2016. The relative change in revenue for SunPower Technologies Segment as a percentage of total revenue recognized decreased as we shifted our focus away from global power plant development resulting in a decreased number of large-scale solar power projects in our pipeline during 2017. The table below represents our significant customers that accounted for greater than 10% of total revenue in fiscal 2017 and fiscal 2016. No single customer accounted for greater than 10% of total revenue for fiscal 2018.

		Fiscal Year		
(As a percentage of total revenue)		**2018**	**2017**	**2016**
Significant Customer:	**Business Segment:**			
Actis GP LLP	Power Plant	*	13%	n/a
8point3 Energy Partners	Power Plant	*	*	10%
Southern Renewable Partnerships, LLC	Power Plant	n/a	*	15%

* percentage is less than 10%.

SunPower Energy Services Segment Revenue:

Revenue from residential customers increased 27% during fiscal 2018 as compared to fiscal 2017, primarily due to a higher volume in residential deals together with the increased proportion of capital leases placed in service relative to total leases placed in service under our residential leasing program within the U.S., as well as an increase in the sales of solar power components and systems to our residential customers in the U.S., partially offset by lower third-party dealer cash transactions. Revenue from commercial customers decreased 23% during fiscal 2018 as compared to fiscal 2017 primarily because of weaker sales of EPC and PPA commercial systems, partially offset by stronger sales of solar power projects in all regions.

Revenue from residential customers decreased 17% during fiscal 2017 as compared to fiscal 2016, primarily due to a decline in sales of solar power systems in U.S. residential market. Revenue from commercial customers increased 44% during fiscal 2017 as compared to fiscal 2016, primarily because of stronger sales of solar power systems.

SunPower Technologies Segment Revenue:

Revenue from power plant customers decreased 21% during fiscal 2018 as compared to fiscal 2017, primarily due to divesting our U.S. power plant development portfolio during the third quarter of fiscal 2018 partially offset by increased sales of power plant development and solar power solutions sales in regions outside of the U.S.

Revenue from power plant customers decreased 32% during fiscal 2017 as compared to fiscal 2016, primarily due to substantial completion of certain large-scale solar power projects and the associated revenue recognition in fiscal 2016, and the overall decrease in the number of large-scale solar power projects in our pipeline during 2017 as we shift away from global power plant development. In fiscal 2017, we sold the 111 MW El Pelicano and 71 MW Gala projects as compared to several larger utility-scale projects in fiscal 2016.

Cost of Revenue

(In thousands, except percents)	Fiscal Year 2018	% Change	2017	% Change	2016
SunPower Energy Services	$ 889,410	8 %	$ 820,628	— %	$ 818,557
SunPower Technologies	1,496,909	5 %	1,430,539	(26)%	1,940,752
Intersegment eliminations	(363,153)	(17)%	(438,475)	2 %	(428,491)
Total cost of revenue	$ 2,023,166	12 %	$ 1,812,692	(22)%	$ 2,330,818
Total cost of revenue as a percentage of total revenue	117 %		101 %		91%
Total gross margin percentage	(17)%		(1)%		9%

[1] See "Item 8. Financial Statements—Note 18. *Segments*" in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for further information regarding our other segments reporting adjustments, net.

***Total Cost of Revenue*:**

Our total cost of revenue increased 12% during fiscal 2018 as compared to fiscal 2017, primarily as a result of a non-cash impairment charge of $355.1 million, total tariffs charge of approximately $42.5 million, higher volume in U.S. residential deals, and increased cost in solar power solutions in our sales to commercial customers. The increase was partially offset by lower project cost in our sales to power plant following our decision to cease the development of large-scale power projects. During fiscal 2018, we incurred a write-down of $24.7 million on certain solar development projects which we sold during the third quarter of fiscal 2018. In addition, we incurred charges totaling $31.6 million recorded in connection with the contracted sale of raw material inventory to third parties during 2018.

In the second quarter of fiscal 2018, we announced our plan to transition our corporate structure into upstream and downstream business units, and our long-term strategy to upgrade our integrated back connectivity, or IBC, technology to our NGT, or Maxeon 5, as we continue to face a challenging macroeconomic environment surrounding the solar industry. Accordingly, we expect to upgrade the equipment associated with our manufacturing operations for the production of Maxeon 5 over the next several years. In connection with these planned upstream business unit changes that will impact the utilization of our manufacturing assets, together with continued pricing challenges in the solar industry as well as the then uncertainties associated with the Section 201 trade case, we determined that certain indicators of asset impairment existed and therefore we 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 our 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 this determination, we recognized a non-cash impairment charge of $355.1 million in "Cost of revenue" on the Consolidated Statements of Operations for the year ended December 30, 2018. The non-cash impairment charge in "Cost of revenue" was allocated to our SunPower Energy Services Segment and SunPower Technologies Segment for the year ended December 30, 2018.

Our total cost of revenue decreased 22% during fiscal 2017 as compared to fiscal 2016, primarily as a result of a decline in volume of large scale project sales, offset by the charge recorded in fiscal 2017 in connection with a legal settlement related to certain tax indemnification obligations pertaining to SunPower Systems' sale of a large California solar project to NRG Solar LLC, now known as NRG Renew LLC ("NRG"), charges totaling $72.5 million recorded in connection with the contracted sale of raw material inventory to third parties, charges totaling $38.2 million in connection with the sale of raw material to suppliers, and additional write-downs totaling $8.3 million on certain solar power development projects in fiscal 2017, which were the result of our above-market cost of polysilicon and lower expected selling prices of our projects. We also experienced an increase to cost of revenue due to $8.3 million of inventory write-downs as a result of lower net realizable value driven by lower pricing assumptions, higher manufacturing costs, higher third-party cell costs as well as pre-operating costs associated with the ramp of our P-Series product.

Gross Margin

	Fiscal Year		
	2018	2017	2016
SunPower Energy Services	15 %	10 %	18%
SunPower Technologies	(40)%	(6)%	3%

SunPower Energy Services Segment Gross Margin:

Gross margin for our SunPower Energy Services Segment increased 5 percentage points during fiscal 2018 as compared to fiscal 2017. Gross margin improved primarily due to a higher volume in residential deals together with the increased proportion of capital leases placed in service on residential sales offset by $196.3 million of non-cash impairment charge on property, plant and equipment combined with lower margin on sales to residential customers and higher cost incurred related to solar power solutions deals.

Gross margin for our SunPower Energy Services Segment decreased 8 percentage points during fiscal 2017 as compared to fiscal 2016. Gross margin on residential sales decreased 4 percentage points during fiscal 2017 as compared to fiscal 2016 primarily due to declining average selling prices in North America. Gross margin on commercial sales decreased 3 percentage points during fiscal 2017 as compared to fiscal 2016 primarily a result of pricing pressures on sales of solar power systems due to factors such as an increase in the internal rate of return expected by our commercial customers in light of market conditions. In addition, there were charges of $24.7 million in connection with the contracted sale of raw material inventory to third parties, and $4.6 million in connection with the sale of raw material to suppliers, both of which were the result of our above-market cost of polysilicon and the lower expected selling prices of our solar projects during fiscal 2017.

SunPower Technologies Segment Gross Margin:

Gross margin for our SunPower Technologies Segment decreased 34 percentage points during fiscal 2018 as compared to fiscal 2017, primarily as a result of the $158.8 million of non-cash impairment charge of property, plant and equipment, and write-downs totaling $22.7 million on certain solar development projects during the first quarter of fiscal 2018, partially offset by decreased product costs driven by cost savings initiatives we implemented, and a reduction in revenue during 2018 in connection with a one-off legal settlement related to NRG in the first quarter of fiscal 2017.

Gross margin for our SunPower Technologies Segment decreased 8 percentage points during fiscal 2017 as compared to fiscal 2016, primarily because we experienced pressure on project pricing due to increased global competition and other factors, including an increase in the internal rate of return expected by our customers in light of market conditions. In addition, we had a $33.6 million charge in connection with the sale of raw material to suppliers, $30.7 million charge in connection with the contracted sales of raw material inventory to third parties and additional write-downs totaling $8.3 million on certain solar power development projects in fiscal 2017, all as a result of our above-market cost of polysilicon and lower expected selling prices of our projects. Furthermore, we recorded a $8.3 million charge to write-down inventory to its net realizable value as a result of lower pricing assumptions, higher manufacturing costs, increased third-party cell costs as well as pre-operating costs associated with the ramp of our P-Series product. The decrease in gross margin was also a result of the charge to cost of revenue impacting our Power Plant Segment which we recorded in the first quarter of fiscal 2017 in connection with a legal settlement related to NRG.

Research and Development ("R&D")

	Fiscal Year		
(In thousands, except percents)	**2018**	**2017**	**2016**
R&D	$ 81,705	$ 82,247	116,889
As a percentage of revenue	5%	5%	5%

R&D expense decreased by $0.5 million during fiscal 2018 as compared to fiscal 2017. The decrease was primarily due to a decrease in labor costs as a result of reductions in headcount and salary expenses driven by our February 2018 restructuring plan. The decrease was partially offset by the impairment of property, plant and equipment related to R&D facilities of $12.8 million.

R&D expense decreased by $34.6 million during fiscal 2017 as compared to fiscal 2016, primarily due to a decrease in labor costs as a result of reductions in headcount and salary expenses driven by our August 2016 and December 2016 restructuring plans, as well as decreases in other expenses such as materials, consulting and outside services as we have completed certain development activities.

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

	Fiscal Year		
(In thousands, except percents)	**2018**	**2017**	**2016**
SG&A	$ 260,111	$ 278,645	$ 332,757
As a percentage of revenue	15%	15%	13%

SG&A expense decreased by $18.5 million during fiscal 2018 as compared to fiscal 2017 primarily due to reductions in headcount and salary expenses driven by our February 2018 restructuring plan and ongoing cost reduction efforts.

SG&A expense decreased by $54.1 million during fiscal 2017 as compared to fiscal 2016, primarily due to decreased marketing activity in North America and through digital media, a decrease in labor costs as a result of reductions in headcount and salary expenses driven by our August 2016 and December 2016 restructuring plans, a reduction in legal costs due to the settlement of certain legal proceedings, and a decrease in other non-cash charges.

Restructuring Charges

(In thousands, except percents)	Fiscal Year 2018	2017	2016
Restructuring charges	$ 17,497	$ 21,045	$ 207,190
As a percentage of revenue	1%	1%	8%

Restructuring charges decreased $3.5 million during fiscal 2018 as compared to fiscal 2017, primarily because we have incurred slightly lower severance and benefits charges in connection with the February 2018 restructuring plan compared to the facilities related expenses in the prior periods in connection with our December 2016 restructuring plan. See "Item 8. Financial Statements—Note 9. *Restructuring*" in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for further information regarding our restructuring plans. As a result of the February 2018 restructuring plan, 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, and the effects commenced in the first quarter of fiscal 2018. Actual savings realized may, however, differ if our assumptions are incorrect or if other unanticipated events occur.

Loss (gain) on sale and impairment of residential lease assets

	Fiscal Year		
(In thousands, except percents)	**2018**	**2017**	**2016**
Loss (gain) on sale and impairment of residential lease assets	$ 251,984	$ 624,335	$ (7,263)
As a percentage of revenue	15%	35%	—%

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 a portion of our interest in our Residential Lease Portfolio. As a result, 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. As a result of our evaluation, we recognized non-cash impairment charges of $624.3 million within "Loss on sale and impairment of residential lease assets" on the Consolidated Statements of Operations for the year ended December 31, 2017. In fiscal 2018, we continued recording additional non-cash impairment charges through the sale of partial equity interests in SunStrong, our wholly-owned subsidiary, to Hannon Armstrong in November 2018 - See Note 4. *Business Combinations and Divestitures* for further details. During the year ended December 30, 2018, we recognized, in aggregate, loss on sale and impairment of residential lease assets of $252.0 million on the Consolidated Statements of Operations for fiscal 2018.

Gain recorded in fiscal 2016 relates to the sale of residential lease assets as a result of adopting ASC 606 on January 1, 2018, using the full retrospective method, which required us to restate each prior period presented.

Gain on business divestiture

	Fiscal Year		
(In thousands, except percents)	**2018**	**2017**	**2016**
Gain on business divestiture	$ (59,347)	$ —	$ —
As a percentage of revenue	(3)%	—%	—%

In fiscal 2018, we recognized a gain from the divestment of our microinverter business to Enphase of $59.4 million.

Other Expense, Net

	Fiscal Year		
(In thousands, except percents)	**2018**	**2017**	**2016**
Interest income	$ 3,057	$ 2,100	$ 2,652
Interest expense	(108,011)	(90,288)	(61,273)
Other Income (expense):			
Gain on settlement of preexisting relationships in connection with acquisition	—	—	203,252
Loss on equity method investment in connection with acquisition	—	—	(90,946)
Goodwill impairment	—	—	(147,365)
Other, net	55,314	(87,645)	(6,958)
Other expense, net	$ (49,640)	$ (175,833)	$ (100,638)
As a percentage of revenue	(3)%	(10)%	(4)%

Interest expense increased $17.7 million in fiscal 2018 as compared to fiscal 2017 primarily due to new debt and new commercial sale-leaseback arrangements.

Interest expense increased $29.0 million in fiscal 2017 as compared to fiscal 2016 primarily due to new debt and new commercial sale-leaseback arrangements.

Other income (expense), net improved by $143.0 million in fiscal 2018 as compared to fiscal 2017. The change is primarily due to a $54.2 million gain on the sale of our equity method investments in fiscal 2018, a $73.0 million impairment charge in fiscal 2017 in our 8point3 Energy Partners LP equity 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.

Other Income (expense) worsened by $45.6 million in fiscal 2017 as compared to fiscal 2016. The change is primarily related to higher charges in fiscal 2017 related to the adoption of ASC 606 of $64.6 million compared to fiscal 2016. In addition, fiscal 2016 was impacted by one-time charges of $35.1 million in fiscal 2016 related to our AUOSP acquisition, $147.4 million goodwill impairment, and $90.9 million impairment of our equity method investment in AUOSP, all of which occurred in the third quarter of fiscal 2016, and $8.6 million write-down in 2016 of one of our equity method investments, which were partially offset in fiscal 2016 by $203.3 million gain on settlement regarding an acquisition.

Income Taxes

	Fiscal Year		
(In thousands, except percents)	**2018**	**2017**	**2016**
Benefit from (provision for) income taxes	$ (1,010)	$ 3,944	$ (7,318)
As a percentage of revenue	— %	—%	— %

In the year ended December 30, 2018, our income tax provision of $1.0 million on a loss before income taxes and equity in earnings of unconsolidated investees of $898.7 million was primarily due to the related tax expense in foreign jurisdictions that were profitable, offset by tax benefit related to release of valuation allowance in a foreign jurisdiction and tax reserves due to lapse of statute of limitations. The income tax benefit of $3.9 million in the year ended December 31, 2017 on a loss before income taxes and equity in earnings of unconsolidated investees of $1,200.8 million, was primarily due to the related tax effects of the carryback of fiscal 2016 net operating losses to fiscal 2015 domestic tax returns, partially offset by tax expense in profitable jurisdictions.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act of 2017 (the “Tax Act”), which significantly changed U.S. tax law. The Tax 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 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 which tax foreign subsidiary income earned over a 10% rate of routine return on tangible business assets.

In accordance with ASC 740 "Income Taxes," companies are required to recognize the tax law changes in the period of enactment. The SEC staff issued SAB 118 to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. We provided a reasonable estimate of the effects of the Tax Act in our financial statements in 2017. December 22, 2018 marked the end of the measurement period for purposes of SAB 118. We completed our analysis based on legislative updates currently available and reported the changes to the provisional amounts previously recorded which did not impact our income tax provision. We also confirmed that the Act does not impact our expectations of actual cash payments for income taxes in the foreseeable future. For more information, see "Item 8. Financial Statements and Supplementary Data-Notes to Consolidated Financial Statements-Note 14. *Income taxes*."

We record a valuation allowance to reduce our deferred tax assets in the U.S., Malta, 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. On August 7, 2018, the Ninth Circuit Court of Appeal withdrew the issued decision to allow for additional time to confer on the appeal. We confirmed that there were no changes to the decision and will continue to monitor for ongoing developments and potential impacts to our consolidated financial statements.

Equity in Earnings of Unconsolidated Investees

	Fiscal Year		
(In thousands, except percents)	**2018**	**2017**	**2016**
Equity in earnings (loss) of unconsolidated investees	$ (17,815)	$ 25,938	$ 14,295
As a percentage of revenue	(1)%	1%	1%

Our equity in earnings of unconsolidated investees decreased $43.8 million in fiscal 2018 as compared to fiscal 2017, primarily driven by the activities of the 8point3 Group, which we divested in June 2018. As a result of this transaction, we received, after the payment of fees and expenses, 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, we recognized a $34.4 million gain within "Other, net" in "Other income (expense), net" of our Consolidated Statements of Operations for the year ended December 30, 2018.

Our equity in earnings of unconsolidated investees increased $11.6 million in fiscal 2017 as compared to fiscal 2016, primarily driven by the activities of the 8point3 Group.

Net Loss Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

	Fiscal Year		
(In thousands)	**2018**	**2017**	**2016**
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	$ 106,405	$ 241,747	$ 72,780

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 fiscal 2018 and 2017, we attributed $106.4 million and $241.7 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 $135.3 million decrease in net loss attributable to noncontrolling interests and redeemable noncontrolling interests is primarily attributable to the decrease in allocated portion of the impairment charge related to our residential lease assets, which was $9.6 million and $150.6 million in fiscal 2018 and 2017, respectively, (see "Item 8. Financial Statements-Note 7. *Leasing*"), and the deconsolidation following the sale of a portion of our interest in the residential lease assets portfolio resulting in less in net loss allocation to noncontrolling interests for the period after deconsolidation until December 30, 2018 (see "Item 8. Financial Statements-Note 4. *Business Combination and Divestitures*"), partially offset by an increase in total number of leases placed in service under new and existing facilities with third-party investors.

In fiscal 2017 and 2016, we attributed $241.7 million and $72.8 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 $168.9 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 $150.6 million (see "Item 1. Financial Statements—Note 7. *Leasing*"), and an increase in total number of leases placed in service under new and existing facilities with third-party investors.

Critical Accounting Estimates

We prepare our consolidated financial statements in conformity with U.S. generally accepted accounting principles, which requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues, and expenses recorded in our financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. In addition to our most critical estimates discussed below, we also have other key accounting policies that are less subjective and, therefore, judgments involved in their application would not have a material impact on our reported results of operations (See "Item 8. Financial Statements and Supplementary Data-Notes to Consolidated Financial Statements-Note 1. *Organization and Summary of Significant Accounting Policies*").

Revenue Recognition

Module and Component Sales

We sell our 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. Other than standard warranty obligations, there are no significant post-shipment obligations (including installation, training or customer acceptance clauses) with any of our customers that could have an impact on revenue recognition. Our revenue recognition policy is consistent across all geographic areas.

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

We design, manufacture, and sell rooftop and ground-mounted solar power systems under construction and development agreements. EPC projects governed by customer contracts that require us 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. We recognize revenue from EPC services over time as our performance creates or enhances an energy generation asset controlled by the customer. We use an input method based on cost incurred as we believe that this method most accurately reflects our 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 us 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, we recognize the entire estimated loss in the period the loss becomes known and can be reasonably estimated.

For sales of solar power systems in which we sell a controlling interest in the project to a customer, we recognize all of the revenue for the consideration received, including the fair value of the noncontrolling interest obtained or retained, and in circumstances where we maintain significant influence over the retained noncontrolling interest, we defer any profit associated with our 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. We estimate the fair value of the noncontrolling interest using an income approach based on the valuation of the entire solar project. Further, in situations where we sell membership interests in our project entities to third-party tax equity investors in return for tax benefits (generally federal and/or state investment tax credits and accelerated depreciation), we view the sale of the rights to tax attributes associated with ownership of the underlying solar systems as a distinct performance obligation in the scope of ASC 606 because it is an output of our ordinary activities consistent with the guidance in ASC 606-10-15-3. The sale of the rights to the tax attributes is recognized at a point in time when the customers are eligible to claim the tax 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, we have provided indemnification to customers and investors under which we are 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's cash grant programs. Refer to "Note 10. *Commitments and Contingencies*" for further details.

Our 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. Variable consideration is estimated at each measurement date at its most likely amount to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur and true-ups are applied prospectively as such estimates change.

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) change orders, or (iv) changes in other information used to estimate costs. The cumulative effect of revisions to transaction prices or input cost estimates are recorded in the period in which the revisions to estimates are identified and the amounts can be reasonably estimated.

Operations and Maintenance

We offer our 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. We determine that the post-installation systems monitoring and maintenance qualifies as a separate performance obligation. Post-installation monitoring and maintenance is deferred at the time the contract is executed, based on the estimate of selling price on a standalone basis, and is 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.

We typically provide a system output performance warranty, separate from our standard solar panel product warranty, to customers that have subscribed to our post-installation O&M services. In connection with system output performance warranties, we agree 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 we 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 updated at each reporting date and recognized over time as customers receive and consume the benefits of the O&M services.

Shipping and Handling Costs

We account for shipping and handling activities related to contracts with customers as costs to fulfill our promise to transfer goods and, accordingly, records such costs in cost of revenue.

Taxes Collected from Customers and Remitted to Governmental Authorities

We exclude from our 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.

Residential Leases

We offer a solar lease program, in partnership with third-party financial institutions, which allows our residential customers to obtain SunPower systems under lease agreements for terms of up to 20 years. Leases are classified as either operating- or sales-type leases in accordance with the relevant accounting guidelines, which involve making a variety of estimates, including the fair value and residual value of leased solar power systems. Changes in these estimates can have a significant impact on the related accounting results, including the relative proportion of leases classified as operating- or sales-type leases.

For those systems classified as sales-type leases, the net present value of the minimum lease payments, net of executory costs, is recognized as revenue when the lease is placed in service. This net present value of the minimum lease payments as well as the net present value of the residual value of the lease at termination are recorded as financing receivables in our Consolidated Balance Sheets. The difference between the initial net amounts and the gross amounts are amortized to revenue

over the lease term using the interest method. The residual values of our solar systems are determined at the inception of the lease by applying an estimated system fair value at the end of the lease term.

For those systems classified as operating leases, rental revenue is recognized, net of executory costs, on a straight-line basis over the term of the lease.

Impairment of Residential Lease Assets

We evaluate our 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 indicate that the carrying value of such assets may not be recoverable. 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. Our impairment evaluation of long-lived assets includes an analysis of estimated future undiscounted net cash flows expected to be generated by the assets over their remaining estimated useful lives. If our estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the assets over the remaining estimated useful lives, we record an impairment loss in the amount by which the carrying value of the assets exceeds the fair value. Fair value is generally measured based on either quoted market prices, if available, or discounted cash flow analysis.

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 system's estimated residual value, net of unearned income and allowance for estimated losses. Our evaluation of the recoverability of these financing receivables is based on evaluation of the likelihood, based on current information and events, and whether we will be able to collect all amounts due according to the contractual terms of the underlying lease agreements. In accordance with this evaluation, we recognize an allowance for losses on financing receivables based on our 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 our efforts to generate more available liquid funds and simplify our balance sheets, we made the decision to sell a portion of our interest in the Residential Lease Portfolio and engaged an external investment banker to assist with our related marketing efforts in the fourth quarter of fiscal 2017. 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.

In proceeding with the impairment evaluation, we determined that financing receivables related to sales-type leases, which were previously classified as held for investment, qualified as held for sale based on our decision to sell our interest in the Residential Lease Portfolio. Accordingly, we recognized an allowance for estimated losses for the amount by which cost exceeded fair value. In addition, we reviewed the cash flows we would expect to derive from the underlying asset that we recover from the lessees (unguaranteed residual value). Due to our planned sale of our Residential Lease Portfolio and based on the indication of value received, we determined that the decline in estimated residual value was other than temporary.

We performed a recoverability test for the assets subject to operating leases 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 the assets subject to operating leases, 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 assets subject to operating leases and factored the indicative value obtained from a prospective purchaser together with the probability of retaining the assets 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 evaluation performed, we determined that as of December 31, 2017, the estimate of future undiscounted net cash flows was insufficient to recover the carrying value of the assets subject to operating leases, and consequently performed an impairment analysis by comparing the carrying value of the assets to their estimated fair value.

We computed the fair value for the financing receivables associated with sales-type leases and long-lived assets subject to operating leases using consistent methodology and assumptions that market participants would use in their estimates of fair value. The estimates and judgments about future cash flows were made using an income approach defined as Level 3 inputs under fair value measurement standards. The impairment evaluation was based on the income approach (specifically a discounted cash flow analysis) and included assumptions for, among others, forecasted contractual lease income, lease

expenses, residual value of these lease assets, long-term discount rates, and forecasted default rates over the lease term and discount rates, some of which require significant judgment by us.

Allowance for Doubtful Accounts and Sales Returns

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. A considerable amount of judgment is required to assess the likelihood of the ultimate realization of accounts receivable. We make our estimates of the collectability of our accounts receivable by analyzing historical bad debts, specific customer creditworthiness and current economic trends.

In addition, at the time revenue is recognized from the sale of solar panels and balance of system components, we record estimates for sales returns which reduce revenue. These estimates are based on historical sales returns and analysis of credit memo data, among other known factors.

Product Warranties

We generally provide a 25-year standard warranty for our solar panels that we manufacture for defects in materials and workmanship. The warranty provides that we will repair or replace any defective solar panels during the warranty period. In addition, we pass through to customers' long-term warranties from the original equipment manufacturers of certain system components, such as inverters. Warranties of 25 years from solar panel suppliers are standard in the solar industry, while certain system components carry warranty periods ranging from five to 20 years.

In addition, we generally warrant our workmanship on installed systems for periods ranging up to 25 years and also provide a separate system output performance warranty to customers that have subscribed to our post-installation monitoring and maintenance services which expires upon termination of the post-installation monitoring and maintenance services related to the system. The warrantied system output performance level varies by system depending on the characteristics of the system and the negotiated agreement with the customer, and the level declines over time to account for the expected degradation of the system. Actual system output is typically measured annually for purposes of determining whether warrantied performance levels have been met. 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 we will pay the customer a liquidated damage based on the value of the shortfall of energy produced relative to the applicable warrantied performance level.

We maintain reserves to cover the expected costs that could result from these warranties. Our expected costs are generally in the form of product replacement or repair. Warranty reserves are based on our best estimate of such costs and are recognized as a cost of revenue. We continuously monitor product returns for warranty failures and maintain a reserve for the related warranty expenses based on various factors including historical warranty claims, results of accelerated lab testing, field monitoring, vendor reliability estimates, and data on industry averages for similar products. Due to the potential for variability in these underlying factors, the difference between our estimated costs and our actual costs could be material to our consolidated financial statements. If actual product failure rates or the frequency or severity of reported claims differ from our estimates or if there are delays in our responsiveness to outages, we may be required to revise our estimated warranty liability. Historically, warranty costs have been within management's expectations.

Inventories

Inventories are accounted for on a first-in-first-out basis and are valued at the lower of cost or net realizable value. We evaluate the realizability of our inventories, including future purchase commitments under fixed-price long-term supply agreements, based on assumptions about expected demand and market conditions. Our assumption of expected demand is developed based on our analysis of bookings, sales backlog, sales pipeline, market forecast and competitive intelligence. Our assumption of expected demand is compared to available inventory, production capacity, future polysilicon purchase commitments, available third-party inventory and growth plans. Our factory production plans, which drive materials requirement planning, are established based on our assumptions of expected demand. We respond to reductions in expected demand by temporarily reducing manufacturing output and adjusting expected valuation assumptions as necessary. In addition, expected demand by geography has changed historically due to changes in the availability and size of government mandates and economic incentives.

We evaluate the terms of our long-term inventory purchase agreements with suppliers for the procurement of polysilicon, ingots, wafers, and solar cells and establish accruals for estimated losses on adverse purchase commitments as necessary, such

as lower of cost or net realizable value adjustments, forfeiture of advanced deposits and liquidated damages. 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 compared to expected demand regularly. We anticipate total obligations related to long-term supply agreements for inventories will be realized because quantities are less than management's expected demand for its solar power products over a period of years; however, if raw materials inventory balances temporarily exceed near-term demand, we may elect to sell such inventory to third parties to optimize working capital needs. In addition, because the purchase prices required by our long-term polysilicon agreements are significantly higher than current market prices for similar materials, if we are not able to profitably utilize this material in our operations or elect to sell near-term excess, we may incur additional losses. Other market conditions that could affect the realizable value of our inventories and are periodically evaluated by management include the aging of inventories on hand, historical inventory turnover ratio, anticipated sales price, new product development schedules, the effect new products might have on the sale of existing products, product obsolescence, customer concentrations, the current market price of polysilicon as compared to the price in our fixed-price arrangements, and product merchantability, among other factors. If, based on assumptions about expected demand and market conditions, we determine that the cost of inventories exceeds its net realizable value or inventory is excess or obsolete, or we enter into arrangements with third parties for the sale of raw materials that do not allow us to recover our current contractually committed price for such raw materials, we record a write-down or accrual, which may be material, equal to the difference between the cost of inventories and the estimated net realizable value. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required that could negatively affect our gross margin and operating results. If actual market conditions are more favorable, we may have higher gross margin when products that have been previously written down are sold in the normal course of business.

Stock-Based Compensation

We provide stock-based awards to our employees, executive officers and directors through various equity compensation plans including our employee stock option and restricted stock plans. We measure and record compensation expense for all stock-based payment awards based on estimated fair values. The fair value of restricted stock awards and units is based on the market price of our common stock on the date of grant. We have not granted stock options since fiscal 2008. We are required under current accounting guidance to estimate forfeitures at the date of grant. Our estimate of forfeitures is based on our historical activity, which we believe is indicative of expected forfeitures. In subsequent periods if the actual rate of forfeitures differs from our estimate, the forfeiture rates are required to be revised, as necessary. Changes in the estimated forfeiture rates can have a significant effect on stock-based compensation expense since the effect of adjusting the rate is recognized in the period the forfeiture estimate is changed.

We also grant performance share units to executive officers and certain employees that require us to estimate expected achievement of performance targets over the performance period. This estimate involves judgment regarding future expectations of various financial performance measures. If there are changes in our estimate of the level of financial performance measures expected to be achieved, the related stock-based compensation expense may be significantly increased or reduced in the period that our estimate changes.

Variable Interest Entities ("VIE")

We regularly evaluate our relationships and involvement with unconsolidated VIEs and our other equity and cost method investments, to determine whether we have a controlling financial interest in them or have become the primary beneficiary, thereby requiring us to consolidate their financial results into our financial statements. In connection with the sale of the equity interests in the entities that hold solar power plants, we also consider whether we retain a variable interest in the entity sold, either through retaining a financial interest or by contractual means. If we determine that the entity sold is a VIE and that we hold a variable interest, we then evaluate whether we are the primary beneficiary. If we determine that we are the primary beneficiary, we will consolidate the VIE. The determination of whether we are the primary beneficiary is based upon whether we have the power to direct the activities that most directly impact the economic performance of the VIE and whether we absorb any losses or benefits that would be potentially significant to the VIE.

Accounting for Business Divestitures

From time to time, we may dispose of significant assets or portion of our business by sale or exchange for other assets. In accounting for such transactions, we apply the applicable guidance of U.S. GAAP pertaining to discontinued operations and disposals of components of an entity. We assess such transaction as regards specified significance measures to determine whether a disposal qualifies as a discontinuance of operations verses a sale of asset components of our entity. Our assessment includes how such a disposal may represent a significant strategic shift in our operations and its impact on our continuing involvement as regards that portion of our business. Instances where disposals do not remove our ability to participate in a

significant portion of our business are accounted as disposal of assets. Instances where disposals remove our ability to participate in a significant portion of our business are accounted as discontinued operations. For additional details see Note 4. *Business Combinations and Divestitures*" under "Item 8. Financial Statements and Supplementary Data-*Notes to Consolidated Financial Statements*." We charge disposal related costs that are not part of the consideration to general and administrative expense as they are incurred. These costs typically include transaction and disposal costs, such as legal, accounting, and other professional fees.

Accounting for Business Combinations

We record all acquired assets and liabilities, including goodwill, other intangible assets and in-process research and development, at fair value. The initial recording of goodwill, other intangible assets and in-process research and development requires certain estimates and assumptions concerning the determination of the fair values and useful lives. The judgments made in the context of the purchase price allocation can materially affect our future results of operations. Accordingly, for significant acquisitions, we obtain assistance from third-party valuation specialists. The valuations calculated from estimates are based on information available at the acquisition date. Goodwill is not amortized, but is subject to annual tests for impairment or more frequent tests if events or circumstances indicate it may be impaired. Other intangible assets are amortized over their estimated useful lives and are subject to impairment if events or circumstances indicate a possible inability to realize the carrying amount. For additional details see "Note 4. *Business Combinations and Divestitures*" and "Note 5. *Goodwill and Other Intangible Assets*" under "Item 8. Financial Statements and Supplementary Data-*Notes to Consolidated Financial Statements*."

Long-Lived Assets

Our long-lived assets include property, plant and equipment, solar power systems leased and to be leased, and other intangible assets with finite lives. We evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. 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. Our impairment evaluation of long-lived assets includes an analysis of estimated future undiscounted net cash flows expected to be generated by the assets over their remaining estimated useful lives. If our estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the assets over the remaining estimated useful lives, we record an impairment loss in the amount by which the carrying value of the assets exceeds the fair value. Fair value is generally measured based on either quoted market prices, if available, or discounted cash flow analyses.

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 our Maxeon 5. Accordingly, we are upgrading the equipment associated with our manufacturing operations for the production of Maxeon 5 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 then 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 our fixed asset investment recoverability test performed, we determined that our estimate of future undiscounted net cash in-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. Refer to Note 6. *Balance Sheet Components*" for further details.

Accounting for Income Taxes

On December 22, 2017, the U.S. enacted significant changes to U.S. tax law following the passage and signing of H.R.1, "An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018" (previously known as the Tax Cuts and Jobs Act of 2017 (the “Tax Act”). The Tax Act reduced the U.S. federal corporate tax rate from 35% to 21%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. The U.S. Department of Treasury has broad authority to issue regulations and interpretive guidance that may significantly impact how we would apply the law and impact our results of operations in the period issued. The Tax Act requires complex computations not previously provided in U.S. tax law. As such, the application of accounting guidance for such items was previously uncertain. During Q4 2018, we completed our analysis based on legislative updates currently available and reported no significant changes to the provisional amounts previously recorded which did not impact our income tax provision. We also confirmed that the Act does not impact our expectations of actual cash payments for income taxes in the foreseeable future. For more information, see "Item 8. Financial Statements and Supplementary Data-Notes to Consolidated Financial Statements-Note 14. *Income taxes*."

The Tax Act also included a provision to tax Global Intangible Low-Taxed Income ("GILTI"), of foreign subsidiaries in excess of a deemed return on their tangible assets. Pursuant to the SEC guidance on accounting for the Tax Act, corporations are allowed to make an accounting policy election to either (i) recognize the tax impact of GILTI as a period cost (the "period cost method"), or (ii) account for GILTI in the corporation's measurement of deferred taxes (the "deferred method"). In the fourth quarter of the fiscal year 2018, we elected to recognize the tax impact of GILTI as a period cost.

Our global operations involve manufacturing, research and development, and selling and project development activities. Profit from non-U.S. activities is subject to local country taxation, but not subject to U.S. tax until repatriated to the United States. It is our intention to indefinitely reinvest these earnings outside the United States. We record a valuation allowance to reduce our U.S., Malta, South Africa, and Spain entities' deferred tax assets 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. As of December 30, 2018, we believe there is insufficient evidence to realize additional deferred tax assets beyond the U.S. net operating losses that can be benefited through a carryback election; however, the reversal of the valuation allowance, which could be material, could occur in a future period.

The calculation of tax expense and liabilities involves dealing with uncertainties in the application of complex global tax regulations, including in the tax valuation of projects sold to tax equity partnerships and other third parties. We recognize potential liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period in which we determine the liabilities are no longer necessary. If the estimate of tax liabilities proves to be less than the ultimate tax assessment, a further charge to expense would result. We accrue interest and penalties on tax contingencies which are classified as "Provision for income taxes" in our Consolidated Statements of Operations and are not considered material. In addition, foreign exchange gains (losses) may result from estimated tax liabilities which are expected to be realized in currencies other than the U.S. dollar.

Pursuant to the Tax Sharing Agreement with Cypress, our former parent company, we are obligated to indemnify Cypress upon current utilization of carryforward tax attributes generated while we were part of the Cypress consolidated or combined group. Further, to the extent Cypress experiences any tax examination assessments attributable to our operations while part of the Cypress consolidated or combined group, Cypress will require an indemnification from us for those aspects of the assessment that relate to our operations. See also "Item 1A. Risk Factors - Risks Related to Our Operations-Our agreements with Cypress require us to indemnify Cypress for certain tax liabilities. These indemnification obligations and related contractual restrictions may limit our ability to pursue certain business initiatives."

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:

	Fiscal Year		
(In thousands)	**2018**	**2017**	**2016**
Net cash used in operating activities	$ (543,389)	$ (267,412)	$ (312,283)
Net cash provided by (used in) investing activities	$ 274,900	$ (293,084)	$ (354,783)
Net cash provided by financing activities	$ 85,847	$ 589,932	$ 159,779

Operating Activities

Net cash used in operating activities in fiscal 2018 was $543.4 million and was primarily the result of: (i) net loss of $917.5 million; (ii) $182.9 million increase in long-term financing receivables related to our net investment in sales-type leases; (iii) $127.3 million decrease in accounts payable and other accrued liabilities, primarily attributable to payments of accrued expenses; (iv) $39.2 million increase in inventories to support the construction of our solar energy projects; (v) $59.3 million gain on business divestiture; (vi) $54.2 million gain on the sale of equity investments; (vii) $30.5 million decrease in contract liabilities driven by construction activities; (viii) $43.5 million increase in contract assets driven by construction activities; and (ix) $0.2 million increase in accounts receivable, primarily driven by billings. This was partially offset by: (i) impairment of property, plant and equipment of $369.2 million; (ii) impairment of residential lease assets of $189.7 million; (iii) loss on sale of residential lease assets of $62.2 million; (iv) net non-cash charges of $162.1 million related to depreciation, stock-based compensation and other non-cash charges; (v) $22.8 million decrease in prepaid expenses and other assets, primarily related to the receipt of prepaid inventory; (vi) $17.8 million decrease in equity in earnings of unconsolidated investees; (vii) $44.4 million decrease in advance payments made to suppliers; (viii) $39.5 million decrease in project assets, primarily related to the construction of our Commercial solar energy projects; (ix) $3.9 million dividend from equity method investees; (x) $6.4 million unrealized loss on equity investments with readily determinable fair value; and (xi) $6.9 million net change in income taxes.

Net cash used in operating activities in fiscal 2017 was $267.4 million and was primarily the result of: (i) net loss of $1,170.9 million; (ii) $216.3 million decrease in accounts payable and other accrued liabilities, primarily attributable to payment of accrued expenses; (iii) $123.7 million increase in long-term financing receivables related to our net investment in sales-type leases; (iv) $1.2 million decrease in accounts receivable, primarily driven by collections; (v) $38.2 million increase in inventories to support the construction of our solar energy projects; (vi) $25.9 million increase in equity in earnings of unconsolidated investees; (vii) $7.0 million net change in income taxes; and (viii) $5.3 million gain on sale of equity method investment. This was partially offset by: (i) $624.3 million impairment of residential lease assets; (ii) other net non-cash charges of $239.6 million related to depreciation, stock-based compensation and other non-cash charges; (iii) $145.2 million increase in contract liabilities driven by construction activities; (iv) $110.5 million decrease in prepaid expenses and other assets, primarily related to the receipt of prepaid inventory; (v) $68.8 million decrease in advance payments made to suppliers; (vi) $2.4 million decrease in project assets, primarily related to the construction of our Commercial and Power Plant solar energy projects; (vii) $30.1 million dividend from 8point3 Energy Partners; (viii) $10.7 million decrease in contract assets driven by milestone billings; and (iv) $89.6 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.

Net cash used in operating activities in fiscal 2016 was $312.3 million and was primarily the result of: (i) net loss of $521.4 million; (ii) $203.3 million non-cash settlement of preexisting relationships in connection with the acquisition of AUOSP; (iii) $172.3 million increase in long-term financing receivables related to our net investment in sales-type leases; (iv) $70.4 million increase in inventories driven by purchases of polysilicon; (v) $33.5 million increase in accounts receivable, primarily attributable to collections; (vi) $3.6 million increase in project assets, primarily related to the construction of our Commercial and Power Plant solar energy projects; (vii) $14.3 million increase in equity in earnings of unconsolidated investees; (viii) $2.8 million excess tax benefit from stock-based compensation; (ix) $18.8 million decrease in accounts payable and other accrued liabilities; (x) $47.6 million decrease in contract liabilities; and (xi) $6.6 million increase in deferred income taxes and income tax liabilities. This was partially offset by: (i) other net non-cash charges of $237.9 million related to depreciation, stock-based compensation and other non-cash charges; (ii) $166.7 million in non-cash restructuring charge; (iii) $147.4 million impairment of goodwill; (iv) $90.9 million impairment of equity method investments; (v) $3.2 million decrease in prepaid expenses and other assets; (vi) $74.3 million decrease in advance payments made to suppliers; (vii) $54.9 million decrease in contract assets; and (viii) $6.9 million dividend from 8point3 Energy Partners LP.

Investing Activities

Net cash provided by investing activities in fiscal 2018 was $274.9 million, which included (i) proceeds from the sale of investment in joint ventures and non-public companies of $420.3 million; (ii) proceeds of $23.3 million from business divestiture; and (iii) a $13.0 million dividend from equity method investees. This was partially offset by: (i) $166.9 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) $14.7 million paid for investments in consolidated and unconsolidated investees.

Net cash used in investing activities in fiscal 2017 was $293.1 million, which included (i) $282.9 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; (ii) $18.6 million paid for investments in consolidated and unconsolidated investees; and (iii)

$1.3 million purchase of marketable securities. This was partially offset by proceeds from the sale of investment in joint ventures of $6.0 million and a $3.8 million dividend from equity method investees.

Net cash used in investing activities in fiscal 2016 was $354.8 million, which included (i) $310.1 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; (ii) $24.0 million paid for the acquisition of AUOSP, net of cash acquired; (iii) $11.5 million paid for investments in consolidated and unconsolidated investees; (iv) $9.8 million in payments to 8point3 Energy Partners; (v) $5.0 million paid for purchases of marketable securities; and (vi) $0.5 million paid for intangibles. This was partially offset by $6.2 million in proceeds from sales or maturities of marketable securities.

Financing Activities

Net cash provided by financing activities in fiscal 2018 was $85.8 million, which included: (i) $129.3 million of net contributions from noncontrolling interests and redeemable noncontrolling interests related to residential lease projects; (ii) $174.9 million in net proceeds from the issuance of non-recourse residential financing, net of issuance costs; and (iii) $94.7 million in net proceeds from the issuance of non-recourse power plant and commercial financing, net of issuance costs. This was partially offset by: (i) $307.6 million in net repayments of 0.75% debentures due 2018, bank loans and other debt; and (ii) $5.5 million in purchases of treasury stock for tax withholding obligations on vested restricted stock.

Net cash provided by financing activities in fiscal 2017 was $589.9 million, which included: (i) $351.8 million in net proceeds from the issuance of non-recourse power plant and commercial financing, net of issuance costs; (ii) $179.2 million of net contributions from noncontrolling interests and redeemable noncontrolling interests primarily related to residential lease projects; and (iii) $82.7 million in net proceeds from the issuance of non-recourse residential financing, net of issuance costs. This was partially offset by: (i) 19.1 million in net repayments of bank loans and other debt; and (ii) $4.8 million in purchases of treasury stock for tax withholding obligations on vested restricted stock.

Net cash provided by financing activities in fiscal 2016 was $159.8 million, which included: (i) $146.1 million in net proceeds from the issuance of non-recourse residential financing, net of issuance costs; and (ii) $127.3 million of net contributions from noncontrolling interests and redeemable noncontrolling interests related to the residential lease projects. This was partially offset by: (i) $56.4 million in net repayments from the issuance of non-recourse power plant and commercial financing, net of issuance costs; (ii) $30.0 million in net repayments of bank loans and other debt; (iii) $21.5 million in purchases of treasury stock for tax withholding obligations on vested restricted stock; and (iv) $5.7 million in cash paid for acquisitions.

Debt and Credit Sources

Convertible Debentures

As of December 30, 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 December 30, 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 December 30, 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 and expenses, 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 11. *Equity Investments*"). Immediately following the transaction, we repaid our loan under the Term Credit Agreement in full with the proceeds of the divestiture, 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 December 30, 2018, the fair value of the Bonds was $32.4 million, determined by using Level 2 inputs based on quarterly market prices as reported by an independent pricing source.

As of December 30, 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 December 30, 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 terminated 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 December 30, 2018, letters of credit issued and outstanding under the 2016 Non-Guaranteed LC Facility totaled $18.1 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 December 30, 2018, letters of credit issued and outstanding under the 2016 Guaranteed LC Facilities totaled $36.3 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 December 30, 2018, letters of credit issued under the Deutsche Bank Trust facility totaled $3.0 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 December 30, 2018, outstanding borrowings under the Construction Revolver totaled zero. As of December 30, 2018, we also had $75.0 million in additional borrowing capacity under our other limited recourse construction financing facilities.

Subordinated Mezzanine Loan with SunStrong Capital Lender LLC, an indirect subsidiary of Hannon Armstrong Sustainable Infrastructure Capital, Inc. ("Hannon Armstrong")

On August 10, 2018, SunStrong Capital Acquisition, LLC, a wholly-owned subsidiary of the Company (“Mezzanine Loan 1 Borrower”), and SunStrong Capital Lender LLC, a subsidiary of Hannon Armstrong, entered into a mezzanine loan agreement under which Mezzanine Loan 1 Borrower borrowed a subordinated, mezzanine loan of $110.5 million (the “Mezzanine Loan 1”)

and incurred issuance costs of $1.4 million related to the loan. On August 31, 2018, we repaid a principal amount of $2.1 million that resulted in an adjusted Mezzanine Loan 1 balance, net of issuance costs, of $107.0 million. The divestiture of our Residential Lease Portfolio resulted in the deconsolidation of this debt. See "Note 4. *Business Combinations and Divestitures*" for additional information.

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 fiscal 2018 and 2017, we had net repayments of $1.6 million, and $10.3 million, respectively, in connection with these loans. As of December 30, 2018 and December 31, 2017, the aggregate carrying amount of these loans, presented within "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was zero and $17.1 million, respectively. The decrease in the balance over the prior period can be attributed to the divestiture of our residential lease assets portfolio and the subsequent assumption of this debt by SunStrong. See "Note 4. *Business Combinations and Divestitures"* for additional information.

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 4 and 25 years. The remaining long-term loans 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 fiscal 2018 and 2017, we had net proceeds of $176.6 million and $72.4 million, respectively, in connection with these loans. As of December 30, 2018, and December 31, 2017, the aggregate carrying amount of these loans, presented within "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was zero and $356.6 million, respectively. The decrease in the balance over the prior period can be attributed to the divestiture of our residential lease assets portfolio. See "Note 4. *Business Combinations and Divestitures"* for additional information.

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 fiscal 2018 and 2017, we had net contributions of $129.3 million and $179.2 million, respectively, under these facilities and attributed losses of $106.4 million and $91.2 million, respectively, to the noncontrolling interests corresponding principally to certain assets, including tax credits, which were allocated to the noncontrolling interests during the periods. On November 5, 2018, we sold a 49% of our interest in our residential lease assets portfolio to a joint venture. As a result of this transaction, the partnerships holding such assets was deconsolidated and the non-controlling interests that existed prior to this transaction were eliminated from our balance sheet. As of December 30, 2018 and December 31, 2017, the aggregate carrying amount of these facilities, presented within “Redeemable noncontrolling interests in subsidiaries” and “Noncontrolling interests in subsidiaries” on our Consolidated Balance Sheets, was $58.8 million and $119.4 million, respectively. For additional information, refer to "Item 8. Financial Statements and Supplementary Data-Notes to Consolidated Financial Statements-Note 4. *Business Combination and Divestitures."*

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 December 30, 2018 and December 31, 2017, the aggregate carrying amount of this facility, presented within "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 December 30, 2018 and December 31, 2017, the aggregate carrying amount under this loan, presented within "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was $6.7 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 8. Financial Statements—Note 7. *Leasing*" in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for a discussion of our sale-leaseback arrangements accounted for under the financing method.

Liquidity

As of December 30, 2018, we had unrestricted cash and cash equivalents of $309.4 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 December 30, 2018, we had approximately $104.9 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 Act, incurred 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 $81.9 million in fiscal 2019 in order to increase our manufacturing capacity for our highest efficiency Maxeon 3 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 December 30, 2018, letters of credit issued under the Deutsche Bank Trust facility amounted to $3.0 million which were fully collateralized with restricted cash on our Consolidated Balance Sheet.

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. 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 a portion of 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 additional information, see "Item 8. Financial Statements—Note 7. *Leasing*" in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K. During the year ended December 30, 2018, we received $151.2 million in contributions from investors under the related facility agreements. During the fourth quarter of fiscal 2018, we successfully sold a portion of our interest in the Residential Lease Portfolio. In conjunction with our sale of the residential lease assets, we deconsolidated these less-than-wholly-owned entities in which we previously held a controlling interest. For further information, see "Item 1. Financial Statements—Note 4. *Business Combinations and Divestitures*" in the Notes to the Consolidated Financial Statements" in this Annual Report on Form 10-K.

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 $94.7 million of proceeds, net of issuance costs, under the loan agreements. During the fourth quarter of fiscal 2018, in conjunction with the sale of our interest in our residential lease assets portfolio we repaid these loans in full. We are actively arranging additional third-party financing for our continuing 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 $1.1 million of cash and cash equivalents within our remaining 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. For further information, see "Item 1. Financial Statements—Note 7. *Leasing*" in the Notes to the Consolidated Financial Statements" in this Annual Report on Form 10-K.

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 December 30, 2018, outstanding amounts related to our project financing totaled $6.5 million.

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 $95.0 million under the Revolver. As of December 30, 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 investments 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 investments 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.

Challenging industry conditions and a competitive environment extended throughout fiscal 2018. Our net losses, resulting in a net use of our available cash, continued in fiscal 2018 and are expected to continue through fiscal 2019. Despite the challenging industry conditions, including uncertainty around the regulatory environment, we believe that our cash and cash equivalents, including cash expected to be generated from operations, will be sufficient to meet our obligations over the next 12 months from the date of the issuance of our financial statements. Although we have been successful in our ability to divest certain investments and non-core assets, such as the divestiture of our equity interest in 8point3 Energy Partners LP (Note 11. *Equity Investments*), the sale of certain assets and intellectual property related to the production of microinverters (Note 4. *Business Combinations and Divestitures*), and the sale of membership interests in our Residential Lease Portfolio (Note 4. *Business Combinations and Divestitures*) and have secured other sources of financing in connection with our short-term liquidity needs, as well as realizing 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 and second quarter of fiscal 2018, we continue to focus on improving our overall operating performance and liquidity, including managing cash flow and working capital.

We also have the ability to enhance our available cash by borrowing up to $95.0 million under a revolving credit facility (the "Revolver") with Credit Agricole Corporate and Investment Bank ("Credit Agricole") pursuant to a Letter Agreement executed by us and Total S.A. on May 8, 2017 (the "Letter Agreement") through August 26, 2019, the expiration date of the Letter Agreement (see "Note 2. *Transactions with Total and Total S.A.*").

Although we have historically been able to generate liquidity, we cannot predict, with certainty, the outcome of our actions to generate liquidity as planned.

Contractual Obligations

The following table summarizes our contractual obligations as of December 30, 2018:

		Payments Due by Fiscal Period			
(In thousands)	**Total**	**2019**	**2020-2021**	**2022-2023**	**Beyond 2023**
Convertible debt, including interest[1]	$ 902,176	$ 20,500	$ 438,968	$ 442,708	$ —
CEDA loan, including interest[2]	61,238	2,550	5,100	5,100	48,488
Other debt, including interest[3]	74,990	42,692	9,203	6,444	16,651
Future financing commitments[4]	7,040	4,140	2,900	—	—
Operating lease commitments[5]	117,799	14,748	26,825	22,103	54,123
Sale-leaseback financing[6]	509,915	23,943	64,739	59,351	361,882
Capital lease commitments[7]	2,765	630	1,292	843	—
Non-cancellable purchase orders[8]	206,674	206,674	—	—	—
Purchase commitments under agreements[9]	713,309	231,754	413,580	67,975	—
Deferred purchase consideration in connection with acquisition[10]	60,000	30,000	30,000	—	—
Total	$ 2,655,906	$ 577,631	$ 992,607	$ 604,524	$ 481,144

[1]Convertible debt, including interest, relates to the aggregate of $825.0 million in outstanding principal amount of our senior convertible debentures on December 30, 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 8. Financial Statements—Note 10. Commitments and Contingencies" in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

[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 $7.0 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 module-level power electronics and alternating current cables, among others. These agreements specify future quantities and pricing of products to be supplied by the vendors for periods up to 5 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.

[10]In connection with the acquisition of AUO SunPower Sdn. Bhd. in 2016, we are required to make noncancellable annual installment payments during 2019 and 2020.

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 December 30, 2018 and December 31, 2017, total liabilities associated with uncertain tax positions were $16.8 million and $19.4 million, respectively, and are included within "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 December 30, 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 7A: *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%, 5% and 3% of our total revenue in fiscal 2018, 2017 and 2016, respectively. A 10% change in the Euro exchange rate would have impacted our revenue by approximately $11.5 million, $10.0 million and $7.6 million in fiscal 2018, 2017 and 2016, 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/or 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 December 30, 2018 and December 31, 2017, we had outstanding forward currency contracts with aggregate notional values of $11.4 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 December 30, 2018 and December 31, 2017, advances to suppliers totaled $171.6 million and $216.0 million, respectively. One supplier accounted for 99.6% of total advances to suppliers as of both December 30, 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. During the fourth quarter of fiscal 2018, we repaid all of our variable interest rate borrowings and as of December 30, 2018, the outstanding principal balance of our variable interest borrowings was $45.7 million. We do not believe

that an immediate 10% increase in interest rates would have a material effect on our financial statements under potential future borrowings. 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 December 30, 2018 and December 31, 2017, investments of $43.7 million and $450.0 million, respectively, are accounted for using the equity method. As of both December 30, 2018 and December 31, 2017, investments of $8.8 million and $35.8 million, respectively, are accounted for using the measurement alternative method.

On June 19, 2018, we completed the sale of our equity interest in the 8point3 Group. The carrying value of our equity method investments as of December 30, 2018 and December 31, 2017 included zero and $382.7 million, respectively, of our investment in the 8point3 Group (See "Item 8. Financial Statements—Note 11. *Equity Investments*" in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K). 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 during fiscal 2017 amounting to $86.0 million.

On August 9, 2018, we completed the sale of certain assets and intellectual property related to the production of microinverters to Enphase in exchange for $25.0 million in cash and 7.5 million shares of Enphase common stock. We received the common stock and a $15.0 million cash payment upon closing, and received the final $10.0 million cash payment of the purchase price on December 10, 2018. The common stock was recorded as an equity investment with readily determinable fair value (Level 1), with changes in fair value recognized in net income. For the fiscal year ended December 30, 2018, we recognized an unrealized loss of $6.4 million within "Other, net" under other income (expense), net, on the Consolidated Statement of Operations.

These strategic equity investments in third parties are subject to risk of changes in market value could result in realized impairment losses. 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 Debt

As of December 30, 2018, we held outstanding convertible debentures with an aggregate face value of $825.0 million, comprised of $425.0 million of 4.00% debentures due in 2023 and $400.0 million of 0.875% debentures due in 2021. The aggregate estimated fair value of our outstanding convertible debentures was $648.9 million and $982.8 million as of December 30, 2018 and December 31, 2017, respectively. Estimated fair values are based on quoted market prices as reported by an independent pricing source. The fair market value of our 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. When our common stock price is in-the-money relative to these fixed stock price conversion rates, the fair market value of the debentures will generally increase as the market price of our common stock increases, and decrease as our common stock's market price falls, based on each debenture's respective fixed conversion rate. 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 the right to convert such debentures into stock, or cash, in certain instances, but only applicable during periods when our common stock is in-the-money relative to such conversion rights. As our common stock price is significantly below the conversion price for both debentures and therefore unlikely to be exercised by the holders, a 10% increase or decrease in our common stock will not impact our financial statements.

We also have interest rate risk relating to our other outstanding debt, besides debentures, all of which bear fixed rates of interest (Refer Note 12. *Debt and Credit Sources*). The interest and market value changes affect the fair market value of these debts, but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligations. A hypothetical 10 basis points increase or decrease on market interest rates related to these debts would have an immaterial impact on the fair market value of these debts.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

SUNPOWER CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of SunPower Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SunPower Corporation (the Company) as of December 30, 2018 and December 31, 2017, the related consolidated statements of operations, comprehensive loss, equity, and cash flows for each of the three years in the period ended December 30, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 30, 2018 and December 31, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 30, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 13, 2019 expressed an unqualified opinion thereon.

Adoption of ASU No. 2014-09

As discussed in Note 1 to the consolidated financial statements, the Company changed its method for recognizing revenue as a result of the adoption of Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), and the amendments in ASUs 2015-14, 2016-08, 2016-10 and 2016-12 effective January 4, 2016.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.
San Jose, California
February 13, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of SunPower Corporation

Opinion on Internal Control over Financial Reporting

We have audited SunPower Corporation's internal control over financial reporting as of December 30, 2018, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, SunPower Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 30, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 30, 2018 and December 31, 2017, the related consolidated statements of operations, comprehensive loss, equity, and cash flows for each of the three years in the period ended December 30, 2018, and the related notes and our report dated February 13, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California
February 13, 2019

SunPower Corporation
Consolidated Balance Sheets
(In thousands, except share par values)

	December 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 309,407	$ 435,097
Restricted cash and cash equivalents, current portion	41,762	43,709
Accounts receivable, net[1]	175,605	204,966
Contract assets[1]	58,994	35,074
Inventories	308,146	352,829
Advances to suppliers, current portion	37,878	30,689
Project assets - plants and land, current portion[1]	10,796	103,063
Prepaid expenses and other current assets[1]	131,183	146,209
Total current assets	1,073,771	1,351,636
Restricted cash and cash equivalents, net of current portion	12,594	65,531
Restricted long-term marketable securities	5,955	6,238
Property, plant and equipment, net	839,871	1,147,845
Solar power systems leased and to be leased, net	92,557	369,218
Advances to suppliers, net of current portion	133,694	185,299
Long-term financing receivables, net - held for sale	19,592	330,672
Other intangible assets, net	12,582	25,519
Other long-term assets[1]	162,033	546,698
Total assets	$ 2,352,649	$ 4,028,656
Liabilities and Equity		
Current liabilities:		
Accounts payable[1]	$ 325,550	$ 406,902
Accrued liabilities[1]	235,252	231,771
Contract liabilities, current portion[1]	104,130	101,723
Short-term debt	40,074	58,131
Convertible debt, current portion[1]	—	299,685
Total current liabilities	705,006	1,098,212
Long-term debt	40,528	430,634
Convertible debt, net of current portion[1]	818,356	816,454
Contract liabilities, net of current portion[1]	99,509	133,390
Other long-term liabilities[1]	839,136	842,342
Total liabilities	2,502,535	3,321,032
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interests in subsidiaries	—	15,236
Equity:		
Preferred stock, $0.001 par value; 10,000 shares authorized; none issued and outstanding as of both December 30, 2018 and December 31, 2017	—	—
Common stock, $0.001 par value, 367,500 shares authorized; 152,085 shares issued, and 141,180 outstanding as of December 30, 2018; 149,818 shares issued, and 139,661 outstanding as of December 31, 2017	141	140
Additional paid-in capital	2,463,370	2,442,513
Accumulated deficit	(2,480,988)	(1,669,897)
Accumulated other comprehensive loss	(4,150)	(3,008)
Treasury stock, at cost; 10,905 shares of common stock as of December 30, 2018; 10,158 shares of common stock as of December 31, 2017	(187,069)	(181,539)
Total stockholders' (deficit) equity	(208,696)	588,209
Noncontrolling interests in subsidiaries	58,810	104,179
Total equity (deficit)	(149,886)	692,388
Total liabilities and equity	$ 2,352,649	$ 4,028,656

[1]We have related-party balances for transactions made with Total S.A. and its affiliates as well as unconsolidated entities in which we have 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 our Consolidated Balance Sheets (see Note 2, Note 8, Note 10, Note 11, Note 12, and Note 13).

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

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

	Fiscal Year Ended		
	December 30, 2018	December 31, 2017	January 1, 2017
Revenue:			
Solar power systems, components, and other[1]	$ 1,453,876	$ 1,594,941	$ 2,327,421
Residential leasing	272,209	199,106	225,216
	1,726,085	1,794,047	2,552,637
Cost of revenue:			
Solar power systems, components, and other[1,2]	1,843,150	1,678,400	2,163,956
Residential leasing	180,016	134,292	166,862
	2,023,166	1,812,692	2,330,818
Gross profit (loss)	(297,081)	(18,645)	221,819
Operating expenses:			
Research and development[1]	81,705	82,247	116,889
Sales, general and administrative[1]	260,111	278,645	332,757
Restructuring charges	17,497	21,045	207,190
Loss (gain) on sale and impairment of residential lease assets	251,984	624,335	(7,263)
Gain on business divestiture	(59,347)	—	—
Total operating expenses	551,950	1,006,272	649,573
Operating loss	(849,031)	(1,024,917)	(427,754)
Other income (expense), net:			
Interest income	3,057	2,100	2,652
Interest expense[1]	(108,011)	(90,288)	(61,273)
Gain on settlement of preexisting relationships in connection with acquisition[3]	—	—	203,252
Loss on equity method investment in connection with acquisition[3]	—	—	(90,946)
Goodwill impairment	—	—	(147,365)
Other, net[4]	55,314	(87,645)	(6,958)
Other income (expense), net	(49,640)	(175,833)	(100,638)
Loss before income taxes and equity in earnings (losses) of unconsolidated investees	(898,671)	(1,200,750)	(528,392)
Benefit from (provision for) income taxes	(1,010)	3,944	(7,318)
Equity in earnings (losses) of unconsolidated investees	(17,815)	25,938	14,295
Net loss	(917,496)	(1,170,868)	(521,415)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	106,405	241,747	72,780
Net loss attributable to stockholders	$ (811,091)	$ (929,121)	$ (448,635)
Basic and diluted net loss per share attributable to stockholders	$ (5.76)	$ (6.67)	$ (3.25)
Basic and diluted weighted-average shares	140,825	139,370	137,985

[1]We have related-party transactions with Total S.A. and its affiliates as well as unconsolidated entities in which we have 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 our Consolidated Statements of Operations (see Note 2 and Note 11).

[2]During the year ended December 30, 2018, we recognized impairment of property, plant and equipment of $369.2 million of which $355.1 million is reported in cost of revenue (see Note 6. "Balance Sheet Components-*Impairment of Property, Plant and Equipment*").

[3]See Note 4. "*Business Combination and Divestitures*".

[4] During the year ended December 30, 2018, we recognized profit that had previously been deferred related to historical projects sold to 8point3 Energy Partners along with a gain on the sale of our equity interest in 8point3 Energy Partners within "Other, net" (see Note 11. "*Equity Investments*").

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

SunPower Corporation
Consolidated Statements of Comprehensive Loss
(In thousands)

	Fiscal Year Ended		
	December 30, 2018	**December 31, 2017**	**January 1, 2017**
Net loss	$ (917,496)	$ (1,170,868)	$ (521,415)
Components of other comprehensive income (loss):			
Translation adjustment	(4,490)	5,638	(1,085)
Net change in derivatives (Note 13)	397	(1,764)	(4,739)
Net income (loss) on long-term pension liability adjustment	2,901	(64)	6,283
Unrealized gain on investments	—	(145)	—
Income taxes	50	565	326
Total other comprehensive income (loss)	(1,142)	4,230	785
Total comprehensive loss	(918,638)	(1,166,638)	(520,630)
Comprehensive loss attributable to noncontrolling interests and redeemable noncontrolling interests	106,405	241,747	72,780
Comprehensive loss attributable to stockholders	$ (812,233)	$ (924,891)	$ (447,850)

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

SunPower Corporation
Consolidated Statements of Equity
(In thousands)

	Redeemable Noncontrolling Interests	Common Stock Shares	Common Stock Value	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)	Noncontrolling Interests	Total Equity (Deficit)
Balances at January 3, 2016	**$ 69,104**	**136,711**	**$137**	**$2,359,917**	**$(155,265)**	**$ (8,023)**	**$ (747,617)**	**$1,449,149**	**$ 59,490**	**$1,508,639**
Net income (loss)	(75,817)	—	—	—	—	—	(448,635)	(448,635)	3,036	(445,599)
Cumulative-effect upon adoption of ASC 606							500,820	500,820		500,820
Other comprehensive loss	—	—	—	—	—	785	—	785	—	785
Issuance of restricted stock to employees, net of cancellations	—	2,836	3	—	—	—	—	3	—	3
Stock-based compensation expense	—	—	—	56,110	—	—	—	56,110	—	56,110
Tax benefit from convertible debt interest deduction	—	—	—	(2,822)	—	—	—	(2,822)	—	(2,822)
Tax benefit from stock-based compensation	—	—	—	(2,810)	—	—	—	(2,810)	—	(2,810)
Contributions from noncontrolling interests	117,120	—	—	—	—	—	—	—	29,215	29,215
Distributions to noncontrolling interests	(6,786)	—	—	—	—	—	—	—	(12,253)	(12,253)
Purchases of treasury stock	—	(1,039)	(1)	—	(21,518)	—	—	(21,519)	—	(21,519)
Balances at January 1, 2017	**$ 103,621**	**138,508**	**$139**	**$2,410,395**	**$(176,783)**	**$ (7,238)**	**$ (695,432)**	**$1,531,081**	**$ 79,488**	**$1,610,569**
Net loss	(152,926)	—	—	—	—	—	(929,121)	(929,121)	(88,821)	(1,017,942)
Cumulative-effect upon adoption of ASU 2016-09 and ASU 2016-16	—	—	—	—	—	—	(45,344)	(45,344)	—	(45,344)
Other comprehensive loss	—	—	—	—	—	4,230	—	4,230	—	4,230
Issuance of restricted stock to employees, net of cancellations	—	1,739	2	—	—	—	—	2	—	2
Stock-based	—	—	—	32,118	—	—	—	32,118	—	32,118

compensation expense										
Contributions from noncontrolling interests	71,928	—	—	—	—	—	—	—	125,500	125,500
Distributions to noncontrolling interests	(7,387)	—	—	—	—	—	—	—	(11,988)	(11,988)
Purchases of treasury stock	—	(589)	(1)	—	(4,756)	—	—	(4,757)	—	(4,757)
Balances at December 31, 2017	**$ 15,236**	**139,658**	**$140**	**$2,442,513**	**$(181,539)**	**$ (3,008)**	**$(1,669,897)**	**$ 588,209**	**$ 104,179**	**$ 692,388**
Net loss	(29,171)	—	—	—	—	—	(811,091)	(811,091)	(77,235)	(888,326)

	Redeemable Noncontrolling Interests	Common Stock Shares	Common Stock Value	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)	Noncontrolling Interests	Total Equity (Deficit)
Other comprehensive loss	—	—	—	—	—	(1,142)	—	(1,142)	—	(1,142)
Issuance of restricted stock to employees, net of cancellations	—	2,267	2	—	—	—	—	2	—	2
Stock-based compensation expense	—	—	—	25,790	—	—	—	25,790	—	25,790
Contributions from noncontrolling interests	36,734	—	—	—	—	—	—	—	114,470	114,470
Distributions to noncontrolling interests	(7,425)	—	—	—	—	—	—	—	(13,438)	(13,438)
Purchases of treasury stock	—	(747)	(1)	—	(5,530)	—	—	(5,531)	—	(5,531)
Reduction of non-controlling interest due to sale of interest in residential lease portfolio[1]	(15,374)	—	—	—	—	—	—	—	(61,766)	(61,766)
Noncontrolling interest buyout	—	—	—	(4,933)	—	—		(4,933)	(7,400)	(12,333)
Balances at December 30, 2018	**$ —**	**141,178**	**$141**	**$2,463,370**	**$(187,069)**	**$ (4,150)**	**$(2,480,988)**	**$ (208,696)**	**$ 58,810**	**$(149,886)**

[1]See Note 4 "*Business Combination and Divestitures*".

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

SunPower Corporation
Consolidated Statements of Cash Flows
(In thousands)

	Fiscal Year Ended		
	December 30, 2018	December 31, 2017	January 1, 2017
Cash flows from operating activities:			
Net loss	$ (917,496)	$ (1,170,868)	$ (521,415)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	127,204	185,283	170,537
Stock-based compensation	26,353	34,674	61,498
Non-cash interest expense	15,346	18,390	1,057
Non-cash restructuring charges	—	—	166,717
Gain on settlement of preexisting relationships in connection with acquisition	—	—	(203,252)
Dividend from equity method investees	3,947	30,091	6,949
Equity in (earnings) losses of unconsolidated investees	17,815	(25,938)	(14,295)
Excess tax benefit from stock-based compensation	—	—	(2,810)
Gain on sale of equity investments, net	(54,196)	(5,346)	—
Gain on business divestiture	(59,347)	—	—
Unrealized loss on equity investments with readily determinable fair value	6,375	—	—
Deferred income taxes	(6,862)	(6,966)	(6,611)
Impairment of equity method investment	—	89,564	90,946
Goodwill impairment	—	—	147,365
Impairment of property, plant and equipment	369,168	—	—
Loss (gain) on sale and impairment of residential lease assets	251,984	624,335	(7,263)
Other, net	(6,796)	1,298	4,793
Changes in operating assets and liabilities:			
Accounts receivable	(175)	(1,191)	(33,465)
Contract assets	(43,509)	10,660	62,161
Inventories	(39,174)	(38,236)	(70,448)
Project assets	39,512	2,393	(3,601)
Prepaid expenses and other assets	22,763	110,530	3,187
Long-term financing receivables, net	(182,937)	(123,674)	(172,272)
Advances to suppliers	44,417	68,767	74,341
Accounts payable and other accrued liabilities	(127,286)	(216,349)	(18,780)
Contract liabilities	(30,495)	145,171	(47,622)
Net cash used in operating activities	(543,389)	(267,412)	(312,283)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(44,906)	(69,791)	(187,094)
Cash paid for solar power systems, leased and to be leased	(68,612)	(86,539)	(84,289)
Cash paid for solar power systems	(41,808)	(126,548)	(38,746)
Purchases of marketable securities	—	(1,306)	(4,955)
Cash outflow from sale of residential lease portfolio, net of cash sold	(28,004)	—	—
Proceeds from sales or maturities of marketable securities	—	—	6,210
Proceeds from sale of cost method investments	33,402	—	—
Payments to 8point3 Energy Partners LP	—	—	(9,838)
Cash paid for acquisitions, net of cash acquired	(17,000)	—	(24,003)
Cash paid for intangibles	—	—	(521)
Dividend from equity method investees	12,952	3,773	—
Proceeds from sale of equity method investments	420,306	5,954	—
Proceeds from business divestiture	23,257	—	—
Cash paid for investments in unconsolidated investees	(14,687)	(18,627)	(11,547)
Net cash provided by (used in) investing activities	274,900	(293,084)	(354,783)
Cash flows from financing activities:			
Cash paid for acquisitions	—	—	(5,714)
Proceeds from bank loans and other debt	227,676	339,253	113,645
Repayment of 0.75% debentures due 2018, bank loans and other debt	(535,252)	(358,317)	(143,601)
Proceeds from issuance of non-recourse residential financing, net of issuance	192,287	89,612	183,990

costs			
Repayment of non-recourse residential financing	(17,358)	(6,888)	(37,932)
Contributions from noncontrolling interests and redeemable noncontrolling interests attributable to residential projects	151,204	196,628	146,334
Distributions to noncontrolling interests and redeemable noncontrolling interests attributable to residential projects	(21,918)	(18,228)	(19,039)
Proceeds from issuance of non-recourse power plant and commercial financing, net of issuance costs	126,020	527,897	738,822
Repayment of non-recourse power plant and commercial financing	(31,282)	(176,069)	(795,209)
Contributions from noncontrolling interests attributable to power plant and commercial projects	—	800	—
Purchases of stock for tax withholding obligations on vested restricted stock	(5,530)	(4,756)	(21,517)
Net cash provided by financing activities	85,847	589,932	159,779
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	2,068	689	735
Net (decrease) increase in cash, cash equivalents, restricted cash and restricted cash equivalents	(180,574)	30,125	(506,552)
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period[1]	544,337	514,212	1,020,764
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period[1]	$ 363,763	$ 544,337	$ 514,212
Non-cash transactions:			
Assignment of residential lease receivables to third parties	$ —	$ 129	$ 4,290
Stock consideration received from business divestiture	$ 42,600	$ —	$ —
Acquisition of noncontrolling interests funded by Mezzanine Loan proceeds	$ 12,400	$ —	$ —
Costs of solar power systems, leased and to be leased, sourced from existing inventory	$ 36,384	$ 57,688	$ 57,422
Costs of solar power systems, leased and to be leased, funded by liabilities	$ 3,631	$ 5,527	$ 3,026
Costs of solar power systems under sale-leaseback financing arrangements, sourced from project assets	$ 86,540	$ 110,375	$ 27,971
Property, plant and equipment acquisitions funded by liabilities	$ 8,214	$ 15,706	$ 43,817
Exchange of receivables for an investment in an unconsolidated investee	$ —	$ —	$ 2,890
Acquisition funded by liabilities	$ 9,000	$ —	$ 103,354
Contractual obligations satisfied with inventory	$ 56,840	$ 34,675	$ —
Assumption of debt by buyer upon sale of equity interest	$ 27,321	$ 196,104	$ —
Assumption of mezzanine loan by SunStrong in connection with sale of residential lease assets	$ 106,958	$ —	$ —
Assumption of back leverage loans by SunStrong in connection with sale of residential lease assets	$ 454,630	$ —	$ —
Retained interest in SunStrong lease portfolio	$ 9,750	$ —	$ —
Receivables in connection with sale of residential lease portfolio	$ 12,510	$ —	$ —
Supplemental cash flow information:			
Cash paid for interest, net of amount capitalized	$ 99,204	$ 59,885	$ 35,770
Cash paid for income taxes	$ 7,800	$ 12,795	$ 35,414

[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. *ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

Organization

SunPower Corporation (together with its subsidiaries, "SunPower," "we," "us," and "our") 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, we believe our solar cells have the highest solar power 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").

In the fourth quarter of 2018, in connection with our efforts to improve operational focus and transparency, drive overhead accountability into segment operating results, and increase strategic agility across value chain from our upstream business' core strength in manufacturing and technology and our downstream business' core strength in offering complete solutions in residential and commercial markets, we reorganized our segment reporting to an upstream and downstream structure. Previously, we operated under three end-customer segments comprised of our (i) Residential Segment, (ii) Commercial Segment, and (iii) Power Plan Segment. Historically, the Residential Segment referred to sales of solar energy solutions to residential end-customers, the Commercial Segment referred to sales of energy solutions to commercial and public entity end-customers, and the Power Plant Segment referred to our large-scale solar products and systems and component sales.

Under the new segmentation, SunPower Energy Services Segment ("SunPower Energy Services" or "Downstream") refers to sales of solar energy solutions in the North America region previously included in the legacy Residential Segment and Commercial Segment (collectively previously referred to as "Distributed Generation" or "DG") including direct sales of turn-key engineering, procurement and construction ("EPC") services, sales to our third-party dealer network, sales of energy under power purchase agreements ("PPAs"), storage solutions, cash sales and long-term leases directly to end customers, and sales to resellers. SunPower Energy Services Segment also includes sales of our global Operations and Maintenance ("O&M") services. SunPower Technologies Segment ("SunPower Technologies" or "Upstream") refers to our technology development, worldwide solar panel manufacturing operations, equipment supply to resellers and commercial and residential end-customers outside of North America ("International DG"), and worldwide power plant project development and project sales. Upon reorganization, some support functions and responsibilities, which previously resided within the corporate function, have been shifted to each segment, including financial planning and analysis, legal, treasury, tax and accounting support and services, among others.

The reorganization provides our management with a comprehensive financial overview of our key businesses. The application of this structure permits us to align our strategic business initiatives and corporate goals in a manner that best focuses our businesses and support operations for success.

Our Chief Executive Officer, as the chief operating decision maker (“CODM”), reviews our business, manages resource allocations and measures performance of our activities among the SunPower Energy Services Segment and SunPower Technologies Segment.

Reclassifications of prior period segment information have been made to conform to the current period presentation. These changes did not materially affect our previously reported Consolidated Financial Statements. See "Note 18. *Segment Information*" for additional discussion.

Liquidity

Challenging industry conditions and a competitive environment extended throughout fiscal 2018. Our net losses, resulting in a net use of our available cash, continued in fiscal 2018 and are expected to continue through fiscal 2019. Despite the challenging industry conditions, including uncertainty around the regulatory environment, we believe that our cash and cash equivalents, including cash expected to be generated from operations, will be sufficient to meet our obligations over the next 12 months from the date of the issuance of our financial statements. Although we have been successful in our ability to divest certain investments and non-core assets, such as the divestiture of our equity interest in 8point3 Energy Partners LP (Note 11. *Equity Investments*), the sale of certain assets and intellectual property related to the production of microinverters (Note 4. *Business Combinations and Divestitures*), and the sale of membership interests in our Residential Lease Portfolio (Note 4. *Business Combinations and*

Divestitures) and have secured other sources of financing in connection with our short-term liquidity needs, as well as realizing 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 and second quarter of fiscal 2018, we continue to focus on improving our overall operating performance and liquidity, including managing cash flow and working capital.

We also have the ability to enhance our available cash by borrowing up to $95.0 million under a revolving credit facility (the "Revolver") with Credit Agricole Corporate and Investment Bank ("Credit Agricole") pursuant to a Letter Agreement executed by us and Total S.A. on May 8, 2017 (the "Letter Agreement") through August 26, 2019, the expiration date of the Letter Agreement (see "Note 2. *Transactions with Total and Total S.A.*").

Although we have historically been able to generate liquidity, we cannot predict, with certainty, the outcome of our 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 SunPower, all of our 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 we establish in connection with certain project financing arrangements for customers are not designed to be available to service our general liabilities and obligations.

Reclassifications

Certain prior period balances have been reclassified to conform to the current period presentation in our consolidated financial statements and the accompanying notes.

Fiscal Periods

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. Fiscal 2018, 2017 and 2016 are 52-week fiscal years. Our fiscal 2018 ended on December 30, 2018, fiscal 2017 ended on December 31, 2017 and fiscal 2016 ended on January 1, 2017.

Management Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires us 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 measurement of fair value of assets acquired and liabilities assumed in a business combination; the valuation of retained equity interests in divestitures; 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

Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate their respective fair values due to their short-term maturities. Equity investments with readily determinable fair value are carried at fair value based on quoted market prices or estimated based on market conditions and risks existing at each balance sheet date. Equity investments without readily determinable fair value are

measured at cost less impairment, and are adjusted for observable price changes in orderly transactions for an identical or similar investment of the same issuer. Derivative financial instruments are carried at fair value based on quoted market prices for financial instruments with similar characteristics. The effective portion of derivative financial instruments is excluded from earnings and reported as a component of "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. The ineffective portion of derivatives financial instruments are included in "Other, net" in the Consolidated Statements of Operations.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity during a period from non-owner sources. Our comprehensive income (loss) for each period presented is comprised of (i) our net income (loss); (ii) foreign currency translation adjustment of our foreign subsidiaries whose assets and liabilities are translated from their respective functional currencies at exchange rates in effect at the balance sheet date, and revenues and expenses are translated at average exchange rates prevailing during the applicable period; (iii) changes in unrealized gains or losses, net of tax, for the effective portion of derivatives designated as cash flow hedges; and (iv) net income (loss) on long-term pension liability adjustment (see Note 13. *Derivative Financial Instruments*).

Cash Equivalents

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

Cash in Restricted Accounts

We maintain cash and cash equivalents in restricted accounts pursuant to various letters of credit, surety bonds, loan agreements, and other agreements in the normal course of business. We also hold debt securities, consisting of Philippine government bonds, which are classified as "Restricted long-term marketable securities" on our Consolidated Balance Sheets as they are maintained as collateral for present and future business transactions within the country (see Note 6. *Balance Sheet Components*).

Short-Term and Long-Term Investments

We may invest in money market funds and debt securities. In general, investments with original maturities of greater than ninety days and remaining maturities of one year or less are classified as short-term investments, and investments with maturities of more than one year are classified as long-term investments. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such investments represent the investment of cash that is available for current operations. Despite the long-term maturities, we have the ability and intent, if necessary, to liquidate any of these investments in order to meet our working capital needs within our normal operating cycles. We have classified these investments as available-for-sale securities.

Inventories

Inventories are accounted for on a first-in-first-out basis and are valued at the lower of cost or net realizable value. We evaluate the realizability of our inventories, including purchase commitments under fixed-price long-term supply agreements, based on assumptions about expected demand and market conditions. Our assumption of expected demand is developed based on our analysis of bookings, sales backlog, sales pipeline, market forecast, and competitive intelligence. Our assumption of expected demand is compared to available inventory, production capacity, future polysilicon purchase commitments, available third-party inventory, and growth plans. Our factory production plans, which drive materials requirement planning, are established based on our assumptions of expected demand. We respond to reductions in expected demand by temporarily reducing manufacturing output and adjusting expected valuation assumptions as necessary. In addition, expected demand by geography has changed historically due to changes in the availability and size of government mandates and economic incentives.

We evaluate the terms of our long-term inventory purchase agreements with suppliers, including joint ventures, for the procurement of polysilicon, ingots, wafers, and solar cells and establishes accruals for estimated losses on adverse purchase commitments as necessary, such as lower of cost or net realizable value adjustments, forfeiture of advanced deposits and liquidated damages. 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 compared to expected demand regularly. We anticipate total obligations related to long-term supply agreements for inventories will be realized

because quantities are less than our expected demand for our solar power products for the foreseeable future and because the raw materials subject to these long-term supply agreements are not subject to spoilage or other factors that would deteriorate its usability; however, if raw materials inventory balances temporarily exceed near-term demand, we may elect to sell such inventory to third parties to optimize working capital needs. In addition, because the purchase prices required by our long-term polysilicon agreements are significantly higher than current market prices for similar materials, if we are not able to profitably utilize this material in our operations or elect to sell near-term excess, we may incur additional losses. Other market conditions that could affect the realizable value of our inventories and are periodically evaluated by us include historical inventory turnover ratio, anticipated sales price, new product development schedules, the effect new products might have on the sale of existing products, product obsolescence, customer concentrations, the current market price of polysilicon as compared to the price in our fixed-price arrangements, and product merchantability, among other factors. If, based on assumptions about expected demand and market conditions, we determine that the cost of inventories exceeds its net realizable value or inventory is excess or obsolete, or we enter into arrangements with third parties for the sale of raw materials that do not allow us to recover our current contractually committed price for such raw materials, we record a write-down or accrual equal to the difference between the cost of inventories and the estimated net realizable value, which may be material. If actual market conditions are more favorable, we may have higher gross margin when products that have been previously written down are sold in the normal course of business (see Note 6. *Balance Sheet Components*).

Solar Power Systems Leased and to be Leased

Solar power systems leased to residential customers under operating leases are stated at cost, less accumulated depreciation and are amortized to their estimated residual value over the life of the lease term of up to 20 years.

Solar power systems to be leased represent systems that are under installation or which have not been interconnected, which will be depreciated as solar power systems leased to customers when the respective systems are completed, interconnected and subsequently leased to residential customers under operating leases.

Initial direct costs for operating leases are capitalized and amortized over the term of the related customer lease agreements.

During fiscal 2018 and 2017, events and circumstances indicated that the carrying value of our solar power systems leased and to be leased might not be recoverable. We determined it was necessary to evaluate the potential for impairment in our ability to recover the carrying amounts of these assets. 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, some of which require significant judgment by us. In accordance with such evaluation, we recognized a non-cash impairment charge on the Consolidated Statement of Operations. For additional information on the related impairment charge, see "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 7. *Leasing—Impairment of Residential Lease Assets.*"

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 our leasing transactions, we manage our financing receivables on an aggregate basis when assessing credit risk. We also consider the credit risk profile for our lease customers to be homogeneous due to the criteria we use to approve customers for our residential leasing program, which among other things, requires a minimum "fair" FICO credit quality. Accordingly, we do not regularly categorize our financing receivables by credit risk.

We recognize an allowance for losses on financing receivables in an amount equal to the probable losses net of recoveries. We maintain reserve percentages on past-due receivable aging buckets and base such percentages on several factors, including consideration of historical credit losses and information derived from industry benchmarking. We also place doubtful financing receivables on nonaccrual status and discontinue accrual of interest. Financing receivables over 180 days are determined to be delinquent.

During fiscal 2018 and 2017, events and circumstances indicated that we might not be able to collect all amounts due according to the contractual terms of the underlying lease agreements. We determined it was necessary to evaluate the potential for allowances in our 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 us. In accordance with such evaluation, we recognized an allowance for losses on the Consolidated Statement of Operations. For additional information on the related impairment charge (see Note 7. *Leasing—Impairment of Residential Lease Assets)*.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation, excluding solar power systems leased to residential customers and those associated with sale-leaseback transactions under the financing method, is computed using the straight-line method over the estimated useful lives of the assets as presented below. Solar power systems leased to residential customers and those associated with sale-leaseback transactions under the financing method are depreciated using the straight-line method to their estimated residual values over the lease terms of up to 20 years. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or the remaining term of the lease. Repairs and maintenance costs are expensed as incurred.

	Useful Lives in Years
Buildings	20 to 30
Leasehold improvements	1 to 20
Manufacturing equipment	7 to 15
Computer equipment	2 to 7
Solar power systems	30
Furniture and fixtures	3 to 5

Interest Capitalization

The interest cost associated with major development and construction projects is capitalized and included in the cost of the property, plant and equipment or project assets. Interest capitalization ceases once a project is substantially complete or no longer undergoing construction activities to prepare it for its intended use. When no debt is specifically identified as being incurred in connection with a construction project, we capitalize interest on amounts expended on the project at our weighted average cost of borrowed money.

Long-Lived Assets

We evaluate our 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. This evaluation includes consideration of technology obsolescence that may indicate that the carrying value of such assets may not be recoverable. The 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. We must exercise judgment in assessing such groupings and levels. We then compare 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 our estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the asset group, we record 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, and (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. For additional information on the impairment charge recorded in the year ended December 30, 2018 and the underlying fair value assumptions, see "Note 6. *Balance Sheet Components-Impairment of Property, Plant and Equipment*" and "Note 7. *Leasing-Impairment of Residential Lease Assets*."

Product Warranties

We generally provide a 25-year standard warranty for the solar panels that we manufacture for defects in materials and workmanship. The warranty provides that we will repair or replace any defective solar panels during the warranty period. In addition, we pass through to customers' long-term warranties from the original equipment manufacturers of certain system components, such as inverters. Warranties of 25 years from solar panel suppliers are standard in the solar industry, while certain system components carry warranty periods ranging from five to 20 years.

In addition, we generally warrant our workmanship on installed systems for periods ranging up to 25 years and also provide a separate system output performance warranty to customers that have subscribed to our post-installation monitoring and maintenance services which expires upon termination of the post-installation monitoring and maintenance services related to the system. The warrantied system output performance level varies by system depending on the characteristics of the system and the negotiated agreement with the customer, and the level declines over time to account for the expected degradation of the system. Actual system output is typically measured annually for purposes of determining whether warrantied performance levels have been met. 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 we will pay the customer a liquidated damage based on the value of the shortfall of energy produced relative to the applicable warrantied performance level.

We maintain reserves to cover the expected costs that could result from these warranties. Our expected costs are generally in the form of product replacement or repair. Warranty reserves are based on our best estimate of such costs and are recognized as a cost of revenue. We continuously monitor product returns for warranty failures and maintains a reserve for the related warranty expenses based on various factors including historical warranty claims, results of accelerated lab testing, field monitoring, vendor reliability estimates, and data on industry averages for similar products. Due to the potential for variability in these underlying factors, the difference between our estimated costs and our actual costs could be material to our consolidated financial statements. If actual product failure rates or the frequency or severity of reported claims differ from our estimates or if there are delays in our responsiveness to outages, we may be required to revise our estimated warranty liability. Historically, warranty costs have been within our expectations (see Note 10. *Commitments and Contingencies*).

Revenue Recognition

Effective January 1, 2018, we adopted Accounting Standards Update No. 2014-09—*Revenue from Contracts with Customers (Topic 606)*, as amended ("ASC 606"). For additional information on the new standard and the impact to our financial results, refer to the section *Impact to Previously Reported Consolidated Financial Statements* below.

Module and Component Sales

We sell our 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. Other than standard warranty obligations, there are no significant post-shipment obligations (including installation, training or customer acceptance clauses) with any of our customers that could have an impact on revenue recognition. Our revenue recognition policy is consistent across all geographic areas.

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

We design, manufacture and sell rooftop and ground-mounted solar power systems under construction and development agreements. Engineering, procurement and construction ("EPC") projects governed by customer contracts that require us 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. We recognize revenue from EPC services over time as our performance creates or enhances an energy generation asset controlled by the customer. We use an input method based on cost incurred as we believe that this method most accurately reflects our 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 us 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, we recognize the entire estimated loss in the period the loss becomes known and can be reasonably estimated.

For sales of solar power systems in which we sell a controlling interest in the project to a customer, we recognize all of the revenue for the consideration received, including the fair value of the noncontrolling interest obtained or retained, and in circumstances where we maintain significant influence over the retained noncontrolling interest, we defer any profit associated with our 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. We estimate the fair value of the noncontrolling interest using an income approach based on the valuation of the entire solar project. Further, in situations where we sell membership interests in our project entities to third-party tax equity investors in return for tax benefits (generally federal and/or state investment tax credits and accelerated depreciation), we view the sale of the rights to tax attributes associated with ownership of the underlying solar systems as a distinct performance obligation in the scope of ASC 606 because it is an output of our ordinary activities consistent with the guidance in ASC 606-10-15-3. The sale of the rights to the tax attributes is recognized at a point in time when the customers are eligible to claim the tax 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, we have provided indemnification to customers and investors under which we are 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's cash grant programs. Refer to "Note 10. *Commitments and Contingencies*" for further details.

Our 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. Variable consideration is estimated at each measurement date at its most likely amount to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur and true-ups are applied prospectively as such estimates change.

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) change orders, or (iv) changes in other information used to estimate costs. The cumulative effect of revisions to transaction prices or input cost estimates are recorded in the period in which the revisions to estimates are identified and the amounts can be reasonably estimated.

Operations and Maintenance

We offer our customers various levels of post-installation operations and maintenance ("O&M") services with the objective of optimizing our customers' electrical energy production over the life of the system. We determine that the post-installation systems monitoring and maintenance qualifies as a separate performance obligation. Post-installation monitoring and maintenance is deferred at the time the contract is executed, based on the estimate of selling price on a standalone basis, and is 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.

We typically provide a system output performance warranty, separate from our standard solar panel product warranty, to customers that have subscribed to our post-installation O&M services. In connection with system output performance warranties, we agree 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 we 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 updated at each reporting period and recognized over time as customers receive and consume the benefits of the O&M services.

Shipping and Handling Costs

We account for shipping and handling activities related to contracts with customers as costs to fulfill our promise to transfer goods and, accordingly, records such costs in cost of revenue.

Taxes Collected from Customers and Remitted to Governmental Authorities

We exclude from our 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.

Stock-Based Compensation

We measure and record compensation expense for all stock-based payment awards based on estimated fair values. We provide stock-based awards to our employees, executive officers, and directors through various equity compensation plans including our employee stock option and restricted stock plans. The fair value of restricted stock units is based on the market price of our common stock on the date of grant. We have not granted stock options since fiscal 2008.

We estimate forfeitures at the date of grant. Our estimate of forfeitures is based on our historical activity, which we believe is indicative of expected forfeitures. In subsequent periods if the actual rate of forfeitures differs from our estimate, the forfeiture rates are required to be revised, as necessary. Changes in the estimated forfeiture rates can have a significant effect on stock-based compensation expense since the effect of adjusting the rate is recognized in the period the forfeiture estimate is changed.

We also grant performance share units to executive officers and certain employees that require us to estimate expected achievement of performance targets over the performance period. This estimate involves judgment regarding future expectations of various financial performance measures. If there are changes in our estimate of the level of financial performance measures expected to be achieved, the related stock-based compensation expense may be significantly increased or reduced in the period that our estimate changes.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled approximately $6.9 million, $6.3 million and $24.9 million, in fiscal 2018, 2017, and 2016, respectively.

Research and Development Expense

Research and development expense consists primarily of salaries and related personnel costs, depreciation and the cost of solar cell and solar panel materials and services used for the development of products, including experiments and testing. All research and development costs are expensed as incurred. Research and development expense is reported net of contributions under the R&D Agreement with Total (See Note 2. *Transactions with Total and Total S.A.* for further details) and contracts with governmental agencies because such contracts are considered collaborative arrangements.

Translation of Foreign Currency

SunPower Corporation and certain of our subsidiaries use their respective local currency as their functional currency. Accordingly, foreign currency assets and liabilities are translated using exchange rates in effect at the end of the period.

Aggregate exchange gains and losses arising from the translation of foreign assets and liabilities are included in “Accumulated other comprehensive loss” in the Consolidated Balance Sheets. Foreign subsidiaries that use the U.S. dollar as their functional currency remeasure monetary assets and liabilities using exchange rates in effect at the end of the period. Exchange gains and losses arising from the remeasurement of monetary assets and liabilities are included in "Other, net" in the Consolidated Statements of Operations. Non-monetary assets and liabilities are carried at their historical values.

We include gains or losses from foreign currency transactions in "Other, net" in the Consolidated Statements of Operations with the other hedging activities described in Note 13. *Derivative Financial Instruments*.

Concentration of Credit Risk

We are exposed to credit losses in the event of nonperformance by the counterparties to our financial and derivative instruments. Financial and derivative instruments that potentially subject us to concentrations of credit risk are primarily 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, and purchased options. Our investment policy requires cash and cash equivalents, restricted cash and cash equivalents, and investments to be placed with high-quality financial institutions and to limit the amount of credit risk from any one issuer. Similarly, 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 one counterparty. The foreign currency derivative contracts are limited to a time period of less than 9 months. We regularly evaluate the credit standing of our counterparty financial institutions.

We perform ongoing credit evaluations of our customers’ financial condition whenever deemed necessary and generally we do not require collateral from our leasing customers. We maintain an allowance for doubtful accounts based on the expected collectability of all accounts receivable, which takes into consideration an analysis of historical bad debts, specific customer creditworthiness and current economic trends. Qualified customers under our residential lease program are generally required to have a minimum credit score. We believe that our concentration of credit risk is limited because of our large number of customers, credit quality of the customer base, small account balances for most of these customers, and customer geographic diversification. As of December 30, 2018 and December 31, 2017, we had no customers that accounted for at least 10% of accounts receivable. In addition, one customer accounted for approximately 24% and 22% of our "Contract assets" balance as of December 30, 2018 and December 31, 2017, respectively, on the Consolidated Balance Sheets.

We have entered into agreements with vendors that specify future quantities and pricing of polysilicon to be supplied for the next three years. The purchase prices required by these polysilicon supply agreements are significantly higher than current market prices for similar materials. Under certain agreements, we were required to make prepayments to the vendors over the terms of the arrangements.

Income Taxes

Deferred tax assets and liabilities are recognized for temporary differences between financial statement and income tax bases of assets and liabilities. Valuation allowances are provided against deferred tax assets when we cannot conclude that it is more likely than not that some portion or all deferred tax assets will be realized.

As applicable, interest and penalties on tax contingencies are included in "Benefit from (provision for) income taxes" in the Consolidated Statements of Operations and such amounts were not material for any periods presented. In addition, foreign exchange gains (losses) may result from estimated tax liabilities, which are expected to be settled in currencies other than the U.S. dollar.

The Tax Act and Jobs Act of 2017 (the "Tax Act") also included a provision to tax Global Intangible Low-Taxed Income (“GILTI”), of foreign subsidiaries in excess of a deemed return on their tangible assets. Pursuant to the SEC guidance on accounting for the Tax Act, corporations are allowed to make an accounting policy election to either (i) recognize the tax impact of GILTI as a period cost (the “period cost method”), or (ii) account for GILTI in the corporation’s measurement of deferred taxes (the “deferred method”). In the fourth quarter of the fiscal year 2018, we elected to recognize the tax impact of GILTI as a period cost.

Investments in Equity Interests

Investments in entities in which we can exercise significant influence, but do not own a majority equity interest or otherwise control, are accounted for under the equity method. We record our share of the results of these entities as "Equity in

earnings (losses) of unconsolidated investees" on the Consolidated Statements of Operations. We monitor our investments for other-than-temporary impairment by considering factors such as current economic and market conditions and the operating performance of the entities and records reductions in carrying values when necessary. The fair value of privately-held investments is estimated using the best available information as of the valuation date, including current earnings trends, undiscounted cash flows, and other company specific information, including recent financing rounds (see Note 6. *Balance Sheet Components* and Note 8. *Fair Value Measurements*).

Noncontrolling Interests

Noncontrolling interests represents the portion of net assets in consolidated subsidiaries that are not attributable, directly or indirectly, to us. Beginning in fiscal 2013, we have entered into facilities with third-party investors under which the investors are determined to hold noncontrolling interests in entities fully consolidated by us. The net assets of the shared entities are attributed to the controlling and noncontrolling interests based on the terms of the governing contractual arrangements. We further determined the hypothetical liquidation at book value method ("HLBV Method") to be the appropriate method for attributing net assets to the controlling and noncontrolling interests as this method most closely mirrors the economics of the governing contractual arrangements. Under the HLBV Method, we allocate recorded income (loss) to each investor based on the change, during the reporting period, of the amount of net assets each investor is entitled to under the governing contractual arrangements in a liquidation scenario.

Business Combinations

We record all acquired assets and assumed liabilities, including goodwill, other intangible assets, and in-process research and development, at fair value. The initial recording of goodwill, other identifiable intangible assets, and in-process research and development, requires certain estimates and assumptions concerning the determination of the fair values and useful lives. The judgments made in the context of the purchase price allocation can materially impact our future results of operations. Accordingly, for significant acquisitions, we obtain assistance from third-party valuation specialists. The valuations calculated from estimates are based on information available at the acquisition date (see Note 4. *Business Combinations and Divestiture* and Note 5. *Other Intangible Assets*). We charge acquisition related costs that are not part of the consideration to general and administrative expense as they are incurred. These costs typically include transaction and integration costs, such as legal, accounting, and other professional fees.

We initially record receipts of net assets or equity interests between entities under common control at their carrying amounts in the accounts of the transferring entity. Financial statements and financial information presented for prior years are retrospectively adjusted to effect the transfer as of the first date for which the entities were under common control. If the carrying amounts of the assets and liabilities transferred differ from the historical cost of the parent of the entities under common control, then amounts recognized in our financial statements reflect the transferred assets and liabilities at the historical cost of the parent of the entities under common control. Financial statements and financial information presented for prior years are also retrospectively adjusted to furnish comparative information as though the assets and liabilities had been transferred at that date.

Recently Adopted Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220) - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, to permit companies to reclassify disproportionate tax effects in accumulated other comprehensive income ("AOCI") caused by the Tax 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 Act related to items remaining in AOCI are recognized, or at the beginning of the period of adoption. We adopted this ASU in the fourth quarter of fiscal 2018. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

In August 2017, the FASB issued ASU 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 us no later than the first quarter of fiscal 2019 and requires a modified retrospective approach to adoption. We elected early adoption of this ASU in the first quarter of fiscal 2018. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

In May 2017, the FASB issued ASU 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. We

adopted this ASU in the first quarter of fiscal 2018. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

In March 2017, the FASB issued ASU 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. We adopted this ASU in the first quarter of fiscal 2018. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

In February 2017, the FASB issued ASU 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)* 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. We adopted this ASU in the first quarter of fiscal 2018. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

In January 2017, the FASB issued ASU 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 was effective for us no later than the first quarter of fiscal 2018 and required a prospective approach to adoption. We adopted this ASU in the first quarter of fiscal 2018. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

In January 2016, the FASB issued ASU 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 ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10)*, which provided clarifications to ASU 2016-01. We adopted this ASU in the first quarter of fiscal 2018 on a prospective basis for our equity investments without readily determinable fair value and elected the cost less impairment (if any) method, adjusted for observable price changes in orderly transactions for an identical or similar investment of the same issuer (the "measurement alternative method"). This election is reassessed on a required recurring basis. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

In May 2014, the FASB issued ASC 606. Under the new 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. We adopted ASC 606 on January 1, 2018, using the full retrospective method, which required us to restate each prior period presented. We implemented key system functionality and internal controls to enable the preparation of financial information upon adoption.

The most significant impact of ASC 606 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 us 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 us to reduce the potential profit on a project sale by our 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 our historical practice under ASC 360-20. For sales arrangements in which we obtain or retain an interest in the project sold to the customer, we recognize 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 (losses) of unconsolidated investees." We then recognize 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 our 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 our adoption of ASC 606 in the first quarter of fiscal 2018, we elected to apply the following practical expedients:

- We have not restated contracts that begin and are completed within the same annual reporting period;
- For completed contracts that have variable consideration, we used the transaction price at the date upon which the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods;
- We have excluded disclosures of transaction prices allocated to remaining performance obligations and when we expect to recognize such revenue for all periods prior to the date of initial application;
- We have not retrospectively restated our contracts to account for those modifications that were entered into before January 3, 2016, the earliest reporting period impacted by ASC 606;
- We have 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
- We have not assessed a contract asset or contract liability for a significant financing component if the period between the customer's payment and our transfer of goods or services is one year or less.

Refer to *Impact to Previously Reported Consolidated Financial Statements* below for the impact of adoption of the standard on the consolidated financial statements as of December 31, 2017 and January 1, 2017, and for the fiscal years ended December 31, 2017 and January 1, 2017.

Impact to Previously Reported Consolidated Financial Statements

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

	December 31, 2017		
(In thousands)	**As Reported**	**Adoption of ASC 606**	**As Adjusted[(1)]**
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	(35,989)	231,771
Billings in excess of costs and estimated earnings	8,708	(8,708)	—
Contract liabilities, current portion	—	101,723	101,723
Customer advances, current portion	54,999	(54,999)	—
Customer advances, net of current portion	69,062	(69,062)	—
Contract liabilities, net of current portion	—	133,390	133,390
Other long-term liabilities	954,646	(112,304)	842,342
Accumulated deficit	(2,115,188)	445,291	(1,669,897)

[(1)]Under the new segmentation, we reflected employee departments' changes between segments, including those that moved from corporate functions into the business units, and the associated impact on headcount related expenses to the comparative periods presented. This resulted in a shift of such expenses between Cost of Revenue and Operating Expenses in our reported consolidated financial statements that are not reflected in the table above. See "Note 18. *Segment and Geographical Information*".

(In thousands except per share)	Fiscal Year Ended December 31, 2017		
	As Reported	Adoption of ASC 606	As Adjusted[1]
Revenue:			
Solar power systems, components, and other	$ 1,667,376	$ (72,435)	$ 1,594,941
Residential leasing	204,437	(5,331)	199,106
Cost of revenue:			
Solar power systems, components, and other	1,749,377	(67,902)	1,681,475
Residential leasing	137,707	(3,415)	134,292
Gross profit (loss)	(15,271)	(6,449)	(21,720)
Interest expense	(89,754)	(534)	(90,288)
Other, net	(10,941)	(76,704)	(87,645)
Other expense, net	(98,595)	(77,238)	(175,833)
Loss before income taxes and equity in earnings of unconsolidated investees	(1,117,064)	(83,686)	(1,200,750)
Equity in earnings of unconsolidated investees	20,211	5,727	25,938
Net loss	(1,092,910)	(77,958)	(1,170,868)
Net loss attributable to stockholders	(851,163)	(77,958)	(929,121)
Basic and diluted net loss per share attributable to stockholders	$ (6.11)	$ (0.56)	$ (6.67)

[1]Under the new segmentation, we reflected employee departments' changes between segments, including those that moved from corporate functions into the business units, and the associated impact on headcount related expenses to the comparative periods presented. This resulted in a shift of such expenses between Cost of Revenue and Operating Expenses in our reported consolidated financial statements that are not reflected in the table above. See "Note 18. *Segment and Geographical Information*".

(In thousands except per share)	Fiscal Year Ended January 1, 2017		
	As Reported	Adoption of ASC 606	As Adjusted[1]
Revenue:			
Solar power systems, components, and other	$ 2,294,608	$ 32,813	$ 2,327,421
Residential leasing	264,954	(39,738)	225,216
Cost of revenue:			
Solar power systems, components, and other	2,173,364	(5,065)	2,168,299
Residential leasing	196,232	(29,370)	166,862
Gross profit (loss)	189,966	27,510	217,476
Gain on sale and impairment of residential lease assets	—	(7,263)	(7,263)
Interest expense	(60,735)	(538)	(61,273)
Other, net	(9,039)	2,081	(6,958)
Other expense, net	(102,181)	1,543	(100,638)
Loss before income taxes and equity in earnings of unconsolidated investees	(564,595)	36,203	(528,392)
Equity in earnings of unconsolidated investees	28,070	(13,775)	14,295
Net loss	(543,844)	22,429	(521,415)
Net loss attributable to stockholders	(471,064)	22,429	(448,635)
Basic and diluted net loss per share attributable to stockholders	$ (3.41)	$ 0.16	$ (3.25)

[1]Under the new segmentation, we reflected employee departments' changes between segments, including those that moved from corporate functions into the business units, and the associated impact on headcount related expenses to the comparative periods presented. This resulted in a shift of such expenses between Cost of Revenue and Operating Expenses in our reported consolidated financial statements that are not reflected in the table above. See "Note 18. *Segment and Geographical Information*".

(In thousands)	Fiscal Year Ended December 31, 2017		
	As Reported	Adoption of ASC 606	As Adjusted
Net loss	$ (1,092,910)	$ (77,958)	$ (1,170,868)
Adjustments to reconcile net loss to net cash used in operating activities, net of effect of acquisitions:			
Depreciation and amortization	188,698	(3,415)	185,283
Impairment of equity method investment	8,607	80,957	89,564
Equity in earnings of unconsolidated investees	(20,211)	(5,727)	(25,938)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(458)	(733)	(1,191)
Costs and estimated earnings in excess of billings	14,577	(14,577)	—
Contract assets	—	10,660	10,660
Project assets	19,153	(16,760)	2,393
Prepaid expenses and other assets	158,868	(48,338)	110,530
Long-term financing receivables, net	(123,842)	168	(123,674)
Accounts payable and other accrued liabilities	(192,096)	(24,253)	(216,349)
Billings in excess of costs and estimated earnings	(68,432)	68,432	—
Customer advances	113,626	(113,626)	—
Contract liabilities	—	145,171	145,171
Net cash used in operating activities	(267,412)	—	(267,412)
Net decrease in cash, cash equivalents, restricted cash and restricted cash equivalents	30,125	—	30,125
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	544,337	—	544,337

(In thousands)	Fiscal Year Ended January 1, 2017		
	As Reported	Adoption of ASC 606	As Adjusted
Net loss	$ (543,844)	$ 22,429	$ (521,415)
Adjustments to reconcile net loss to net cash used in operating activities, net of effect of acquisitions:			
Equity in earnings of unconsolidated investees	(28,070)	13,775	(14,295)
Depreciation and amortization	174,209	(3,672)	170,537
Loss on sale and impairment of residential lease assets	—	(7,263)	(7,263)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Costs and estimated earnings in excess of billings	6,198	(6,198)	—
Contract assets	—	62,161	62,161
Project assets	33,248	(36,849)	(3,601)
Prepaid expenses and other assets	48,758	(45,571)	3,187
Long-term financing receivables, net	(172,542)	270	(172,272)
Accounts payable and other accrued liabilities	(12,146)	(6,634)	(18,780)
Billings in excess of costs and estimated earnings	(38,204)	38,204	—
Customer advances	(16,969)	16,969	—
Contract liabilities	—	(47,622)	(47,622)
Net cash used in operating activities	(312,283)	—	(312,283)
Net decrease in cash, cash equivalents, restricted cash and restricted cash equivalents	(506,553)	—	(506,553)
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period	1,020,764	—	1,020,764
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period	514,212	—	514,212

Recent Accounting Pronouncements Not Yet Adopted

In October 2018, the FASB issued ASU 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*, which broadens the scope of the private company alternative to include all common control arrangements that meet specific criteria (not just leasing arrangements) and also eliminates the requirement that entities consider indirect interests held through related parties under common control in their entirety when assessing whether a decision-making fee is a variable interest. This ASU is effective for us no later than the first quarter of 2020 on a retrospective basis with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. We are evaluating the potential impact of this ASU on our consolidated financial statements and disclosures.

In October 2018, the FASB issued ASU 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes* which permits the use of the Overnight Index Swap Rate based on the Secured Overnight Financing Rate as a fifth U.S. benchmark interest rate for purposes of hedge accounting. The new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years and should be applied prospectively for qualifying new or redesignated hedging relationships entered into after January 1, 2019. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40)* requiring a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets. This ASU is effective for us no later than the first quarter of 2020 with early adoption permitted. This ASU can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are evaluating the potential impact of this standard on our consolidated financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20)* to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. This ASU is effective for us no later than the first quarter of 2020 with early adoption permitted. We are evaluating the potential impact of this standard on our consolidated financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)* which changes the fair value measurement disclosure requirements of ASC 820. This ASU is effective for us no later than the first quarter of 2020 with early adoption permitted. We are evaluating the potential impact of this standard on our consolidated financial statements and disclosures.

In January 2017, the FASB issued ASU 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. This ASU is effective for us no later than the first quarter of fiscal 2020. Early adoption is permitted beginning in the first quarter of fiscal 2017. The adoption of this new ASU will not impact our consolidated financial statements and related disclosure, as we no longer have goodwill.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, as amended ("ASC 842") to replace existing lease guidance and 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. ASC 842 also makes a distinction between operating and financing leases for purposes of reporting expenses on the income statement. In July 2018, the FASB issued several ASUs to clarify and improve certain aspects of the new lease standard including, among many other things, the rate implicit in the lease, lessee reassessment of lease classification, variable payments that depend on an index or rate, methods of transition including an optional transition method to continue recognizing and disclosing leases entered into prior to the adoption date under current GAAP ("ASC 840"). In December 2018, the FASB issued ASU 2018-20, *Leases (Topic 842) Narrow-Scope Improvements for Lessors*, related to sales taxes and other similar taxes collected from lessees, certain lessor costs paid by lessees to third parties, and related to recognition of variable payments for contracts.

This ASU will be effective for us in the first quarter of 2019 and we expect to adopt using the optional transition method and all available practical expedients. We continue to make progress with our project plan, which includes evaluating contracts, developing policies, and implementing new controls and enhancing existing controls that will be necessary under the new standard.

Upon adoption, we expect the following changes to our accounting policies:

- Solar leases will no longer meet the criteria for lease accounting as our contracts do not allow the customer to direct the use of the underlying solar system. Instead, we will account for these arrangements as service contract pursuant to ASC Topic 606 and be recognized ratably based on contractual lease cash flows over the lease term.
- Real estate and other operating lease arrangements will be monitored and accounted pursuant to ASC 842.
- Arrangements that involve the lease-back of solar systems sold to a financier will continue to be accounted for as a failed sale and result in the recording of a financing liability pursuant to ASC 842.

We are in the final stages of completing our review of historical lease contracts to quantify the expected impact of adoption on our consolidated financial statements. Based on our current evaluation of our entire population of contracts impacted by ASC 842 upon adoption, we expect to record on our Consolidated Balance Sheets, right-of-use assets and lease liabilities of approximately $75.0 million to $95.0 million in relation to sale-leaseback arrangements and real-estate lease commitments. In addition, we expect to record an adjustment to our accumulated deficit, net of taxes, of approximately $5.0 million to $15.0 million from the recognition of previously deferred profit under sale-lease back arrangements.

We continue to assess the potential impacts of the new standard, including the areas described above, and anticipate that this standard will have a material impact on our Consolidated Balance Sheets and disclosures. However, we do not know or cannot reasonably estimate quantitative information, beyond that discussed above, related to the impact of the new standard on the financial statements at this time.

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

In June 2011, Total completed a cash tender offer to acquire 60% of our 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, we entered into a Private Placement Agreement with Total (the "Private Placement Agreement"), under which Total purchased, and we issued and sold, 18.6 million shares of our common stock for a purchase price of $8.80 per share, thereby increasing Total's ownership to approximately 66% of our outstanding common stock as of that date. As of December 30, 2018, through the increase of our total outstanding common stock due to the exercise of warrants and issuance of restricted and performance stock units, Total's ownership of our outstanding common stock was approximately 56%.

Supply Agreements

In November 2016, we and Total entered into a four-year, up to 200 megawatt ("MW") supply agreement to support the solarization of certain Total facilities. The agreement covers the supply of 150 MW of Maxeon 2 (formally known as E-Series) panels with an option to purchase up to another 50 MW of P-Series solar panels. In March 2017, we received a prepayment totaling $88.5 million. The prepayment is secured by certain of our assets located in the United States and in Mexico.

We recognize revenue for the solar panels supplied under this arrangement consistent with our 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, we started to supply Total with solar panels under the supply agreement and as of December 30, 2018, we had $18.4 million of "Contract liabilities, current portion" and $45.3 million of "Contract liabilities, net of current portion" on our Consolidated Balance Sheets related to the aforementioned supply agreement (see Note 10. *Commitments and Contingencies*").

In March 2018, we and Total, each through certain affiliates, entered into an agreement whereby we agreed to sell 3.42 MW of photovoltaic ("PV") 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, we 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 us 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 us. At any time until December 31, 2018, Total S.A. will, at our request, guarantee the payment to the applicable issuing bank of our 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 us. Such letters of credit must be issued no later than December 31, 2018 and expire no later than March 31, 2020. Total S.A. is required to issue and enter into a Guaranty requested by us, subject to certain terms and conditions. In addition, Total will not be required to enter into the Guaranty if, after giving effect to our 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 us, would exceed $500.0 million in the aggregate. Such maximum amounts of credit support available to us can be reduced upon the occurrence of specified events.

In consideration for the commitments of Total S.A. pursuant to the Credit Support Agreement, we are 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, we 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 our 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 12. *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, 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 Guaranty outstanding. The maturity date of the Letter Agreement is August 26, 2019.

Affiliation Agreement

We and Total have entered into an Affiliation Agreement that governs the relationship between Total and us (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., and 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 our shares in excess of certain thresholds, or request us or our 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 us.

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 us and imposes certain limitations on the Total Group's ability to transfer 40% or more of the outstanding shares or voting power of us 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 our Board of Directors.

The Affiliation Agreement provides Total with the right to maintain its percentage ownership in connection with any new securities issued by us, 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 us and our 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

We and Total 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 our technology position in the crystalline silicon domain, as well as ensuring our industrial competitiveness. The R&D Agreement enables a joint committee to identify, plan and manage the R&D Collaboration.

Upfront Warrant

In February 2012, we issued a warrant (the "Upfront Warrant") to Total S.A. to purchase 9,531,677 shares of our 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 our 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 our common stock at such time, a circumstance which would trigger the repurchase or conversion of our existing convertible debt.

0.75% Debentures Due 2018

In May 2013, we 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 our 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 our 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, we redeemed the 0.75% debentures due 2018 at maturity in full for cash with proceeds from the Term Credit Agreement. On June 19, 2018, we completed the sale of our equity interest in the 8point3 Group, the proceeds of which were used to repay the loan under the Term Credit Agreement.

0.875% Debentures Due 2021

In June 2014, we issued $400.0 million in principal amount of our 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 our 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 our 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, we issued $425.0 million in principal amount of our 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 our 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 our 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 Solar Projects with Total and its Affiliates

We enter 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 December 30, 2018, we had $0.02 million of "Contract assets" and $3.8 million of "Accounts receivable, net" on our Consolidated Balance Sheets related to projects in which Total and its affiliates have a direct or indirect material interest.

In connection with a co-development solar project between us, Total and an independent third party, we sold 25% of our ownership interests in the co-development solar project to Total. The amount received from Total was immaterial for fiscal 2018. We sold an additional 25% of our ownership interest to Total during the fourth quarter of 2018 and will supply PV in late 2019 to the solar project. However, recent amendments to the feed-in-tariff rules in Japan have had a significant impact on the co-development solar project's ability to secure financing and we are currently exploring alternatives to monetize our investment in the co-development solar project.

In connection with a co-development solar project between us and Total, Total paid $0.3 million to us for development fees for fiscal 2018.

In connection with a co-development project between us and Total, Total paid $0.5 million to us in exchange for our ownership interest in the co-development project for fiscal 2017.

During the fourth quarter of 2017, we sold our remaining noncontrolling interests in a co-development project entity to Total, which was accounted for as equity method investment, resulting in a gain of $5.3 million in "Other income (expense), net" of the Consolidated Statements of Operations.

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)	**December 30, 2018**	**December 31, 2017**
Accounts receivable	$ 3,823	$ 2,366
Contract assets	$ 18	$ 154
Contract liabilities, current portion[1]	$ 18,408	$ 12,744
Contract liabilities, net of current portion[1]	$ 45,258	$ 68,880

[1] Refer to Note 10. *Commitments and Contingencies - Advances from Customers*.

(In thousands)	Fiscal Year Ended 2018	2017	2016
Revenue:			
EPC, O&M, and components revenue	$ 28,094	$ 42,968	$ 64,719
Cost of revenue:			
EPC, O&M, and components cost of revenue	$ 16,382	$ 30,400	$ 60,799
Research and development expense:			
Offsetting contributions received under the R&D Agreement	$ (93)	$ (138)	$ (557)
Interest expense:			
Guarantee fees incurred under the Credit Support Agreement	$ 5,312	$ 6,325	$ 7,130
Interest expense incurred on the 0.75% debentures due 2018	$ 547	$ 1,500	$ 1,500
Interest expense incurred on the 0.875% debentures due 2021	$ 2,188	$ 2,188	$ 2,188
Interest expense incurred on the 4.00% debentures due 2023	$ 4,000	$ 4,000	$ 4,000

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

Disaggregation of Revenue

The following tables represent a disaggregation of revenue from contracts with customers for the fiscal year 2018, 2017 and 2016 along with the reportable segment for each category:

(In thousands)	Fiscal Year SunPower Technologies			SunPower Energy Services			Total Revenue		
Category	2018	2017	2016	2018	2017	2016	2018	2017	2016
Module and component sales	$ 532,590	$ 408,303	$ 313,652	$ 477,652	$ 428,799	$ 476,483	$ 1,010,242	$ 837,102	$ 790,135
Solar power systems sales and EPC services	147,756	470,851	1,238,494	213,345	211,850	207,813	361,101	682,701	1,446,307
Operations and maintenance	—	—	—	49,089	43,643	36,208	49,089	43,643	36,208
Leasing[1]	125	4,687	1,491	305,528	225,914	278,496	305,653	230,601	279,987
Revenue	$ 680,471	$ 883,841	$ 1,553,637	$ 1,045,614	$ 910,206	$ 999,000	$ 1,726,085	$ 1,794,047	$ 2,552,637

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

We recognize 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, we commence recognizing revenue when control of the underlying system transfers to the customer and continue 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, we recognize the entire estimated loss in the period the loss becomes known. For contracts with post-installation systems monitoring and maintenance, we recognize revenue related to systems monitoring and maintenance over the non-cancellable 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) change orders, or (iv) changes in other information used to estimate costs. Changes in estimates may have a material effect on our 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 years ended December 30, 2018 and December 31, 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 an impact on revenue and or cost 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.

(In thousands, except number of projects)	Fiscal Year Ended December 30, 2018	December 31, 2017	January 1, 2017
Increase (decrease) in revenue from net changes in transaction prices	$ —	$ —	$ (743)
Increase (decrease) in revenue from net changes in input cost estimates	(1,045)	—	5,768
Net increase (decrease) in revenue from net changes in estimates	$ (1,045)	$ —	$ 5,025
Number of projects	1	—	6
Net change in estimate as a percentage of aggregate revenue for associated projects	—%	—%	—%

For the years ended December 30, 2018 and December 31, 2017, there were no material adjustments to revenue as a result of changes in transaction prices or input cost estimates. For the year ended January 1, 2017, revenue increased by $5.0 million from net changes in transaction prices and input cost estimates.

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 our residential lease program which are accounted for under the lease accounting guidance. Refer to "Note 6. *Balance Sheet Components*" for further details.

During the year ended December 30, 2018, the increase in contract assets of $43.5 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 year ended December 30, 2018, the decrease in contract liabilities of $31.5 million was primarily due to the attainment of milestones billings for a variety of projects. During the year ended December 30, 2018, we recognized revenue of $94.4 million that was included in contract liabilities as of December 31, 2017. During the year ended December 31, 2017, we recognized revenue of $58.7 million that was included in contract liabilities as of January 1, 2017.

The following table represents our remaining performance obligations as of December 30, 2018 for our sales of solar power systems, including projects under sales contracts subject to conditions precedent, and EPC agreements for developed projects that we are constructing or expect to construct. We expect to recognize $62.3 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)	Solar power systems sales and EPC services	Constellation	2019	98.9%
Miyagi Osato Solar Park	Solar power systems sales and EPC services	SB Energy and TOTAL Solar	2019	85.0%
Various Distribution Generation Projects[1]	Solar power systems sales and EPC services	Various	2020	87.4%

[1]Denotes average percentage of revenue recognized.

As of December 30, 2018, we entered into contracts with customers for the future sale of modules and components for an aggregate transaction price of $466.6 million, the substantial majority of which we expect to recognize as revenue through 2019. As of December 30, 2018, we had entered into O&M contracts of utility-scale PV solar power systems. We expect to recognize $10.6 million of revenue during the non-cancellable term of these O&M contracts over an average period of three months.

Note 4. ***BUSINESS COMBINATION AND DIVESTITURES***

Formation of SunStrong Capital Holdings, LLC ("SunStrong") Joint Venture and Transfer of Interest in Residential Lease Portfolio

We offer a solar lease program, in partnership with tax-equity investors, which provides U.S. residential customers SunPower systems under 20-year lease agreements that include system maintenance and warranty coverage. The residential leases are classified as either operating or sales-type leases (the "Residential Lease Portfolio") in accordance with the relevant accounting guidelines. The arrangement with the tax equity investor is facilitated through the sale equity interests in a solar project company that has ownership of the residential lease assets. We retain controlling equity interests in the solar project company and the tax-equity investor acquires non-controlling equity interests with the intention of monetizing the tax attributes that will be generated by the residential lease assets. On July 10, 2018, we created SunStrong Capital Holdings, LLC ("SunStrong") to own and operate a portion of our residential lease assets and subsequently contributed to SunStrong our controlling equity interests in the aforementioned solar project companies.

As part of our previously announced decision to sell a portion of our interest in our Residential Lease Portfolio, on November 5, 2018, we entered into a Purchase and Sale agreement (the "PSA") with HA SunStrong Capital LLC ("HA SunStrong Parent"), a subsidiary of Hannon Armstrong, to sell 49.0% membership interests in SunStrong for cash proceeds of $10.0 million (the "Transaction"). Following the closing of the PSA, we also entered into an Amended and Restated Limited Liability Company Operating Agreement (the "Operating Agreement") with HA SunStrong Parent that results in the operation of SunStrong as a joint venture entity. In addition, we have been retained by SunStrong to provide management services, asset management services and O&M services. The services that will be provided are priced consistently with market rates for such services and the agreements are terminable by SunStrong for convenience.

In evaluating the accounting treatment for the transaction described above, we concluded that the Residential Lease Portfolio meets the definition of a business and then proceeded to assess whether SunPower has a controlling financial interest in SunStrong in accordance with the relevant consolidation accounting guidance. We have offered SunStrong certain substantive, non-standard indemnifications related to cash flow losses arising from a recapture of California property taxes on account of a change in ownership, recapture of federal tax attributes and cash flow losses from leases that do not generate the promised savings to homeowners. The maximum exposure to loss arising from the indemnifications is limited to the consideration received for the solar power systems. While our retention of certain indemnification obligations on behalf of SunStrong may require us to absorb losses that are not proportionate with our equity interests, we do not have the power to unilaterally make decisions that affect the performance of SunStrong. Under the Operating Agreement, we and HA SunStrong Parent are given equal governing rights and all major decisions, including among others, approving or modifying the budget, terminating service providers, incurring indebtedness, refinancing any existing loans, declaring distributions, commencing or settling any claims, require unanimous consent. Therefore, we concluded that we do not control SunStrong nor are we the primary beneficiary of SunStrong. Accordingly, we deconsolidated SunStrong and thereby deconsolidated the Residential Lease Portfolio including the associated non-recourse financing debt of $561.6 million as of the date of sale. We have accounted for our retained investment in SunStrong as an equity method investment and have estimated the fair value of the retained interest at $9.6 million. We computed the fair value for our retained investment consistent with the methodology and assumptions that market participants would use in their estimates of fair value. Determining the fair value involves significant estimates and assumptions. We used the income approach to estimate the fair value of our retained investment in Residential Lease Portfolio. The income approach is based on the discounted cash flow method that uses the estimates for forecasted future financial performance, including assumptions for, among others, forecasted contractual lease income, lease expenses, residual value of these lease assets and long-term discount rates, and forecasted default rates over the lease term and discount rates, some of which require significant judgment by management. These estimates are developed based on historical data and various internal estimates. Projected cash flows are then discounted to a present value employing a discount rate that properly accounts for the estimated market weighted-average cost of capital, as well as any risk unique to the subject cash flows. In addition to the cash proceeds noted above, we are entitled to additional cash and non-cash consideration that is described below.

On August 10, 2018, SunStrong Capital Acquisition, LLC, a wholly-owned subsidiary of SunStrong ("Mezzanine Loan 1 Borrower"), and SunStrong Capital Lender LLC, a subsidiary of Hannon Armstrong, entered into a mezzanine loan agreement under which Mezzanine Loan 1 Borrower borrowed a subordinated, mezzanine loan of $110.5 million (the "Mezzanine Loan 1") and incurred issuance costs of $1.4 million related to the loan. On August 31, 2018, we repaid a principal amount of $2.1 million that resulted in an adjusted Mezzanine Loan 1 balance, net of issuance costs, of $107.0 million. In connection with the closing of the PSA, SunStrong assumed all current and future debt service obligations associated with Mezzanine Loan 1. The assumption of such debt, although a non-cash transaction for us, was reflected in the determination of the loss recognized upon deconsolidation of the Residential Lease Portfolio.

On November 5, 2018, SunStrong Capital Acquisition OF, LLC, a wholly-owned subsidiary of SunStrong (“Mezzanine Loan 2 Borrower”), and SunStrong Capital Lender 2 LLC, a subsidiary of Hannon Armstrong, entered into a loan agreement under which, Mezzanine Loan 2 Borrower may borrow a subordinated, mezzanine loan of up to $32.0 million (the “Mezzanine Loan 2”). The borrowing facilities provided by the Mezzanine Loan 2 have been determined in consideration of the residential lease assets for which we have either completed construction or have the obligation to complete construction after November 5, 2018. On November 20, 2018, Mezzanine Loan 2 Borrower borrowed approximately $24.6 million and distributed $19.6 million of the proceeds to us. The remaining proceeds of $5.0 million represents additional consideration that is held in a reserve by SunStrong and the proceeds will be distributed to us upon completion of our contractual obligations by the second quarter of 2019. Mezzanine Loan 2 Borrower is expected to draw an additional approximately $5.6 million against the Mezzanine Loan 2 of which approximately $4.0 million is associated with residential lease assets for which construction was completed. On December 21, 2018, we received $4.6 million as a special distribution from SunStrong. The remaining amount of $1.0 million represents additional consideration related to residential lease assets for which we will provide construction services after the close of the Transaction.

On November 5, 2018, the proceeds generated from the sale of future solar renewable energy credits, along with equity interests held by SunStrong in the underlying solar project companies, were pledged to secure a warehousing loan from Credit Agricole Corporate and Investment Bank (“Credit Agricole”). Borrowed Sunshine, LLC, (“CA Loan Borrower”) formerly one of our wholly-owned subsidiaries, entered into a loan agreement with Credit Agricole on January 5, 2018 under which the CA Loan Borrower may borrow a subordinated loan of up to $170.0 million. The CA Loan Borrower expects to draw an additional amount of approximately $17.5 million of which approximately $11.8 million is associated with residential lease assets for which construction was completed. On November 29, 2018, we received $4.1 million and on December 27, 2018, we received $7.7 million as a special distribution from SunStrong. The remaining amount of approximately $5.7 million represents additional consideration related to residential lease assets for which we will provide construction services after the close of the Transaction.

Tax-equity investors are required to make contributions to the solar project companies upon achievement of certain condition precedents. Contributions of approximately $5.6 million will be distributed to us as the developer of the Residential Lease Portfolio. During the period from the date of sale and for the year ended December 30, 2018, cash proceeds of $4.2 million were received. The remaining proceeds of $1.4 million represents additional consideration related to residential lease assets for which we will provide construction services after the close of the Transaction. In addition, on December 21, 2018, we received $3.2 million as a special distribution from SunStrong for transferring our rights to the future solar renewable energy credits ("SREC") associated with the residential lease assets. The tax-equity investor contribution and the special SREC distribution was reflected in the determination of the loss recognized upon deconsolidation of the Residential Lease Portfolio.

Other costs and expenses associated with the Transaction of $2.9 million include professional services including legal, advisory and banking support. We have also recorded a liability of $5.3 million associated with our certain warranty obligations for defects in materials and workmanship related to installed systems contributed to SunStrong.

On November 28, 2018, SunStrong closed its $400.0 million Solar Asset Backed Notes, Series 2018-1 ("Notes"). The Notes were priced at a fixed interest rate of 5.68% per annum and have an anticipated repayment date in November 2028 and rated final maturity date in November 2048. The Notes were issued by a special purpose entity, SunStrong 2018-1 Issuer, LLC, an indirectly wholly-owned subsidiary of SunStrong. On December 4, 2018, we received a special cash distribution of $12.9 million.

In connection with the sale transactions, we recognized a $62.3 million net loss on the sale within "Loss on sale and impairment of residential lease assets" in our Consolidated Statements of Operations for the year ended December 30, 2018.

The assets, liabilities and equity of the Residential Lease Portfolio on the disposal date were as follows:

(In thousands)	At Disposal Date
Cash and equivalents [1]	$ 16,333
Restricted cash and equivalents, current portion [1]	9,127
Accounts receivable, net	23,430
Prepaid expenses and other current assets	26,097
Restricted cash and equivalents, net of current portion [1]	65,947
Property, plant and equipment, net	871
Solar power systems leased and to be leased, net	262,756
Long term financing receivables, net - held for sale	388,180
Other long-term assets	17,633
Total assets	810,374
Accounts payable	—
Accrued liabilities	1,726
Contract liabilities, current portion	1,660
Contract liabilities, net of current portion	25,477
Short-term debt	8,969
Long-term debt	445,661
Other long-term liabilities	11,164
Redeemable noncontrolling interests in subsidiaries	15,375
Noncontrolling interests in subsidiaries	61,865
Total liabilities and equity	571,897
Net assets related to sale	$ 238,477

The net consideration recognized from the sale is as follows:

(In thousands)	
Proceeds from sale of membership interest in SunStrong [1]	$ 10,000
Assumption of Mezzanine Loan 1 by SunStrong	106,958
Net proceeds from first draw on Mezzanine Loan 2 [1]	19,560
Special distributions and tax-equity contribution [1]	36,190
Construction service and Mezzanine Loan 2 reserve proceeds	13,596
Other costs and expenses related to sale [1]	(2,879)
Net consideration recognized from sale	$ 183,425

[1] Cash consideration received, net of other costs and expenses, and cash, cash equivalents and restricted cash sold, is reflected as a cash outflow from the sale of our equity interest in the residential lease portfolio on the Consolidated Statements of Cash Flows.

The net loss on sale for the year ended December 30, 2018 is presented in the following table.

(In thousands)	
Net consideration recognized from sale	$ 183,425
SunPower retained equity	9,649
Net assets related to sale	(238,477)
Warranty obligation	(5,308)
Obligations to complete leases under construction	(11,616)
Net loss on sale	$ (62,327)

Acquisition of SolarWorld Americas Inc.

On April 16, 2018, we entered into a Sale and Purchase Agreement (the "Sale and Purchase Agreement") pursuant to which we agreed to purchase all of SolarWorld AG's shares of stock in SolarWorld Americas Inc. ("SolarWorld Americas"), and SolarWorld Industries Deutschland GmbH's partnership interest in SolarWorld Industries America LP. On August 21, 2018, we terminated the Sale and Purchase Agreement and entered into an Asset Purchase Agreement with SolarWorld Americas, pursuant to which we agreed to purchase certain assets of SolarWorld Americas in exchange for consideration of $26.0 million in cash, subject to certain closing and post-closing adjustments and other contingent payments. In connection with the termination of the Sale and Purchase Agreement, we have recognized an expense of $20.0 million for the quarter ended September 30, 2018 in sales, general and administrative expense. On October 1, 2018, we completed the acquisition of certain assets of SolarWorld Americas, including its Hillsboro, Oregon facility and a significant portion of its manufacturing workforce of more than 200 employees. The acquisition will provide us with U.S. manufacturing capability to serve the U.S. market demand and SolarWorld Americas provides a platform for us to implement our commercial P-Series solar panel manufacturing technology and selected R&D activities.

The acquisition was accounted for under the acquisition method of accounting, with SunPower identified as the acquirer. The purchase consideration consisted of $26.0 million in cash paid according to the following schedule: (i) $2.0 million upon entering into the Sale and Purchase Agreement, (ii) $15.0 million upon closing, and (iii) $9.0 million six months following closing. In addition, the acquisition agreement provides for additional purchase consideration based on the residual asset value as of 120 days post-close (the "RAV Payment") and earn-out payments should any funds be received in association with the outcome of anti-dumping and countervailing duties trade cases (the "AD/CVD"). Recovery of any funds related to the AD/CVD trade cases, net of legal fees, shall be distributed to us and SolarWorld Americas pursuant to the terms of the Asset Purchase Agreement. Accordingly, we recorded contingent liabilities totaling $4.1 million for the estimated fair value of the RAV and AD/CVD earn-out payments. We also recorded a contingent asset of $3.2 million representing the estimated fair value of the contingent consideration we are entitled to as of the acquisition date.

Concurrent with the close of the Asset Purchase Agreement, we and SolarWorld Americas also entered into (i) supply agreement under which SolarWorld Americas agreed to purchase a minimum purchase commitment of 18 MW of solar cells for a period of three months following closing, and (ii) module facility lease agreement for a period of three months for the purpose of manufacturing SolarWorld Americas solar products. Based on the expected revenue from the solar cells sales and rental lease income from SolarWorld Americas and the unavoidable costs associated with these contracts including among others, payroll, direct materials and utilities, we determined the contracts to be below market-based terms and recorded an onerous contact liability of $7.9 million as of the acquisition date.

The operating results of SolarWorld Americas, which have been included in our consolidated financial statements since the closing date of the acquisition, have not been significant. The aggregate amount of consideration paid was allocated to SolarWorld America's net tangible assets based on their estimated fair values as of October 1, 2018. We engaged a third-party valuation expert to assist in determining the fair value of SolarWorld's tangible assets and contingent consideration. Tangible assets consist of land, building, site improvements and manufacturing equipment. The fair values of the tangible assets were determined using a combination of cost and market approaches based on estimated replacement costs, recent and comparable transactions and adjustments for economic obsolescence, customization and marketability. The fair values of the contingent consideration were determined using an income approach based on a real option method to value the RAV Payment and a scenario-based method which considered the estimated probability-weighted recovery and discount rate that captures a market participant's view of the risk associated with the expected payments for the AD/CVD earn-out payment.

Of the total purchase price of $30.1 million, consisting of cash consideration of $26.0 million and contingent consideration of $4.1 million described above, $37.4 million was attributed to property, plant and equipment, $3.1 million was attributed to contingent assets related to the AD/CVD Trade cases and the remaining $10.4 million was primarily attributed to the net liabilities assumed. No goodwill was recognized in connection with the transaction.

Divestment of Microinverter Business

On August 9, 2018, we completed the sale of certain assets and intellectual property related to the production of microinverters to Enphase Energy, Inc. ("Enphase") in exchange for $25.0 million in cash and 7.5 million shares of Enphase common stock (the "Closing Shares"), pursuant to an Asset Purchase Agreement (the "Purchase Agreement") entered into on June 12, 2018. We received the Closing Shares and $15.0 million cash payment upon closing, and received the final $10.0 million cash payment of the purchase price on December 10, 2018.

In connection with the closing of the Purchase Agreement, we and Enphase entered into a master supply agreement ("MSA") 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. The MSA contains certain minimum volume and pricing commitments and exclusivity provisions, the breach of which would entitle Enphase to certain liquidated damages. The initial term of the MSA is through December 31, 2023, and the MSA term shall automatically be extended for successive two-year periods unless either party provides written notice of non-renewal. The MSA also includes customary provisions relating to requirements forecasting, warranty, liability, and quality assurance provisions. In accordance with our consideration of the terms of this arrangement and analysis of market pricing for products covered by the MSA, we believe the MSA is consistent with market-based terms observed in the module-level power electronics market.

In addition, in connection with the closing of the Purchase Agreement, we and Enphase also entered in 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.

Upon closing of this transaction, we recognized a gain which is summarized in the following table:

(In thousands)	As of August 9, 2018
Cash consideration	$ 25,000
Closing shares	42,600
Less transaction costs	(1,743)
Total consideration	65,857
Assets sold	(6,510)
Gain on business divestiture	$ 59,347

We utilized the quoted price in active markets for the acquired Enphase common stock (a Level 1 input under the fair value measurement standards) to value the Closing Shares. For the year ended December 30, 2018, we recognized a $59.3 million gain on business divestiture included on our Consolidated Statements of Operations.

Note 5. *OTHER INTANGIBLE ASSETS*

The following table present details of our acquired other intangible assets, net:

(In thousands)	Gross	Accumulated Amortization	Net
As of December 30, 2018:			
Patents and purchased technology[1]	$ 42,893	$ (30,311)	$ 12,582
	$ 42,893	$ (30,311)	$ 12,582
As of December 31, 2017:			
Patents and purchased technology	$ 52,313	$ (26,794)	$ 25,519
	$ 52,313	$ (26,794)	$ 25,519

[1] In connection with the divestment of our microinverter business on August 9, 2018, we disposed patents and purchased technology with gross amount of $10.2 million and net book value of $4.1 million. Refer to "Note 4. *Business Combinations and Divestiture*" for further details on the transaction.

Aggregate amortization expense for intangible assets totaled $9.6 million and $19.7 million and $13.0 million for fiscal year 2018, 2017 and 2016, respectively. Aggregate impairment loss for intangible assets amounted to zero, zero and $4.7 million for fiscal year 2018, 2017 and 2016, respectively.

As of December 30, 2018, the estimated future amortization expense related to intangible assets with finite useful lives is as follows:

(In thousands)	Amount
Fiscal Year	
2019	$ 7,819
2020	4,749
Thereafter	14
Total future amortization expense	$ 12,582

Note 6. *BALANCE SHEET COMPONENTS*

Accounts Receivable, Net

	As of	
(In thousands)	December 30, 2018	December 31, 2017
Accounts receivable, gross[1,2,3]	$ 193,980	$ 242,327
Less: allowance for doubtful accounts[4]	(16,906)	(35,387)
Less: allowance for sales returns	(1,469)	(1,974)
Accounts receivable, net	$ 175,605	$ 204,966

[1]Includes short-term financing receivables held for sale associated with solar power systems leased of $1.3 million and $19.1 million as of December 30, 2018 and December 31, 2017, respectively (see "Note 7. *Leasing*").

[2]We pledged accounts receivable of zero and $1.7 million as of December 30, 2018 and December 31, 2017, respectively, to third-party investors as security for our contractual obligations.

[3]On December 10, 2018, we entered into a one-year factoring arrangement and sold to BPI France our Euro denominated accounts receivable related to our French customers for an amount of approximately $26.3 million. Under this arrangement, we provided the bank full recourse for any loss should customers fail to pay when payment is due. The advance payment amount under this program is limited at face value of the sold invoices. We have accounted for this arrangement as a sale of financial assets as effective control over these financial assets has been surrendered and are excluded from our Consolidated Balance Sheet. Total cost associated with this arrangement was $0.1 million during the year ended December 30, 2018. As of December 30, 2018, uncollected accounts receivable from the end customers under this arrangement were $21.0 million.

[4] For the year ended December 30, 2018, we recognized an allowance for losses of $4.7 million on the short-term financing receivables associated with solar power systems leased (see "Note 7. *Leasing*"). For the year ended December 31, 2017, the Company recognized an allowance for losses of $5.8 million on the short-term financing receivables associated with solar power systems leased.

(In thousands)	Balance at Beginning of Period	Charges (Releases) to Expenses / Revenues	Deductions	Balance at End of Period
Allowance for doubtful accounts:				
Year ended December 30, 2018	$ 28,895	$ 12,519	$ (24,508)	$ 16,906
Year ended December 31, 2017	20,380	15,609	(7,094)	28,895
Year ended January 1, 2017	15,505	7,319	(2,445)	20,380
Allowance for sales returns:				
Year ended December 30, 2018	1,974	(505)	—	1,469
Year ended December 31, 2017	2,433	(459)	—	1,974
Year ended January 1, 2017	1,907	526	—	2,433
Valuation allowance for deferred tax assets:				
Year ended December 30, 2018	448,723	(43,800)	—	404,923
Year ended December 31, 2017	297,530	151,193	—	448,723
Year ended January 1, 2017	83,370	214,160	—	297,530

Inventories

(In thousands)	As of December 30, 2018	As of December 31, 2017
Raw materials	$ 58,378	$ 59,288
Work-in-process	86,639	111,164
Finished goods	163,129	182,377
Inventories	$ 308,146	$ 352,829

Prepaid Expenses and Other Current Assets

(In thousands)	As of December 30, 2018	As of December 31, 2017
Deferred project costs[1]	$ 30,394	$ 33,534
VAT receivables, current portion	9,506	11,561
Deferred costs for solar power systems to be leased	17,805	25,076
Derivative financial instruments	729	2,612
Other receivables	48,062	49,015
Prepaid taxes	853	426
Other prepaid expenses	23,568	23,434
Other current assets	266	551
Prepaid expenses and other current assets	$ 131,183	$ 146,209

[1]As of December 30, 2018 and December 31, 2017, we had pledged deferred project costs of zero, and $2.9 million, respectively, to third-party investors as security for our contractual obligations.

Project Assets - Plants and Land

(In thousands)	As of December 30, 2018	As of December 31, 2017
Project assets — plants	$ 10,334	$ 90,879
Project assets — land	666	12,184
Project assets — plants and land	$ 11,000	$ 103,063
Project assets — plants and land, current portion	$ 10,796	$ 103,063
Project assets — plants and land, net of current portion	$ 204	$ —

As a result of our evaluation of our ability to recover the costs incurred to date for our solar development assets, we wrote off $24.7 million of costs in the first quarter of 2018. Such charges were recorded as a component of cost of revenue for the twelve months ended December 30, 2018. While we 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. For the year ended December 30, 2018, we completed an arrangement with a customer to sell our remaining U.S. power plant development portfolio. Based on the various performance obligations in the arrangement and our estimates of variable considerations we are entitled to upon achievement of certain performance milestones, we recognized the majority of the gross profit of $21.1 million for the year ended December 30, 2018, when control over the assets transferred to the customer.

Property, Plant and Equipment, Net

	As of	
(In thousands)	**December 30, 2018**	**December 31, 2017**
Manufacturing equipment	$ 112,904	$ 406,026
Land and buildings	161,299	197,084
Leasehold improvements	119,597	297,522
Solar power systems[2]	544,139	451,678
Computer equipment	98,274	111,183
Furniture and fixtures	10,594	12,621
Construction-in-process	9,678	14,166
Property, plant and equipment, gross	1,056,485	1,490,280
Less: accumulated depreciation	(216,614)	(342,435)
Property, plant and equipment, net[1]	$ 839,871	$ 1,147,845

[1]Includes a non-cash impairment charge of $369.2 million recorded in fiscal 2018 associated with SunPower Technologies segment, which excludes all solar power systems as these are part of the SunPower Energy Services segment.

[2]Includes $519.6 million and $419.0 million of solar power systems associated with sale-leaseback transactions under the financing method as of December 30, 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 7. *Leasing*").

Property, Plant and Equipment, Net, by Geography

	As of	
(In thousands)	**December 30, 2018**	**December 31, 2017**
United States	$ 575,451	$ 488,970
Philippines	104,639	325,601
Malaysia	126,056	233,824
Mexico	21,566	80,560
Europe	12,043	18,767
Other	116	123
Property, plant and equipment, net, by geography[1]	$ 839,871	$ 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, we announced our proposed plan to change our corporate structure into upstream and downstream business units, and long-term strategy to upgrade our integrated back connectivity ("IBC") technology to next generation technology (“NGT” or Maxeon 5). Accordingly, we expect to upgrade the equipment associated with our manufacturing operations for the production of Maxeon 5 over the next several years. Because of these planned changes that will impact the utilization of our manufacturing assets and continued pricing challenges in the industry, we determined that 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 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, 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 us.

In accordance with such evaluation, we recognized a non-cash impairment charge of $369.2 million for the year ended December 30, 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 our Consolidated Statements of Operations for the year ended December 30, 2018. Further, the $355.1 million non-cash impairment charge within "Cost of revenue" was allocated to our SunPower Technology segment in fiscal 2018.

Other Long-term Assets

	As of	
(In thousands)	**December 30, 2018**	**December 31, 2017**
Equity investments with readily determinable fair value	$ 36,225	$ —
Equity investments without readily determinable fair value	8,810	35,840
Equity method investments[1]	43,659	450,000
Other[2]	73,339	60,858
Other long-term assets	$ 162,033	$ 546,698

[1]On June 19, 2018, we completed the sale of our equity interest in the 8point3 Group. As of December 30, 2018 and December 31, 2017, our investment in the 8point3 Group had a carrying value of zero and $382.7 million, respectively (see "Note 11. *Equity Investments*").

[2]As of December 30, 2018 and December 31, 2017, we had pledged deferred project costs of zero and $6.4 million, respectively, to third-party investors as security for our contractual obligations.

Accrued Liabilities

	As of	
(In thousands)	**December 30, 2018**	**December 31, 2017**
Employee compensation and employee benefits	$ 44,337	$ 53,225
Deferred revenue[1]	4,251	5,805
Interest payable	11,786	15,396
Short-term warranty reserves	38,161	25,222
Restructuring reserve	6,310	3,886
VAT payables	8,325	8,691
Derivative financial instruments	1,161	1,452
Legal expenses	12,442	48,503
Taxes payable	19,146	21,307
Liability due to supply agreement	28,045	21,389
Other	61,288	26,895
Accrued liabilities	$ 235,252	$ 231,771

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

Other Long-term Liabilities

	As of	
(In thousands)	**December 30, 2018**	**December 31, 2017**
Deferred revenue[1]	$ 55,764	$ 105,221
Long-term warranty reserves	134,105	156,082
Long-term sale-leaseback financing	583,418	479,597
Unrecognized tax benefits	16,815	19,399
Long-term pension liability	2,567	4,465
Derivative financial instruments	152	1,174
Long-term liability due to supply agreement	28,198	57,611
Other	18,117	18,793
Other long-term liabilities	$ 839,136	$ 842,342

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

Accumulated Other Comprehensive Loss

(In thousands)	As of December 30, 2018	As of December 31, 2017
Cumulative translation adjustment	$ (11,121)	$ (6,631)
Net unrealized gain (loss) on derivatives	(145)	(541)
Net gain on long-term pension liability adjustment	7,066	4,164
Deferred taxes	50	—
Accumulated other comprehensive loss	$ (4,150)	$ (3,008)

Note 7. *LEASING*

Residential Lease Program

We offer 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 our Consolidated Balance Sheets as of December 30, 2018 and December 31, 2017:

(In thousands)	As of December 30, 2018	As of December 31, 2017
Solar power systems leased and to be leased, net[1,2]:		
Solar power systems leased	$ 139,343	$ 749,697
Solar power systems to be leased	12,158	26,830
	151,501	776,527
Less: accumulated depreciation and impairment[3]	(58,944)	(407,309)
Solar power systems leased and to be leased, net	$ 92,557	$ 369,218

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

[2]As of December 30, 2018 and December 31, 2017, we had pledged solar assets with an aggregate book value of zero and $112.4 million, respectively, to third-party investors as security for our contractual obligations. The book value of pledged assets represents assets legally held by the respective flip partnerships.

[3] For the year ended December 30, 2018, we recognized a non-cash impairment charge of $74.9 million on solar power systems leased and to be leased.

The following table presents our minimum future rental receipts on operating leases placed in service as of December 30, 2018:

(In thousands)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Thereafter	Total
Minimum future rentals on operating leases placed in service[1]	$ 1,224	$ 1,186	$ 1,189	$ 1,193	$ 1,197	$ 18,359	$ 24,348

[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 December 30, 2018 and December 31, 2017, our net investment in sales-type leases presented within "Accounts receivable, net" and "Long-term financing receivables, net" on our Consolidated Balance Sheets was as follows:

	As of	
(In thousands)	**December 30, 2018**	**December 31, 2017**
Financing receivables, held for sale[1]:		
Minimum lease payments receivable[2]	$ 43,939	$ 690,249
Unguaranteed residual value	4,450	73,344
Unearned income	(8,859)	(115,854)
Allowance for estimated losses	(18,656)	(297,972)
Net financing receivables, held for sale	$ 20,874	$ 349,767
Net financing receivables - current, held for sale	$ 1,282	$ 19,095
Net financing receivables - non-current held for sale	$ 19,592	$ 330,672

[1]As of December 30, 2018 and December 31, 2017, we had pledged financing receivables of zero and $113.4 million, respectively, to third-party investors as security for our 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 $0.0 million and $6.1 million, as of December 30, 2018 and December 31, 2017, respectively.

As of December 30, 2018, future maturities of net financing receivables for sales-type leases were as follows:

(In thousands)	**Fiscal 2019**	**Fiscal 2020**	**Fiscal 2021**	**Fiscal 2022**	**Fiscal 2023**	**Thereafter**	**Total**
Scheduled maturities of minimum lease payments receivable[1]	$ 2,126	$ 2,129	$ 2,137	$ 2,146	$ 2,155	$ 33,246	$ 43,939

[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 and Sale of Residential Lease Assets

In December 2017, the Board of Directors approved a future sale of a portion of our Residential Lease Portfolio that resulted in the sale of partial equity interests in SunStrong, our wholly owned subsidiary, to Hannon Armstrong on November 5, 2018 - See Note 4. *Business Combinations and Divestitures* for further details. We continue to retain certain residential assets on our consolidated financial statements as of December 30, 2018, which we expect to sell in 2019, and these assets have been tested for impairment as described below.

We evaluate our 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 indicate that the carrying value of such assets may not be recoverable. 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. Our impairment evaluation of long-lived assets includes an analysis of estimated future undiscounted net cash flows expected to be generated by the assets over their remaining estimated useful lives. If our estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the assets over the remaining estimated useful lives, it records an impairment loss in the amount by which the carrying value of the assets exceeds the fair value. Fair value is generally measured based on either quoted market prices, if available, or discounted cash flow analysis.

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 system's estimated residual value, net of unearned income and allowance for estimated losses. Our evaluation of the recoverability of these financing receivables is based on evaluation of the likelihood, based on current information and events, and whether we will be able to collect all amounts due according to the contractual terms of the underlying lease agreements. In accordance with this evaluation, we recognize an allowance for losses on financing receivables based on our 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 our efforts to generate more available liquid funds and simplify our balance sheets, we made the decision to sell a portion of our interest in the Residential Lease Portfolio and engaged an external investment banker to assist with our related marketing efforts in the fourth quarter of fiscal 2017. 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.

In proceeding with the impairment evaluation, we determined that financing receivables related to sales-type leases, which were previously classified as held for investment, qualified as held for sale based on our decision to sell our interest in the Residential Lease Portfolio. Accordingly, we recognized an allowance for estimated losses for the amount by which cost exceeded fair value. In addition, we reviewed the cash flows we would expect to derive from the underlying asset that we recover from the lessees (unguaranteed residual value). Due to our planned sale of our Residential Lease Portfolio and based on the indication of value received, we determined that the decline in estimated residual value was other than temporary.

We performed a recoverability test for the assets subject to operating leases 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 the assets subject to operating leases, 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 assets subject to operating leases and factored the indicative value obtained from a prospective purchaser together with the probability of retaining the assets 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 evaluation performed, we determined that as of December 31, 2017, the estimate of future undiscounted net cash flows was insufficient to recover the carrying value of the assets subject to operating leases, and consequently performed an impairment analysis by comparing the carrying value of the assets to their estimated fair value.

We computed the fair value for the financing receivables associated with sales-type leases and long-lived assets subject to operating leases using consistent methodology and assumptions that market participants would use in their estimates of fair value. The estimates and judgments about future cash flows were made using an income approach defined as Level 3 inputs under fair value measurement standards. The impairment evaluation was based on the income approach (specifically a discounted cash flow analysis) and included assumptions for, among others, forecasted contractual lease income, lease expenses, residual value of these lease assets, long-term discount rates, and forecasted default rates over the lease term and discount rates, some of which require significant judgment by us.

We updated the impairment evaluation discussed above to include new leases that were placed in service since the last evaluation was performed. In accordance with such evaluation, we recognized a non-cash impairment charge of $189.7 million included in "Loss on sale and impairment of residential lease assets" on the Consolidated Statement of Operations for the year ended December 30, 2018. Due to the fact that the Residential Lease Portfolio assets are held in partnership flip structures with noncontrolling interests, we allocated a portion of the impairment charge related to such noncontrolling interests through the hypothetical liquidation at book value ("HLBV") method. The allocation method applied to the noncontrolling interests and redeemable noncontrolling interests resulted in a net gain of $9.6 million and a net gain of $150.6 million for the year ended December 30, 2018 and December 31, 2017, respectively. As a result, the net impairment charges attributable to our stockholders totaled $180.1 million and $473.7 million for the year ended December 30, 2018 and December 31, 2017, respectively, and were recorded within the SunPower Energy Services Segment.

The impairment evaluation includes uncertainty because it requires us 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 final terms are negotiated between us and the intended purchaser, we may be exposed to additional impairment charges in the future, which could be material to the results of operations.

Sale-Leaseback Arrangements

We enter into sale-leaseback arrangements under which solar power systems are sold to third parties and subsequently leased back by us over lease terms of up to 25 years. Separately, we enter into sales of energy under power purchase agreements ("PPAs") with end customers, who host the leased solar power systems and buy the electricity directly from us under PPAs with terms of up to 25 years. At the end of the lease term, we have the option to purchase the systems at fair value or may be required to remove the systems and return them to the third parties.

We have classified our 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 December 30, 2018, future minimum lease obligations associated with these systems were $65.9 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 we have 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, we account 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 us as financing liabilities. The financing liabilities are subsequently reduced by our payments to lease back the solar power systems, less interest expense calculated based on our incremental borrowing rate adjusted to the rate required to prevent negative amortization. The solar power systems under the sale-leaseback arrangements remain on our Consolidated Balance Sheets and are classified within "Property, plant and equipment, net" (see "Note 6. *Balance Sheet Components*"). As of December 30, 2018, future minimum lease obligations for the sale-leaseback arrangements accounted for under the financing method were $509.9 million, which will be recognized over the lease terms of up to 30 years. During fiscal 2018 and 2017, we had net financing proceeds of $32.3 million, and $259.6 million respectively, in connection with these sale-leaseback arrangements. As of December 30, 2018 and December 31, 2017, the carrying amount of the sale-leaseback financing liabilities presented within "Other long-term liabilities" on our Consolidated Balance Sheets was $583.4 million and $479.6 million, respectively. See "Note 6. *Balance Sheet Components*" for additional details.

Note 8. *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

We measure certain assets and liabilities at fair value on a recurring basis. There were no transfers between fair value measurement levels during any presented period. We did not have any assets or liabilities measured at fair value on a recurring basis requiring Level 3 inputs as of December 30, 2018 or December 31, 2017.

The following table summarizes our assets and liabilities measured and recorded at fair value on a recurring basis as of December 30, 2018 and December 31, 2017:

	December 30, 2018			December 31, 2017	
(In thousands)	**Total Fair Value**	**Level 2**	**Level 1**	**Total Fair Value**	**Level 2**
Assets					
Prepaid expenses and other current assets:					
Derivative financial instruments (Note 13)	$ 729	$ 729	$ —	$ 2,579	$ 2,579
Other long-term assets:					
Marketable equity investments (Note 11)	36,225	—	36,225	—	—
Total assets	$ 36,954	$ 729	$ 36,225	$ 2,579	$ 2,579
Liabilities					
Accrued liabilities:					
Derivative financial instruments (Note 13)	$ 1,161	$ 1,161	$ —	$ 1,452	$ 1,452
Other long-term liabilities:					
Derivative financial instruments (Note 13)	152	152	—	1,174	1,174
Total liabilities	$ 1,313	$ 1,313	$ —	$ 2,626	$ 2,626

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

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

We measure 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 December 30, 2018, there were no such items recorded at fair value, with the exception of our property, plant and equipment (see "Note 6. *Balance Sheet Components*"), residential lease assets (see "Note 7. *Leasing*"), and certain non-marketable equity investments. As of December 31, 2017, we 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

Our debt securities, classified as held-to-maturity, are Philippine government bonds that we maintain as collateral for business transactions within the Philippines. These bonds have various maturity dates and are classified as "Restricted long-term marketable securities" on our Consolidated Balance Sheets. As of December 30, 2018 and December 31, 2017, these bonds had a carrying value of $6.0 million and $6.2 million, respectively. We record such held-to-maturity investments at amortized cost based on our ability and intent to hold the securities until maturity. We monitor for changes in circumstances and events that would affect our ability and intent to hold such securities until the recorded amortized costs are recovered. No other-than-temporary impairment loss was incurred during any periods presented. The held-to-maturity debt securities were categorized in Level 2 of the fair value hierarchy.

Equity Investments

The following discusses our marketable equity investments, non-marketable equity investments and equity method investments.

Marketable Equity Investments

In connection with the divestment of our microinverter business to Enphase on August 9, 2018, we received 7.5 million shares of Enphase common stock (see "Note 4. *Business Combinations and Divestiture*" for further details). The common stock was recorded as an equity investment with readily determinable fair value (Level 1), with changes in fair value recognized in net income in accordance with ASU 2016-01. For the year ended December 30, 2018, we recognized an unrealized loss of $6.4 million within "Other, net" under other income (expense), net, on our Consolidated Statement of Operations.

Non-Marketable Equity Investments

Our non-marketable equity investments are securities in privately-held companies without readily determinable market values. Prior to January 1, 2018, we accounted for the non-marketable equity investments at cost less impairment. On January 1, 2018, we adopted ASU 2016-01 and elected to adjust the carrying value of our non-marketable equity securities to cost less impairment, adjusted for observable price changes in orderly transactions for an identical or similar investment of the same issuer. Non-marketable equity securities are classified within Level 3 in the fair value hierarchy because we estimate the value based on valuation methods using a combination of observable and unobservable inputs including valuation ascribed to the issuing company in subsequent financing rounds, volatility in the results of operations of the issuers and rights and obligations of the securities we hold. As of December 30, 2018 and December 31, 2017, we had $8.8 million and $35.8 million, respectively, in investments accounted for under the measurement alternative method.

Equity Method Investments

Our investments accounted for under the equity method are described in Note 11. *Equity Investments*. We monitor these investments, which are included within "Other long-term assets" in our Consolidated Balance Sheets, for impairment and record reductions in the carrying values when necessary. Circumstances that indicate an other-than-temporary decline include 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.

We adopted ASC 606 on January 1, 2018, using the full retrospective method, which required us to restate each prior period presented. Our carrying value in the 8point3 Group materially increased upon adoption which required us to amend our historical evaluations of the potential for other-than-temporary impairment on our investment in the 8point3 Group. In accordance with such updated evaluations, we recognized impairment 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, we completed our divestiture of the 8point3 Group (see "Note 11. *Equity Investments*"). As of December 30, 2018 and December 31, 2017, we had $43.7 million and $450.0 million, respectively, in investments accounted for under the equity method (see "Note 11. *Equity Investments*").

Note 9. *RESTRUCTURING*

February 2018 Restructuring Plan

During the first quarter of fiscal 2018, we 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 U.S. tariffs imposed on PV solar cells and modules pursuant to Section 201 of the Trade Act of 1974 and our broader initiatives to control costs and improve cash flow. In connection with the plan, which is expected to be completed by mid-2019, we expect between 150 and 250 non-manufacturing employees to be affected, representing approximately 3% of our global workforce, with a portion of those employees exiting from us as part of a voluntary departure program. The changes to our workforce will vary by country, based on local legal requirements and consultations with employee works councils and other employee representatives, as appropriate. We expect to incur restructuring charges totaling between $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). We expect between $12 million and $20 million of the charges to be paid in cash. The actual timing and costs of the plan may differ from our current expectations and estimates. A substantial portion of such charges were incurred in fiscal 2018. Cumulative costs were $12.4 million as of December 30, 2018.

December 2016 Restructuring Plan

During the fourth quarter of fiscal 2016, we adopted a restructuring plan to reduce costs and focus on improving cash flow, primarily related to the closure of our Philippine-based Fab 2 manufacturing facility. There were $2.2 million of charges related to this plan recorded during fiscal 2018 and cumulative costs incurred were $195.0 million as of December 30, 2018. The restructuring activities were substantially complete as of July 1, 2018, and any remaining costs to be incurred are not expected to be material.

August 2016 Restructuring Plan

During the third quarter of fiscal 2016, we adopted a restructuring plan in response to expected near-term challenges primarily relating to realigning our Power Plant business unit. In connection with the realignment, we incurred restructuring charges consisting primarily of severance benefits, asset impairments, lease and related termination costs, and other associated costs. In fiscal 2018, we incurred net charges of $2.9 million. The realignment was substantially complete as of December 30, 2018, and we do not expect a significant number of employees to be affected by remaining actions. Cumulative costs incurred were $38.1 million as of December 30, 2018.

Legacy Restructuring Plans

Prior to fiscal 2016, we implemented approved restructuring plans, related to all segments, to align with changes in the global solar market, which included the consolidation of our 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 the second quarter of 2017, and any remaining costs to be incurred are not expected to be material. Cumulative costs incurred were $143.7 million as of December 30, 2018.

The following table summarizes the comparative periods-to-date restructuring charges by plan recognized in our Consolidated Statements of Operations:

	Fiscal Year		
(In thousands)	**2018**	**2017**	**2016**
February 2018 Restructuring Plan:			
Severance and benefits	$ 12,130	$ —	$ —
Other costs[1]	257	—	—
Total February 2018 Restructuring Plan	12,387	—	—
December 2016 Plan:			
Non-cash impairment charges	—	147	148,791
Severance and benefits	(799)	5,643	15,901
Lease and related termination costs	6	707	—
Other costs[1]	2,987	13,824	7,819
Total December 2016 Plan	2,194	20,321	172,511
August 2016 Plan:			
Non-cash impairment charges	—	—	17,926
Severance and benefits	2,665	(242)	15,591
Lease and related termination costs	—	2	557
Other costs[1]	254	989	364
Total August 2016 Plan	2,919	749	34,438
Legacy Restructuring Plans:			
Non-cash impairment charges	—	—	—
Severance and benefits	—	14	350
Lease and related termination costs	—	—	(171)
Other costs[1]	(3)	(39)	62
Total Legacy Plan	(3)	(25)	241
Total restructuring charges	$ 17,497	$ 21,045	$ 207,190

[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 year ended December 30, 2018:

	Fiscal Year			
(In thousands)	**2017**	**Charges (Benefits)**	**(Payments) Recoveries**	**2018**
February 2018 Restructuring Plan:				
Severance and benefits	$ —	$ 12,130	$ (6,681)	$ 5,449
Other costs[1]	—	257	(257)	—
Total February 2018 Restructuring Plan	—	12,387	(6,938)	5,449
December 2016 Restructuring Plan:				
Severance and benefits	1,862	(799)	(1,063)	—
Lease and related termination costs	—	6	(6)	—
Other costs[1]	54	2,987	(3,041)	—
Total December 2016 Restructuring Plan	1,916	2,194	(4,110)	—
August 2016 Restructuring Plan:				
Severance and benefits	1,735	2,665	(3,788)	612
Other costs[1]	39	254	(230)	63
Total August 2016 Restructuring Plan	1,774	2,919	(4,018)	675
Legacy Restructuring Plans	196	(3)	(7)	186
Total restructuring reserve activities	$ 3,886	$ 17,497	$ (15,073)	$ 6,310

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

Note 10. *COMMITMENTS AND CONTINGENCIES*

Facility and Equipment Lease Commitments

We lease certain facilities under non-cancellable operating leases from third parties. As of December 30, 2018, future minimum lease payments for facilities under operating leases were $51.9 million, to be paid over the remaining contractual terms of up to 29.3 years. We also lease certain buildings, machinery and equipment under non-cancellable capital leases. As of December 30, 2018, future minimum lease payments for assets under capital leases were $2.8 million, to be paid over the remaining contractual terms of up to 4.3 years.

Purchase Commitments

We purchase 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, we enter into agreements with contract manufacturers and suppliers that either allow them to procure goods and services based on specifications defined by us, or that establish parameters defining our requirements. In certain instances, these agreements allow us the option to cancel, reschedule or adjust our requirements based on our business needs before firm orders are placed. Consequently, purchase commitments arising from these agreements are excluded from our disclosed future obligations under non-cancellable and unconditional commitments.

We also have agreements with several suppliers, including some of our non-consolidated investees, for the procurement of polysilicon, ingots, and wafers, as well as certain module-level power electronics and related equipment, which specify future quantities and pricing of products to be supplied by three vendors for periods of up to 2 years and provide for certain consequences, such as forfeiture of advanced deposits and liquidated damages relating to previous purchases, in the event that we terminate the arrangements or fails to satisfy our obligations under the agreements.

Future purchase obligations under non-cancellable purchase orders and long-term supply agreements as of December 30, 2018 are as follows:

(In thousands)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Thereafter	Total[1]
Future purchase obligations	$ 438,428	$ 374,930	$ 38,650	$ 35,425	$ 32,550	$ —	$ 919,983

[1]Total future purchase obligations were composed of $206.7 million related to non-cancellable purchase orders and $713.3 million related to long-term supply agreements.

We expect 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 is regularly compared to expected demand. We anticipate 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 our long-term operating plans. Additionally, in order to reduce inventory and improve working capital, we have periodically elected to sell polysilicon inventory in the marketplace at prices below our purchase price, thereby incurring a loss. The terms of the long-term supply agreements are reviewed annually by us and we assess 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, we have 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 we terminate the arrangements. Under certain agreements, we were required to make prepayments to the vendors over the terms of the arrangements. As of December 30, 2018 and December 31, 2017, advances to suppliers totaled $171.6 million and $216.0 million, respectively, of which $37.9 million and $30.7 million, respectively, is classified as Advances to suppliers, current portion in our Consolidated Balance Sheets. One supplier accounted for 99.6% and 99.0% of total advances to suppliers as of December 30, 2018 and December 31, 2017, respectively.

Advances from Customers

The estimated utilization of advances from customers included within "Contract liabilities, current portion" and "Contract liabilities, net of current portion" on our Consolidated Balance Sheets as of December 30, 2018 is as follows:

(In thousands)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Thereafter	Total
Estimated utilization of advances from customers	$ 68,093	$ 34,143	$ 11,139	$ —	$ —	$ —	$ 113,375

We have 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, we 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, we received a prepayment totaling $88.5 million. As of December 30, 2018, the advance payment from Total was $63.7 million, of which $18.4 million was classified as short-term in our Consolidated Balance Sheets, based on projected shipment dates.

Product Warranties

The following table summarizes accrued warranty activity for fiscal 2018, 2017 and 2016:

	Fiscal Year Ended		
(In thousands)	**2018**	**2017**	**2016**
Balance at the beginning of the period	$ 181,303	$ 161,209	$ 164,127
Accruals for warranties issued during the period	31,628	29,689	14,575
Settlements and adjustments during the period	(40,665)	(9,595)	(17,493)
Balance at the end of the period	$ 172,266	$ 181,303	$ 161,209

In some cases, we 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 we account 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, we account 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.

Project Agreements with Customers

Project agreements entered into with our commercial and power plant customers often require us to undertake obligations including: (i) system output performance warranties, (ii) penalty payments or customer termination rights if the system we are constructing is not commissioned within specified time frames or other milestones are not achieved, and (iii) system put-rights whereby we could be required to buy back a customer's system at fair value on specified future dates if certain minimum performance thresholds are not met for specified periods. Historically, our systems have performed significantly above their performance warranty thresholds, and there have been no cases in which we have had to buy back a system. As of December 30, 2018 and December 31, 2017, we had $3.3 million and $6.4 million, respectively, classified as "Accrued liabilities," and $6.5 million and $3.1 million, respectively, classified as "Other long-term liabilities" in our Consolidated Balance Sheets for such obligations.

Future Financing Commitments

We are required to provide certain funding under agreements with unconsolidated investees, subject to certain conditions (see "Note 11. *Equity Investments*"). As of December 30, 2018, we have future financing obligations related to these agreements as follows:

(In thousands)	**Amount**
Year:	
2019	$ 4,140
2020	2,900
	$ 7,040

Liabilities Associated with Uncertain Tax Positions

Total liabilities associated with uncertain tax positions were $16.8 million and $19.4 million as of December 30, 2018 and December 31, 2017, respectively. These amounts are included within "Other long-term liabilities" in our 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 iour tax positions, we cannot make a reasonably reliable estimate of the period in which cash settlement, if any, would be made for our liabilities associated with uncertain tax positions in Other long-term liabilities.

Indemnifications

We are a party to a variety of agreements under which we 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 we customarily agree 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 ("U.S. Treasury") cash grant payments under Section 1603 of the American Recovery and Reinvestment Act (each a "Cash Grant"). In each of these circumstances, payment by us is typically subject to the other party making a claim to us 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 us 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, our 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, we may have recourse against third parties or insurance covering certain payments made by us.

In certain circumstances, we have provided indemnification to customers and investors under which we are contractually obligated to compensate these parties for losses they may suffer as a result of reductions in benefits received under ITCs and U.S. Treasury Cash Grant programs. We apply for ITCs and Cash Grant incentives based on guidance provided by the Internal Revenue Service ("IRS") and the U.S. Treasury, which include assumptions regarding the fair value of the qualified solar power systems, among others. Certain of our 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 our 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, we assess and recognize, 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 we 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. We use 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, we recognize 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. We recognize 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. We initially estimate 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, we derecognize 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 December 30, 2018, and December 31, 2017, our provision was $4.2 million and $12.8 million, respectively, for tax related indemnifications. On June 19, 2018, we completed the sale of our equity interest in the 8point3 Group. In connection with the transaction, we 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

We maintain defined benefit pension plans for certain of our 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. We recognize the overfunded or underfunded status of our pension plans as an asset or liability on our Consolidated Balance Sheets. As of December 30, 2018 and December 31, 2017, the underfunded status of our pension plans presented within "Other long-term liabilities" on our Consolidated Balance Sheets was $2.6 million and $4.5 million, respectively. The impact of transition assets and obligations and actuarial gains and losses are recorded within "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 our benefit plans was $2.9 million for the year ended December 30, 2018.

Legal Matters

Class Action and Derivative Suits

On August 16, 2016, a class action lawsuit was filed against us and certain of our 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 our 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 our 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 our 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. On October 9, 2018, the court dismissed the complaint for failure to state a claim, with no further opportunity to amend. The deadline to appeal was November 9, 2018. The plantiff did not appeal, and the matter is resolved**.**

Four shareholder derivative actions have been filed in federal court, purporting to be brought on our behalf against certain of our current and former officers and directors based on the same events alleged in the securities class action lawsuits described above. We are 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 us to make materially false and/or misleading statements and failed to disclose material adverse facts about our business, operations, and prospects. The plaintiffs also claim that the alleged conduct is a breach of our Code of Business Conduct and Ethics, and that the defendants, including members of our Audit Committee, breached their fiduciary duties by failing to ensure the adequacy of our internal controls, and by causing or allowing us to disseminate false and misleading statements in our 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 have been dismissed.

Shareholder derivative actions purporting to be brought on our behalf were brought in the Superior Court of California for the County of Santa Clara against certain of our 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 have been dismissed.

Other Litigation

We are also a party to various other litigation matters and claims that arise from time to time in the ordinary course of our business. While we believe that the ultimate outcome of such matters will not have a material adverse effect on us, their outcomes are not determinable and negative outcomes may adversely affect our financial position, liquidity, or results of operations.

Note 11. ***EQUITY INVESTMENTS***

Our equity investments consist of equity method investments, equity investments with readily determinable fair value and equity investments without readily determinable fair value**.**

Equity Method Investments

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

In December 2012, we 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 our 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, we made a $16.4 million equity investment in CCPV, for a 25% equity ownership.

We have concluded that we are not the primary beneficiary of CCPV because, although we are obligated to absorb losses and have the right to receive benefits, we alone do not have the power to direct the activities of CCPV that most significantly

impact its economic performance. We account for our investment in CCPV using the equity method because we are able to exercise significant influence over CCPV due to our board position.

Diamond Energy Pty Ltd. ("Diamond Energy")

In October 2012, we 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.

We have concluded that we are not the primary beneficiary of Diamond Energy because, although we are obligated to absorb losses and has the right to receive benefits, we alone do not have the power to direct the activities of Diamond Energy that most significantly impact its economic performance. We accounted for our investment in Diamond Energy using the equity method because we are able to exercise significant influence over Diamond Energy due to our board position.

On December 21, 2018, we completed the sale of our equity interest in Diamond Energy. As a result of this transaction, we received, after the payment of fees and expenses, merger proceeds of approximately $2.5 million in cash and no longer directly or indirectly owns any equity interests in Diamond Energy. In connection with the sale, we recognized a $2.2 million loss on disposal within "Other, net" in "Other income (expense), net" of our Consolidated Statements of Operations for the year ended December 30, 2018.

8point3 Energy Partners ("8point3 Group")

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

We concluded that we were not the primary beneficiary of the 8point3 Group or any of its individual subsidiaries because, although the Sponsors were both obligated to absorb losses or have the right to receive benefits, we alone did not have the power to direct the activities of the 8point3 Group that most significantly impact its economic performance. In making this determination, we 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. We accounted for our investment in the 8point3 Group using the equity method because we determined that, notwithstanding the division of management and ownership interests between the Sponsors, we exercised significant influence over the operations of the 8point3 Group.

During the year ended December 30, 2018, we received $16.2 million in dividend distributions from the 8point3 Group. During the year ended December 31, 2017, we received $30.1 million in dividend distributions from the 8point3 Group.

Under previous guidance for leasing transactions, we treated the portion of the portfolio of residential lease assets 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 assets as liabilities recorded within “Accrued liabilities” and “Other long-term liabilities” in our Consolidated Balance Sheets. Upon adoption of ASC 606 on January 1, 2018, we deconsolidated the portfolio of residential leases and as a result, the operating leases and the unguaranteed sales-type lease residual values that were sold to the 8point3 Group.

On June 19, 2018, we completed the sale of our equity interest in the 8point3 Group. As a result of this transaction, we received, after the payment of fees and expenses, 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, we recognized a $34.4 million gain within "Other, net" in "Other income (expense), net" of our Consolidated Statements of Operations for the year ended December 30, 2018.

Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd. ("Dongfang")

In March 2016, we 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 solar cell manufacturing facility to manufacture our P-Series modules in China. The joint venture is based in Yixing City in Jiangsu Province, China. In March 2016, we 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, we invested an additional $9.0 million which included an investment of $7.7 million and reinvested dividends of $1.3 million, bringing our equity ownership to 20% of the joint venture. In February and April 2018, we invested an additional $6.3 million and $7.0 million (net of $0.7 million of dividends reinvested), respectively, maintaining our equity ownership at 20% of the joint venture.

We have concluded that we are not the primary beneficiary of the joint venture because, although we are obligated to absorb losses and has the right to receive benefits, we alone do not have the power to direct the activities of the joint venture that most significantly impact its economic performance. We account for our investment in the joint venture using the equity method because we are able to exercise significant influence over the joint venture due to our board position.

SunStrong Capital Holdings, LLC ("Sunstrong")

On November 5, 2018, HA SunStrong Capital LLC (“HA SunStrong Parent”), a subsidiary of Hannon Armstrong, acquired 49% equity interests in SunStrong, a previously wholly owned subsidiary of the company for cash proceeds of $10 million. See "Note 4. *Business Combinations and Divestitures*" for additional details.

We have concluded that we are not the primary beneficiary of SunStrong because although we are obligated to absorb losses and have the right to receive benefits, we alone do not have the power to direct the activities of SunStrong that most significantly impact its economic performance. We account for our investment in the joint venture using the equity method because we are able to exercise significant influence over the joint venture due to our board position. See "Note 4. *Business Combinations and Divestitures*," "Note 6. *Balance Sheet Components*," Note 7. *Leasing*," and "Note 12. *Debt and Credit Sources*" for additional details.

Equity Investments with Readily Determinable Fair Value

Enphase Energy, Inc.

In August 2018, we completed the sale to Enphase of certain assets and intellectual property related to the production of microinverters and received, as a portion of the total consideration in the transaction, 7.5 million shares of Enphase common stock, roughly equivalent to a 7.7% equity ownership interest in Enphase. We also received the right to appoint one person to the Enphase board of directors, subject to certain conditions.

We have concluded that we are not the primary beneficiary of Enphase because, although we are obligated to absorb losses and have the right to receive benefits, we alone do not have the power to direct the activities of Enphase that most significantly impact its economic performance. We account for our investment in Enphase at fair value through net income. See "Note 4. *Business Acquisitions and Divestitures*" for additional details.

Equity Investments without Readily Determinable Fair Value

Tendril Networks, Inc. ("Tendril")

In November 2014, we invested in Tendril by purchasing $20.0 million of its preferred stock. In the first half of fiscal 2017, we invested an additional $3.0 million in Tendril by purchasing $1.5 million of its preferred stock in February 2017 and then again in April 2017. Our 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, we 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 our and Tendril's achievement of certain financial and operational milestones and other conditions.

In connection with the initial investment in Tendril, we 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 our initial investment to develop, jointly with us, certain solar software solution products. Our reassessment of our

total investment in Tendril concluded that our investment constituted a minority stake and remained accounted for under the measurement alternative method.

On November 30, 2018, we completed the sale of our equity interest in Tendril. As a result of this transaction, we received, after the payment of fees and expenses, sale proceeds of approximately $28.8 million in cash and no longer directly or indirectly owns any equity interests in Tendril. In connection with the sale, we recognized a $5.8 million gain within "Other, net" in "Other income (expense), net" of our Consolidated Statements of Operations for the year ended December 30, 2018.

Equity Investments in Project Entities

We have from time to time maintained noncontrolling interests in our development project entities, which may be accounted for as either equity method investments or measurement alternative method securities, depending on whether we exercise significant influence over the investee. Our involvement in these entities primarily takes two forms, (i) we may take a noncontrolling interest in an early-stage project and maintain that investment over the development cycle, often in situations in which our products are also sold to the entity under separate agreements, or (ii) we may retain a noncontrolling interest in a development project after a controlling interest is sold to a third party. In either form, we may maintain our investment for all or part of the operational life of the project or may seek to subsequently dispose of our investment. For sales of solar power systems where we maintain an equity interest in the project sold to the customer, we recognize all of the consideration received, including the fair value of the noncontrolling interest we obtained, as revenue and defer any profits associated with our retained equity stake through "Equity in earnings (losses) of unconsolidated investees."

During fiscal 2018, we sold our remaining noncontrolling interests in the Boulder Solar I project, which was previously accounted for as equity method investment, resulting in a gain of $15.6 million within "Other income (expense), net" of our Consolidated Statements of Operations.

Our share of earnings (losses) from equity investments accounted for under the equity method is reflected as "Equity in earnings (losses) of unconsolidated investees" in our Consolidated Statements of Operations. Unrealized gains and losses on equity investments are reflected as "Other, net" under other income (expense), net of our Consolidated Statements of Operations. The carrying value of our equity investments, classified as "Other long-term assets" in our Consolidated Balance Sheets, are as follows:

	As of	
(In thousands)	**December 30, 2018**	**December 31, 2017**
Equity method investments:		
Dongfang	$ 32,784	$ 24,562
SunStrong Capital Holdings, LLC	8,831	—
8point3	—	382,678
Diamond Energy	—	4,256
Project entities	2,044	38,504
Total equity method investments	43,659	450,000
Equity investments with readily determinable fair value:		
Enphase	36,225	—
Total equity investments with readily determinable fair value	36,225	—
Equity investments without readily determinable fair value:		
Tendril	—	22,922
Project entities	2,951	7,059
Other equity investments without readily determinable fair value	5,859	5,859
Total equity investments without readily determinable fair value	8,810	35,840
Total equity investments	$ 88,694	$ 485,840

Related-Party Transactions with Investees

Related-party transactions with investees are as follows:

	As of	
(In thousands)	**December 30, 2018**	**December 31, 2017**
Accounts receivable	$ 19,062	$ 1,275
Accounts payable	7,982	3,764
Accrued liabilities	22,364	4,161
Contract liabilities	—	175
Other long-term liabilities	—	29,245

	Fiscal Year Ended		
(In thousands)	**2018**	**2017**	**2016**
Payments made to investees for products/services	$ 80,150	$ —	$ 337,831
Revenues and fees received from investees for products/services[1]	9,717	31,459	317,314

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

Note 12. *DEBT AND CREDIT SOURCES*

The following table summarizes our outstanding debt on our Consolidated Balance Sheets:

	December 30, 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	$ —	$ 419,958	$ 419,958	$ 425,000	$ —	$ 418,715	$ 418,715
0.875% debentures due 2021	400,000	—	398,398	398,398	400,000	—	397,739	397,739
0.75% debentures due 2018	—	—	—	—	300,000	299,685	—	299,685
CEDA loan	30,000	—	29,063	29,063	30,000	—	28,538	28,538
Non-recourse financing and other debt[1]	49,073	39,500	9,273	48,773	466,766	57,131	399,134	456,265
	$ 904,073	$ 39,500	$ 856,692	$ 896,192	$ 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 10. *Commitments and Contingencies*."

As of December 30, 2018, the aggregate future contractual maturities of our outstanding debt, at face value, were as follows:

(In thousands)	**Fiscal 2019**	**Fiscal 2020**	**Fiscal 2021**	**Fiscal 2022**	**Fiscal 2023**	**Thereafter**	**Total**
Aggregate future maturities of outstanding debt	$ 39,679	$ 3,326	$ 400,659	$ 694	$ 425,732	$ 33,983	$ 904,073

Convertible Debt

The following table summarizes our outstanding convertible debt:

	December 30, 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	$ 419,958	$ 425,000	$ 341,968	$ 418,715	$ 425,000	$ 368,399
0.875% debentures due 2021	398,398	400,000	306,904	397,739	400,000	315,132
0.75% debentures due 2018	—	—	—	299,685	300,000	299,313
	$ 818,356	$ 825,000	$ 648,872	$ 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.

Our outstanding convertible debentures are senior, unsecured obligations ranking equally with all of our existing and future senior unsecured indebtedness.

4.00% Debentures Due 2023

In December 2015, we issued $425.0 million in principal amount of our 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 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.

0.875% Debentures Due 2021

In June 2014, we issued $400.0 million in principal amount of our 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 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.

0.75% Debentures Due 2018

In May 2013, we issued $300.0 million in principal amount of our 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 our 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 for cash with proceeds from the Term Credit Agreement. On June 19, 2018, we completed the sale of our equity interest in the 8point3 Group, the proceeds of which were used to repay the debentures under the Term Credit Agreement.

Other Debt and Credit Sources

Mortgage Loan Agreement with IFC

In May 2010, we entered into a mortgage loan agreement with IFC. Under the loan agreement, we borrowed $75.0 million and were required to repay the amount borrowed starting two years after the date of borrowing, in 10 equal semi-annual installments. We were required to pay interest of LIBOR plus 3% per annum on outstanding borrowings; a front-end fee of 1% on the principal amount of borrowings at the time of borrowing; and a commitment fee of 0.5% per annum on funds available for borrowing and not borrowed. We were able to prepay all or a part of the outstanding principal, subject to a 1% prepayment premium. We had pledged certain assets as collateral supporting our repayment obligations (see Note 6. *Balance Sheet Components*). As of December 31, 2017, we had restricted cash and cash equivalents of zero related to the IFC debt service reserve, which was the amount, as determined by IFC, equal to the aggregate principal and interest due on the next succeeding interest payment date. On January 17, 2017, we repaid the entire outstanding balance, and the associated interest, of the mortgage loan agreement with IFC.

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

In 2010, we 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 us. As of December 30, 2018, the fair value of the Bonds was $32.4 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

In July 2013, we entered into a revolving credit agreement with Credit Agricole, as administrative agent, and certain financial institutions, under which we may borrow up to $250.0 million. On August 26, 2014, we entered into an amendment to the revolving credit facility that, among other things, extends the maturity date of the facility from July 3, 2016 to August 26, 2019 (the "Maturity Date"). Amounts borrowed may be repaid and reborrowed until the Maturity Date. On February 17, 2016, we entered into an amendment to the credit agreement, expanding the available borrowings under the revolving credit facility to $300.0 million and adding a $200.0 million letter of credit subfacility, subject to the satisfaction of certain conditions. The revolving credit facility includes representations, covenants, and events of default customary for financing transactions of this type.

On June 23, 2017, we 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 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 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.

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 both December 30, 2018 and December 31, 2017, we had no outstanding borrowings under the Revolver.

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 our request, of letters of credit to support our obligations in an aggregate amount not to exceed $50.0 million. The 2016 Non-Guaranteed LC Facility terminated 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 December 30, 2018 and December 31, 2017, letters of credit issued and outstanding under the 2016 Non-Guaranteed LC Facility totaled $18.1 million and $30.1 million, respectively.

In June 2016, we 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 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 the 2016 Guaranteed LC 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, 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 December 30, 2018 and December 31, 2017, letters of credit issued and outstanding under the 2016 Guaranteed LC Facilities totaled $36.3 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, we entered into a letter of credit facility with Deutsche Bank Trust which provides for the issuance, upon our request, 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 December 30, 2018 and December 31, 2017, letters of credit issued and outstanding under the Deutsche Bank Trust facility totaled $3.0 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, 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 and the facility was terminated. As of December 30, 2018 and December 31, 2017, the aggregate carrying value of the Construction Revolver totaled zero and $3.2 million, respectively. As of December 30, 2018, we also had $75.0 million in additional borrowing capacity under other limited recourse construction financing facilities.

Subordinated Mezzanine Loan with SunStrong Capital Lender LLC, an indirect subsidiary of Hannon Armstrong Sustainable Infrastructure Capital, Inc. ("Hannon Armstrong")

On August 10, 2018, SunStrong Capital Acquisition, LLC, a wholly-owned subsidiary of the Company (“Mezzanine Loan 1 Borrower”), and SunStrong Capital Lender LLC, a subsidiary of Hannon Armstrong, entered into a mezzanine loan agreement under which Mezzanine Loan 1 Borrower borrowed a subordinated, mezzanine loan of $110.5 million (the “Mezzanine Loan 1”) and incurred issuance costs of $1.4 million related to the loan. On August 31, 2018, we repaid a principal amount of $2.1 million that resulted in an adjusted Mezzanine Loan 1 balance, net of issuance costs, of $107.0 million. The divestiture of our Residential Lease Portfolio resulted in deconsolidation of this debt. See "Note 4. *Business Combinations and Divestitures"* for additional information.

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 partnership flip 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 our 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 our non-recourse financing arrangements, including arrangements that are not classified as debt:

	Aggregate Carrying Value[1]		
(In thousands)	**December 30, 2018**	**December 31, 2017**	**Balance Sheet Classification**
Residential Lease Program:			
Bridge loans	$ —	$ 17,068	Short-term debt and Long-term debt
Long-term loans	—	356,622	Short-term debt and Long-term debt
Tax equity partnership flip facilities	58,810	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	—	3,240	Short-term debt and Long-term debt
Arizona loan	6,650	7,161	Short-term debt and Long-term debt

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

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 fiscal 2018 and 2017, we had net repayments of $1.6 million and $10.3 million, respectively, in connection with these loans. As of December 30, 2018 and December 31, 2017, the aggregate carrying amount of these loans, presented within "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was zero and $17.1 million, respectively. The decrease in the balance over the prior period can be attributed to the divestiture of our Residential Lease Portfolio and the subsequent assumption of this debt by SunStrong. See "Note 4. *Business Combinations and Divestitures"* for additional information.

- 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 4 and 25 years. During fiscal 2018 and 2017, we had net proceeds of $176.6 million and $72.4 million, respectively, in connection with these loans. As of December 30, 2018 and December 31, 2017, the aggregate carrying amount of these loans, presented within "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was zero and $356.6 million, respectively. The decrease in the balance over the prior period can be attributed to the divestiture of our Residential Lease Portfolio. See "Note 4. *Business Combinations and Divestitures"* for additional information.

- 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 consolidates 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 fiscal 2018 and 2017, we had net contributions of $129.3 million and $178.4 million, respectively, under these facilities and attributed losses of $106.4 million and $91.2 million, respectively, to the noncontrolling interests corresponding principally to certain assets, including tax credits, which were allocated to the noncontrolling interests during the periods. As of December 30, 2018 and December 31, 2017, the aggregate carrying amount of these facilities, presented within “Redeemable noncontrolling interests in subsidiaries” and “Noncontrolling interests in subsidiaries” on our Consolidated Balance Sheets, was $58.8 million and $119.4 million, respectively.

For our legacy 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 legacy power plant and commercial projects:

- In fiscal 2017, we entered into a short-term credit facility to finance the 70 MW utility-scale Gala power plant project in Oregon. In the third quarter of fiscal 2017, we repaid the full outstanding amount of $106.0 million in connection with the credit facility.

- In fiscal 2016, we entered into the Construction Revolver credit facility to support the construction of our commercial and small-scale utility projects in the United States. During fiscal 2017, we made net repayments of $9.1 million in connection with the facility. As of December 30, 2018 and December 31, 2017, the aggregate carrying amount of the Construction Revolver, presented in "Long-term debt" on our Consolidated Balance Sheets, was zero and $3.2 million, respectively.

- 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 of 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 December 30, 2018 and December 31, 2017, the aggregate carrying amount of this facility, presented within "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was zero and $28.2 million, respectively.

- In fiscal 2016, we entered into a long-term credit facility to finance the 111 MW utility-scale El Pelicano power plant project in Chile. In the fourth quarter of fiscal 2017, we sold El Pelicano, and the buyer assumed the full outstanding debt balance of $196.1 million upon the sale of the project.

- 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 December 30, 2018 and December 31, 2017, the aggregate carrying amount under this loan, presented within "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was $6.7 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 7. *Leasing*" for discussion of our sale-leaseback arrangements accounted for under the financing method.

Note 13. ***DERIVATIVE FINANCIAL INSTRUMENTS***

The following tables present information about our hedge instruments measured at fair value on a recurring basis as of December 30, 2018 and December 31, 2017, all of which utilize Level 2 inputs under the fair value hierarchy:

(In thousands)	Balance Sheet Classification	December 30, 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	$ 729	$ 2,518
		$ 729	$ 2,518
Liabilities:			
Derivatives designated as hedging instruments:			
Interest rate contracts	Other long-term liabilities	$ 152	$ 715
		$ 152	$ 715
Derivatives not designated as hedging instruments:			
Foreign currency forward exchange contracts	Accrued liabilities	$ 1,161	$ 1,452
Interest rate contracts	Other long-term liabilities	—	459
		$ 1,161	$ 1,911

	December 30, 2018					
				Gross Amounts Not Offset in the Consolidated Balance Sheets, but Have Rights to Offset		
(In thousands)	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Financial Instruments	Cash Collateral	Net Amounts
Derivative assets	$ 729	$ —	$ 729	$ 729	$ —	$ —
Derivative liabilities	$ 1,313	—	1,313	729	—	584

	December 31, 2017					
				Gross Amounts Not Offset in the Consolidated Balance Sheets, but Have Rights to Offset		
(In thousands)	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Financial Instruments	Cash Collateral	Net Amounts
Derivative assets	$ 2,579	$ —	$ 2,579	$ 603	$ —	$ 1,976
Derivative liabilities	2,626	—	2,626	603	—	2,023

The following table summarizes the pre-tax amount of unrealized gain or loss recognized in "Accumulated other comprehensive income" ("OCI") in "Stockholders' equity" on our Consolidated Balance Sheets:

	Fiscal Year		
(In thousands)	2018	2017	2016
Derivatives designated as cash flow hedges:			
Gain (loss) in OCI at the beginning of the period	$ (561)	$ 1,203	$ 5,942
Unrealized gain (loss) recognized in OCI (effective portion)	414	(905)	2,626
Less: Gain reclassified from OCI to revenue (effective portion of FX trades)	(35)	(1,137)	(7,587)
Less: Loss reclassified from OCI to interest expense (effective portion of interest rate swaps)	18	278	222
Net gain (loss) on derivatives	397	(1,764)	(4,739)
Gain (loss) in OCI at the end of the period	$ (164)	$ (561)	$ 1,203

The following table summarizes the amount of gain or loss recognized in "Other, net" on our Consolidated Statements of Operations in the years ended December 30, 2018, December 31, 2017 and January 1, 2017:

	Fiscal Year		
(In thousands)	2018	2017	2016
Derivatives designated as cash flow hedges:			
Gain (loss) recognized in "Other, net" on derivatives (ineffective portion and amount excluded from effectiveness testing)	$ —	$ 254	$ (1,069)
Derivatives not designated as hedging instruments:			
Gain (loss) recognized in "Other, net"	$ (2,904)	$ 1,635	$ (6,964)

Foreign Currency Exchange Risk

Designated Derivatives Hedging Cash Flow Exposure

Our cash flow exposure primarily relates to anticipated third-party foreign currency revenues and expenses and interest rate fluctuations. To protect financial performance, we enter 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 December 30, 2018, we had no designated outstanding cash flow hedge forward contracts. As of December 31, 2017, we had designated outstanding cash flow hedge forward contracts with an aggregate notional value of $2.1 million. We designate either gross external or intercompany revenue up to our 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 our 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 our subsidiaries' functional currencies and the currencies in which these assets and liabilities are denominated can create fluctuations in our reported consolidated financial position, results of operations and cash flows. As of December 30, 2018, to hedge balance sheet exposure, we held forward contracts with an aggregate notional value of $11.4 million. The maturity dates of these contracts are in January 2019. As of December 31, 2017, to hedge balance sheet exposure, we 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

We also enter into interest rate swap agreements to reduce the impact of changes in interest rates on our project specific non-recourse floating rate debt. As of December 30, 2018 and December 31, 2017, we had interest rate swap agreements designated as cash flow hedges with aggregate notional values of $6.7 million and $58.1 million, respectively, and interest rate swap agreements not designated as cash flow hedges with aggregate notional values of zero and $21.1 million, respectively. These swap agreements allow us 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 our Consolidated Statements of Operations. We analyze our designated interest rate swaps quarterly to determine if the hedge transaction remains effective or ineffective. We 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 we elect 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

Our option and forward contracts do not contain any credit-risk-related contingent features. We are exposed to credit losses in the event of nonperformance by the counterparties to these option and forward contracts. We enter into derivative contracts with high-quality financial institutions and limit the amount of credit exposure to any single counterparty. In addition, we continuously evaluate the credit standing of our counterparties.

Note 14. *INCOME TAXES*

On December 22, 2017, the U.S. enacted the Tax Act which significantly changed U.S. tax law. The Tax 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 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 which 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 Act during a measurement period not to extend beyond one year of the enactment date. As a result, in 2017, we have previously provided a reasonable estimate of the effects of the Tax Act in our financial statements. During the quarter ended December 30, 2018, we completed our analysis based on legislative updates currently available and reported the changes to the provisional amounts previously recorded which did not impact our income tax provision. We also confirmed that the Tax Act does not impact our expectations of actual cash payments for income taxes in the foreseeable future.

In the year ended December 30, 2018, our income tax provision of $1.0 million on a loss before income taxes and equity in earnings of unconsolidated investees of $898.7 million was primarily due to the related tax expense in foreign jurisdictions that were profitable, offset by tax benefit related to release of valuation allowance in a foreign jurisdiction and release of tax reserve due to lapse of statutes of limitation. The income tax benefit of $3.9 million in the year ended December 31, 2017 on a loss before income taxes and equity in earnings of unconsolidated investees of $1,200.8 million, was primarily due to the related tax effects of the carryback of fiscal 2016 net operating losses to fiscal 2015 domestic tax returns, partially offset by tax expense in profitable jurisdictions.

The geographic distribution of income (loss) from continuing operations before income taxes and equity earnings (losses) of unconsolidated investees and the components of provision for income taxes are summarized below:

	Fiscal Year		
(In thousands)	**2018**	**2017**	**2016**
Geographic distribution of income (loss) from continuing operations before income taxes and equity in earnings of unconsolidated investees:			
U.S. income (loss)	$ (778,316)	$ (1,242,000)	$ (660,029)
Non-U.S. income (loss)	(120,355)	41,250	131,637
Income (loss) before income taxes and equity in earnings (loss) of unconsolidated investees	$ (898,671)	$ (1,200,750)	$ (528,392)
Provision for income taxes:			
Current tax benefit (expense)			
Federal	$ (1,155)	$ 6,816	$ (6,842)
State	(553)	6,575	9,254
Foreign	(4,100)	(12,074)	(19,073)
Total current tax expense	(5,808)	1,317	(16,661)
Deferred tax benefit (expense)			
Federal		—	3,286
State	—	1,450	6,819
Foreign	4,798	1,177	(762)
Total deferred tax benefit (expense)	4,798	2,627	9,343
Benefit from (provision for) income taxes	$ (1,010)	$ 3,944	$ (7,318)

The benefit from (provision for) for income taxes differs from the amounts obtained by applying the statutory U.S. federal tax rate to income before taxes as shown below:

	Fiscal Year		
(In thousands)	**2018**	**2017**	**2016**
Statutory rate	21%	35%	35%
Tax benefit (expense) at U.S. statutory rate	$ 188,721	$ 420,263	$ 184,891
Foreign rate differential	(28,376)	6,178	24,932
State income taxes, net of benefit	(450)	(450)	(329)
Return to provision adjustments	—	—	10,784
Tax credits (investment tax credit and other)	4,727	8,132	6,396
Change in valuation allowance	(105,363)	(143,804)	(178,231)
Unrecognized tax benefits	2,345	2,430	(42,697)
Non-controlling interest income	(22,763)	17,705	17,183
Global intangible low-taxed income (“GILTI”)	(36,455)	—	—
Goodwill impairment	—	—	(20,236)
Intercompany profit deferral	—	—	(4,933)
Effects of tax reform	—	(302,899)	—
Other, net	(3,396)	(3,611)	(5,078)
Total	$ (1,010)	$ 3,944	$ (7,318)

	As of	
(In thousands)	**December 30, 2018**	**December 31, 2017**
Deferred tax assets:		
Net operating loss carryforwards	$ 225,489	$ 160,778
Tax credit carryforwards	55,527	57,072
Reserves and accruals	241,194	194,566
Stock-based compensation stock deductions	9,316	11,160
Basis difference on third-party project sales	50,648	242,290
Other	2,081	2,410
Total deferred tax assets	584,255	668,276
Valuation allowance	(404,923)	(448,723)
Total deferred tax assets, net of valuation allowance	179,332	219,553
Deferred tax liabilities:		
Outside basis difference on investment in 8point3 Energy Partners	—	(53,460)
Other intangible assets and accruals	—	(8,257)
Fixed asset basis difference	(151,192)	(140,939)
Other	(14,882)	(8,252)
Total deferred tax liabilities	(166,074)	(210,908)
Net deferred tax asset	$ 13,258	$ 8,645

As of December 30, 2018, we had federal net operating loss carryforwards of $779.9 million for tax purposes; of which, $81.6 million was generated in fiscal year 2018 and can be carried forward indefinitely under the Tax Cuts and Job Acts of 2017 (“The Tax Act”). The remaining federal net operating loss carry forward of $698.3 million, which were generated prior to 2018, will expire at various dates from 2031 to 2037. As of December 30, 2018, we had California state net operating loss carryforwards of approximately $777.7 million for tax purposes, of which $5.2 million relate to debt issuance and will benefit equity when realized. These California net operating loss carryforwards will expire at various dates from 2029 to 2038. We also had credit carryforwards of approximately $73.9 million for federal tax purposes, of which $19.2 million relate to debt issuance and will benefit equity when realized. We had California credit carryforwards of $9.0 million for state tax purposes, of which

$4.7 million relate to debt issuance and will benefit equity when realized. These federal credit carryforwards will expire at various dates from 2019 to 2038, and the California credit carryforwards do not expire. Our ability to utilize a portion of the net operating loss and credit carryforwards is dependent upon our being able to generate taxable income in future periods or being able to carryback net operating losses to prior year tax returns. Our ability to utilize net operating losses may be limited due to restrictions imposed on utilization of net operating loss and credit carryforwards under federal and state laws upon a change in ownership.

We are subject to tax holidays in the Philippines where we manufacture our solar power products. Our current income tax holidays were granted as manufacturing lines were placed in service. Tax holidays in the Philippines reduce our tax rate to 0% from 30% (through July 2019). Tax savings associated with the Philippines tax holidays were approximately $3.4 million, $5.6 million and $10.0 million in fiscal years 2018, 2017 and 2016, respectively, which provided a diluted net income (loss) per share benefit of $0.02, $0.04 and $0.07, respectively.

We qualify for the auxiliary company status in Switzerland where we sell our solar power products. The auxiliary company status entitles us to a reduced tax rate of 11.5% in Switzerland from approximately 24.2%. Tax savings associated with this ruling were approximately $1.8 million, $2.4 million and $1.9 million in fiscal years 2018, 2017 and 2016, respectively, which provided a diluted net income (loss) per share benefit of $0.01, $0.02 and $0.01, respectively.

We are subject to tax holidays in Malaysia where we manufacture our solar power products. Our current tax holidays in Malaysia were granted to its former joint venture AUOSP (now a wholly-owned subsidiary). Tax holidays in Malaysia reduce our tax rate to 0% from 24%. Tax savings associated with the Malaysia tax holiday were approximately $7.6 million, $6.8 million, and $2.0 million in fiscal 2018, 2017, and 2016, respectively, which provided a diluted net income (loss) per share benefit of $0.05, $0.05, and $0.01, respectively.

Valuation Allowance

Our valuation allowance is related to deferred tax assets in the United States, Malta, South Africa and Spain and was determined by assessing both positive and negative evidence. When determining whether it is more likely than not that deferred assets are recoverable, with such assessment being required on a jurisdiction by jurisdiction basis, we believe that sufficient uncertainty exists with regard to the realizability of these assets such that a valuation allowance is necessary. Factors considered in providing a valuation allowance include the lack of a significant history of consistent profits, the lack of consistent profitability in the solar industry, the limited capacity of carrybacks to realize these assets, and other factors. Based on the absence of sufficient positive objective evidence, we are unable to assert that it is more likely than not that we will generate sufficient taxable income to realize net deferred tax assets aside from the U.S. net operating losses that can be carried back to prior year tax returns. Should we achieve a certain level of profitability in the future, we may be in a position to reverse the valuation allowance which would result in a non-cash income statement benefit. The change in valuation allowance for fiscal 2018, 2017 and 2016 was $43.8 million, $151.2 million and $214.2 million, respectively.

Unrecognized Tax Benefits

Current accounting guidance contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

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A reconciliation of the beginning and ending amounts of unrecognized tax benefits during fiscal 2018, 2017, and 2016 is as follows:

	Fiscal Year		
(In thousands)	**2018**	**2017**	**2016**
Balance, beginning of year	$ 105,959	$ 82,253	$ 41,058
Additions for tax positions related to the current year	2,404	2,478	35,768
Additions for tax positions from prior years	451	22,151	7,322
Reductions for tax positions from prior years/statute of limitations expirations	(2,468)	(1,460)	(2,063)
Foreign exchange (gain) loss	(2,462)	537	168
Balance at the end of the period	$ 103,884	$ 105,959	$ 82,253

Included in the unrecognized tax benefits at fiscal 2018 and 2017 is $14.7 million and $17.6 million, respectively, that if recognized, would result in a reduction of our effective tax rate. The amounts differ from the long-term liability recorded of $16.8 million and $19.4 million as of fiscal 2018 and 2017, respectively, due to accrued interest and penalties. Certain components of the unrecognized tax benefits are recorded against deferred tax asset balances.

We believe that events that could occur in the next 12 months and cause a change in unrecognized tax benefits include, but are not limited to, the following:

- commencement, continuation or completion of examinations of our tax returns by the U.S. or foreign taxing authorities; and
- expiration of statutes of limitation on our tax returns.

The calculation of unrecognized tax benefits involves dealing with uncertainties in the application of complex global tax regulations. Uncertainties include, but are not limited to, the impact of legislative, regulatory and judicial developments, transfer pricing and the application of withholding taxes. We regularly assess our tax positions in light of legislative, bilateral tax treaty, regulatory and judicial developments in the countries in which we do business. We determined that an estimate of the range of reasonably possible change in the amounts of unrecognized tax benefits within the next 12 months cannot be made.

Classification of Interests and Penalties

We accrue interest and penalties on tax contingencies which are classified as "Provision for income taxes" in our Consolidated Statements of Operations. Accrued interest as of December 30, 2018 and December 31, 2017 was approximately $2.1 million and $1.8 million, respectively. Accrued penalties were not material for any of the periods presented.

Tax Years and Examination

We file tax returns in each jurisdiction in which we are registered to do business. In the United States and many of the state jurisdictions, and in many foreign countries in which we file tax returns, a statute of limitations period exists. After a statute of limitations period expires, the respective tax authorities may no longer assess additional income tax for the expired period. Similarly, we are no longer eligible to file claims for refund for any tax that we may have overpaid. The following table summarizes our major tax jurisdictions and the tax years that remain subject to examination by these jurisdictions as of December 30, 2018:

Tax Jurisdictions	**Tax Years**
United States	2010 and onward
California	2011 and onward
Switzerland	2013 and onward
Philippines	2009 and onward
France	2015 and onward
Italy	2014 and onward

Additionally, certain pre-2010 U.S. corporate tax returns and pre-2011 California tax returns are not open for assessment but the tax authorities can adjust net operating loss and credit carryovers that were generated.

We are under tax examinations in various jurisdictions. We do not expect the examinations to result in a material assessment outside of existing reserves. If a material assessment in excess of current reserves results, the amount that the assessment exceeds current reserves will be a current period charge to earnings.

Note 15. *COMMON STOCK*

Common Stock

Voting Rights - Common Stock

All common stock holders are entitled to one vote per share on all matters submitted to be voted on by our stockholders, subject to the preferences applicable to any preferred stock outstanding.

Dividends - Common Stock

All common stock holders are entitled to receive equal per share dividends when and if declared by the Board of Directors, subject to the preferences applicable to any preferred stock outstanding. Certain of our debt agreements place restrictions on us and our subsidiaries' ability to pay cash dividends.

Shares Reserved for Future Issuance Under Equity Compensation Plans

We had shares of common stock reserved for future issuance as follows:

(In thousands)	December 30, 2018	December 31, 2017
Equity compensation plans	11,183 [1]	8,824

[1] On November 13, 2018, we filed post-effective amendments to registration statements in order to deregister shares of common stock that are no longer required to be registered for issuance under our stock incentive plans. Other than with respect to the SunPower Corporation 2015 Omnibus Incentive Plan, no further awards have been issued under the prior plans and no awards remain outstanding as of December 30, 2018. See "Note 17. *Stock-Based Compensation"* for additional information.

Note 16. *NET LOSS PER SHARE*

We calculate basic net loss per share by dividing earnings allocated to common stockholders by the basic weighted average number of common shares outstanding for the period.

Diluted weighted average shares is computed using basic weighted average number of common shares outstanding 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 attributable to stockholders:

	Fiscal Year Ended		
(In thousands, except per share amounts)	**2018**	**2017**	**2016**
Numerator:			
Net loss attributable to stockholders	$ (811,091)	$ (929,121)	$ (448,635)
Denominator[1]:			
Basic and diluted weighted-average common shares	140,825	139,370	137,985
Basic and diluted net loss per share attributable to stockholders	$ (5.76)	$ (6.67)	$ (3.25)

[1]As a result of our net loss attributable to stockholders for fiscal 2018, 2017 and 2016, 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.

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

	Fiscal Year Ended		
(In thousands)	**2018**	**2017**	**2016**
Stock options	—	—	141
Restricted stock units	5,699	3,917	4,997
Upfront Warrants (held by Total)	9,532	364	3,721
4.00% debentures due 2023	13,922	13,922	13,922
0.75% debentures due 2018	4,975	12,026	12,026
0.875% debentures due 2021	8,203	8,203	8,203

Note 17. *STOCK-BASED COMPENSATION*

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

	Fiscal Year		
(In thousands)	**2018**	**2017**	**2016**
Cost of SunPower Energy Services revenue	$ 2,369	$ 2,599	$ 5,956
Cost of SunPower Technologies revenue	2,626	2,889	11,133
Research and development	5,497	6,448	11,896
Sales, general and administrative	17,724	22,738	32,514
Total stock-based compensation expense	$ 28,216	$ 34,674	$ 61,499

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

	Fiscal Year		
(In thousands)	**2018**	**2017**	**2016**
Restricted stock units	$ 27,922	$ 34,548	$ 58,562
Change in stock-based compensation capitalized in inventory	294	126	2,937
Total stock-based compensation expense	$ 28,216	$ 34,674	$ 61,499

As of December 30, 2018, the total unrecognized stock-based compensation related to outstanding restricted stock units was $47.9 million, which we expect to recognize over a weighted-average period of 2.6 years.

Equity Incentive Programs

Stock-based Incentive Plans

During fiscal 2018, we have three stock incentive plans: (i) the Third Amended and Restated 2005 SunPower Corporation Stock Incentive Plan ("2005 Plan"); (ii) the PowerLight Corporation Common Stock Option and Common Stock Purchase Plan ("PowerLight Plan"); and (iii) the SunPower Corporation 2015 Omnibus Incentive Plan ("2015 Plan"). The PowerLight Plan, which was adopted by PowerLight's Board of Directors in October 2000, was assumed by us by way of the acquisition of PowerLight in fiscal 2007. The 2005 Plan was adopted by our Board of Directors in August 2005, and was approved by shareholders in November 2005. The 2015 Plan, which subsequently replaced the 2005 Plan, was adopted by our Board of Directors in February 2015, and was approved by shareholders in June 2015. On November 13, 2018, we filed post-effective amendments to registration statements associated with the 2005 Plan and the PowerLight Plan, among others, to deregister shares no longer required to be registered for issuance under those plans, as no new awards had been made and all options had been exercised or had expired.

The 2015 Plan allows for the grant of options, as well as grant of stock appreciation rights, restricted stock grants, restricted stock units and other equity rights. The 2015 Plan also allows for tax withholding obligations related to stock option exercises or restricted stock awards to be satisfied through the retention of shares otherwise released upon vesting. The 2015 Plan includes an automatic annual increase mechanism equal to the lower of three percent of the outstanding shares of all classes of our common stock measured on the last day of the immediately preceding fiscal year, 6 million shares, or such other number of shares as determined by our Board of Directors. In fiscal 2015, our Board of Directors voted to reduce the stock incentive plan's automatic increase from 3% to 2% for 2016. As of December 30, 2018, approximately 11.2 million shares were available for grant under the 2015 Plan.

Incentive stock options, nonstatutory stock options, and stock appreciation rights may be granted at no less than the fair value of the common stock on the date of grant. The options and rights become exercisable when and as determined by our Board of Directors, although these terms generally do not exceed ten years for stock options. We have not granted stock options since fiscal 2008. All previously granted stock options have been exercised or expired and accordingly no options remain outstanding. Under the 2015 Plan, the restricted stock grants and restricted stock units typically vest in equal installments annually over three or four years.

The majority of shares issued are net of the minimum statutory withholding requirements that we pay on behalf of our employees. During fiscal 2018, 2017, and 2016, we withheld 0.7 million, 0.6 million and 1.0 million shares, respectively, to satisfy the employees' tax obligations. We pay such withholding requirements in cash to the appropriate taxing authorities. Shares withheld are treated as common stock repurchases for accounting and disclosure purposes and reduce the number of shares outstanding upon vesting.

Restricted Stock Units and Stock Options

The following table summarizes our non-vested restricted stock units' activities:

	Restricted Stock Units	
	Shares (in thousands)	**Weighted-Average Grant Date Fair Value Per Share[1]**
Outstanding as of January 1, 2017	6,147	$ 21.85
Granted	4,863	6.76
Vested[2]	(1,738)	25.87
Forfeited	(1,979)	18.15
Outstanding as of December 31, 2017	7,293	11.83
Granted	4,449	7.77
Vested[2]	(2,266)	14.45
Forfeited	(1,816)	10.10
Outstanding as of December 30, 2018	7,660	9.11

[1] We estimate the fair value of our restricted stock awards and units at our stock price on the grant date.

[2] Vested restricted stock awards include shares withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements.

There were no options outstanding and exercisable as of December 30, 2018. The intrinsic value of the options exercised in fiscal 2018, 2017, and 2016 were zero, $1.7 thousand, and zero, respectively. There were no stock options granted in fiscal 2018, 2017, and 2016.

Note 18. *SEGMENT AND GEOGRAPHICAL INFORMATION*

In the fourth quarter of fiscal 2018, in connection with a reorganization of our business to better align and focus resources towards an upstream and downstream business unit structure, we changed our segment reporting from three end-customer segments to upstream and downstream segments: (i) SunPower Technologies and (ii) SunPower Energy Services (see Note 1. *Organization and Summary of Significant Accounting Policies*). Reclassifications of prior period segment information have been made to conform to the current period presentation. These changes did not materially affect our previously reported Consolidated Financial Statements.

Adjustments Made for Segment Purposes

Intersegment Gross Margin

To increase efficiencies and the competitive advantage of our technologies, SunPower Technologies sells solar modules to SunPower Energy Services based on transfer prices determined based on management's assessment of market-based pricing terms. Such intersegment sales and related costs are eliminated at the corporate level to derive our consolidated financial results.

8point3 Energy Partners

We include 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 our retained equity interest in 8point3 Energy Partners. Prior to the adoption of ASC 606, these sales were 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. 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 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, 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 ("OTTI"). In accordance with such evaluation, we recognized an OTTI charge on the 8point3 investment balance in fiscal 2017. On June 19, 2018, we sold our equity interest in the 8point3 Group.

Legacy utility and power plant projects

We include adjustments related to the revenue recognition of certain legacy 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 our project development efforts at the time of initial project sale. Prior to the adoption of ASC 606, such projects were accounted for under real estate accounting guidance, under which no separate allocation to our project development efforts occurs and the amount of revenue and margin that is recognized may be limited in circumstances where we have 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

We include 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 our incremental borrowing rate adjusted solely to prevent negative amortization.

Impairment of property, plant and equipment

In the second quarter of fiscal 2018, we announced our proposed plan to change our corporate structure into upstream and downstream business units, and our long-term strategy to upgrade our existing integrated back connectivity, or IBC, technology to our NGT, or Maxeon 5. Accordingly, we expect to upgrade the equipment associated with our manufacturing operations for the production of Maxeon 5 over the next several years. In connection with these planned changes that will impact the utilization of our manufacturing assets as well as continued pricing challenges in the industry, 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 our 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 on our property, plant and equipment. Such asset impairment is excluded from our segment results as it is non-cash in nature and not reflective of ongoing segment results.

Impairment and sale of residential lease assets

In the fourth quarter of fiscal 2017, we made the decision to sell or refinance our interest in our Residential Lease Portfolio and as a result, determined it was necessary to evaluate the recoverability of the carrying amount of the Residential Lease Portfolio. In accordance with such evaluation, we recognized a non-cash impairment charge on our solar power systems leased and to be leased and an allowance for losses related to financing receivables. In connection with the impairment loss, the carrying values of our 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.

In the fourth quarter of fiscal 2018, we entered into a joint venture with HA SunStrong Capital LLC (“HA SunStrong Parent”), an affiliate of Hannon Armstrong Sustainable Infrastructure Capital, Inc., to acquire, own, manage, operate, finance, and maintain a portfolio of residential rooftop or ground-mounted solar photovoltaic electric generating systems ("Solar Assets"). Pursuant to the terms of the Purchase and Sale Agreement (the “PSA"), we sold to

HA SunStrong Parent, in exchange for consideration of $10.0 million, membership units representing a 49.0% membership interest in SunStrong Capital Holdings, LLC (“SunStrong”), formerly our wholly-owned subsidiary. Following the closing of the PSA, we deconsolidated certain entities that have historically held the assets and liabilities comprising our residential lease business (the "Residential Lease Portfolio"), as part of our previously announced decision to sell a portion of our interest in the Residential Lease Portfolio, and retained membership units representing a 51% membership interest in SunStrong. The loss on divestment and the remaining unsold residential lease asset impairment with its corresponding depreciation savings are excluded from our segment results as they are non-cash in nature and not reflective of ongoing operating results.

Cost of above-market polysilicon

As described in "Note 10. *Commitments and Contingencies*," we have 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, we have periodically elected to sell polysilicon inventory in the marketplace at prices below our purchase price, thereby incurring a loss. Starting in the first quarter of fiscal 2017, we have excluded the impact of our 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 our segment results.

Stock-based compensation

We incur stock-based compensation expense related primarily to our equity incentive awards. We exclude this expense from our segment results.

Amortization of intangible assets

We incur 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. We exclude this expense from our segment results.

Depreciation of idle equipment

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

Gain on business divestiture

In the third quarter of fiscal 2018, we entered into a transaction pursuant to which the Company sold certain assets and intellectual property related to the production of microinverters for purchase consideration comprised of both cash and stock. In connection with this sale, the Company recognized a gain relating to this business divestiture. Management believes that it is appropriate to exclude this gain from the Company’s Non-GAAP financial measures as it is non-cash in nature and not reflective of ongoing operating results.

Unrealized loss on equity investments

In connection with the divestment of the Company's microinverters business in the third quarter of fiscal 2018, the Company received a portion of the consideration in the form of common stock. The Company recognizes adjustments related to the fair value of equity investments with readily determinable fair value based on the changes in the stock price of these equity investments at every reporting period. Under GAAP, unrealized gains and losses due to changes in stock prices for these securities are recorded in earnings while under International Financial Reporting Standards ("IFRS"), an election can be made to recognize such gains and losses in other comprehensive income. Such an election was made by Total S.A., a foreign registrant which reports under the IFRS. Management believes that excluding the unrealized gain or loss on the equity investments is consistent with the Company's reporting process as part of its status as a consolidated subsidiary of Total S.A. and better reflects the Company's ongoing segment results.

Acquisition-related and other costs

In connection with the acquisition of certain assets of SolarWorld Americas, Inc. ("SolarWorld Americas"), which closed on October 1, 2018, the Company incurred legal and accounting fees. In addition to the legal and accounting fees incurred. Management believes that it is appropriate to exclude these from the Company’s Non-GAAP financial measures as they would not have otherwise been incurred as part of its business operations and are therefore not reflective of ongoing operating results.

Business reorganization costs

In connection with the reorganization of our business into an upstream and downstream business unit structure, we incurred and expect to continue incurring expenses in the upcoming quarters associated with reclassifying prior period segment information, reorganization of corporate functions and responsibilities to the business units, updating accounting policies and processes and implementing systems to fulfill the requirements of the master supply agreement between the segments. Management believes that it is appropriate to exclude these from the Company’s Non-GAAP financial measures as they would not have otherwise been incurred as part of its business operations and are therefore not reflective of ongoing operating results.

Non-cash interest expense

We incur non-cash interest expense related to the amortization of items such as original issuance discounts on certain of our convertible debt. We exclude this expense from our segment results.

Restructuring expense

We incur restructuring expense related to reorganization plans aimed towards realigning resources consistent with our global strategy and improving our overall operating efficiency and cost structure. We exclude this expense from our segment results.

IPO-related costs

We incurred legal, accounting, advisory, valuation, and other costs related to the IPO of 8point3 Energy Partners. We exclude these costs from our segment results.

Other

We combine 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 segment results for fiscal 2018, 2017 and 2016 for revenue, gross margin, and adjusted EBITDA, each as reviewed by the CODM, and their reconciliation to our consolidated GAAP results, as well as information about significant customers and revenue by geography based on the destination of the shipments, and property, plant and equipment, net by segment.

	2018		2017		2016	
(In thousands):	**SunPower Energy Services**	**SunPower Technologies**	**SunPower Energy Services**	**SunPower Technologies**	**SunPower Energy Services**	**SunPower Technologies**
Revenue from external customers:						
North America Residential	$ 673,758	$ —	$ 531,291	$ —	$ 639,174	$ —
North America Commercial	422,762	—	596,729	—	415,247	—
Operations and maintenance	47,447	—	42,233	—	37,127	—
International DG	—	322,028	—	209,346	—	153,894
Module sales	—	186,712	—	173,617	—	107,412
Development services and legacy power plant	—	162,227	—	575,342	—	1,350,006
Intersegment revenue	—	388,539	—	466,949	—	446,537
Total segment revenue as reviewed by CODM	$ 1,143,967	$ 1,059,506	$ 1,170,253	$ 1,425,254	$ 1,091,548	$ 2,057,849
Segment gross profit as reviewed by CODM	$ 142,087	$ 19,050	$ 126,049	$ 135,574	$ 209,075	$ 201,741
Adjusted EBITDA	$ 151,095	$ 27,980	$ 109,863	$ 145,696	$ 141,885	$ 243,039

Reconciliation of Segment Revenue to Consolidated GAAP Revenue	**Fiscal Year Ended**		
(In thousands):	**2018**	**2017**	**2016**
Total segment revenue as reviewed by CODM	$ 2,203,473	2,595,507	3,149,397
Adjustments to segment revenue:			
Intersegment elimination	(388,539)	(466,949)	(446,537)
8point3 Energy Partners	8,588	(7,198)	(29,614)
Utility and power plant projects	4,145	(54,659)	(13,981)
Sale of operating lease assets	—	—	(28,096)
Sale-leaseback transactions	(101,582)	(272,654)	(78,532)
Consolidated GAAP revenue	$ 1,726,085	$ 1,794,047	$ 2,552,637

Reconciliation of Segment Gross Profit to Consolidated GAAP Gross Profit (In thousands):	Fiscal Year Ended 2018	2017	2016
Segment gross profit	$ 161,137	$ 261,623	$ 410,816
Adjustments to segment gross profit:			
Intersegment elimination	(25,386)	(25,151)	(18,045)
8point3 Energy Partners	8,337	2,656	23,157
Utility and power plant projects	1,244	(41,746)	(6,064)
Sale of operating lease assets	—	—	(8,554)
Sale-leaseback transactions	(242)	(31,094)	(11,352)
Impairment of property, plant and equipment	(355,107)	—	—
Impairment of residential lease assets[1]	14,847	—	—
Arbitration ruling	—	—	5,852
Cost of above-market polysilicon	(87,228)	(166,906)	(148,265)
Stock-based compensation expense	(4,996)	(5,489)	(17,090)
Amortization of intangible assets	(8,966)	(10,206)	(7,680)
Depreciation of idle equipment	(721)	(2,300)	—
Non-cash interest expense	—	(32)	(956)
Consolidated GAAP gross profit	$ (297,081)	$ (18,645)	$ 221,819

Reconciliation of Segments EBITDA to Loss before income taxes and equity in earnings (losses) of unconsolidated investees	Fiscal Year Ended		
(In thousands):	**2018**	**2017**	**2016**
Segment adjusted EBITDA	$ 179,075	$ 255,559	$ 384,924
Adjustments to segment adjusted EBITDA:			
8point3 Energy Partners	8,485	(78,990)	(25,127)
Utility and power plant projects	1,244	(41,746)	(6,602)
Sale of operating lease assets	—	—	(8,607)
Sale-leaseback transactions	(18,802)	(39,318)	(11,699)
Impairment of property, plant and equipment	(369,168)	—	—
Impairment of residential lease assets[1]	(227,507)	(473,709)	—
Cost of above-market polysilicon	(87,228)	(166,906)	(148,265)
Stock-based compensation expense	(28,215)	(34,674)	(61,498)
Amortization of intangible assets	(8,966)	(19,048)	(17,369)
Depreciation of idle equipment	(721)	(2,300)	—
Arbitration ruling	—	—	5,852
IPO-related costs	—	82	304
Acquisition-related and other costs	(17,727)	—	—
Gain on business divestiture	59,347	—	—
Restructuring expense	(17,497)	(21,045)	(207,189)
Goodwill Impairment	—	—	(57,765)
Unrealized loss on equity investments	(6,375)	—	—
Non-cash interest expense	(68)	(128)	(1,057)
Equity in earnings (losses) of unconsolidated investees	17,815	(25,938)	(14,295)
Net loss attributable to noncontrolling interests	(106,406)	(241,747)	(72,780)
Cash interest expense, net of interest income	(86,394)	(79,965)	(57,734)
Depreciation	(120,367)	(164,970)	(156,464)
Corporate	(67,866)	(65,907)	(73,052)
Business reorganization costs	(1,330)	—	—
Other	—	—	31
Loss before income taxes and equity in earnings (losses) of unconsolidated investees	$ (898,671)	$ (1,200,750)	$ (528,392)

[1] For the year ended December 30, 2018 and December 31, 2017, we recorded in aggregate a loss on sale and impairment of residential lease assets of $252.0 million and $624.3 million, respectively. As a result of the partnership flip structures with noncontrolling interests where these assets are held in, we allocated an insignificant portion of the impairment charge to the noncontrolling interest using the HLBV method. The net impairment charges attributable to us totaled $227.5 million and $473.7 million for the year ended December 30, 2018 and December 31, 2017, respectively. During fiscal 2018, we also recorded $14.8 million of depreciation savings as a result of the impairment charge recognized in the prior period.

		Fiscal Year		
(As a percentage of total revenue):		**2018**	**2017**	**2016**
Significant Customers:	**Business Segment**			
Actis GP LLP	Power Plant	*	13%	n/a
8point3 Energy Partners	Power Plant	*	*	10%
Southern Renewable Partnerships, LLC	Power Plant	n/a	*	15%

(As a percentage of total revenue):	Fiscal Year 2018	2017	2016
Revenue by geography:			
United States	68%	79%	85%
Japan	5%	6%	6%
Rest of World	27%	15%	9%
	100%	100%	100%

(In thousands):	Fiscal Year 2018	2017
SunPower Energy Services	$ 512,953	$ 445,241
SunPower Technologies	323,941	698,553
Corporate	2,977	4,051
Property, plant and equipment, net	$ 839,871	$ 1,147,845

Note 19. *SUBSEQUENT EVENT*

SELECTED UNAUDITED QUARTERLY FINANCIAL DATA

Consolidated Statements of Operations:

(In thousands, except per share data)	Three Months Ended[1]							
	December 30, 2018	September 30, 2018	July 1, 2018	April 1, 2018	December 31, 2017	October 1, 2017	July 2, 2017	April 2, 2017
Revenue	$ 456,837	$ 428,263	$ 449,097	$ 391,888	$ 651,134	$ 485,836	$ 327,981	$ 329,095
Gross margin	$ (7,571)	$ 9,755	$ (310,215)	$ 10,248	$ (13,593)	$ 21,289	$ 16,167	$ (45,584)
Net income (loss)	$ (172,146)	$ (113,911)	$ (483,843)	$ (147,597)	$ (753,566)	$ (70,838)	$ (109,577)	$ (236,886)
Net income (loss) attributable to stockholders	$ (158,174)	$ (89,826)	$ (447,117)	$ (115,974)	$ (572,651)	$ (46,229)	$ (90,515)	$ (219,725)
Basic and diluted net loss per share attributable to stockholders	$ (1.12)	$ (0.64)	$ (3.17)	$ (0.83)	$ (4.10)	$ (0.33)	$ (0.65)	$ (1.58)

[11]Previously reported information for fiscal year 2017 has been restated for the adoption of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. For further discussion of this standard, see Note 1 to the Consolidated Financial Statements.

ITEM 9: *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES*

None.

ITEM 9A: *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 Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 30, 2018 at a reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) ("COSO"). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 30, 2018 based on the criteria described in Internal Control-Integrated Framework issued by COSO. Management reviewed the results of its assessment with our Audit Committee.

The effectiveness of the Company's internal control over financial reporting as of December 30, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8 of this Annual Report on Form 10-K.

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.

ITEM 9B: *OTHER INFORMATION*

None.

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

Information appearing under this Item is incorporated herein by reference to our proxy statement for the 2019 annual meeting of stockholders.

We have adopted a code of ethics, entitled Code of Business Conduct and Ethics, that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer, and principal accounting officer. We have made it available, free of charge, on our website at www.sunpower.com, and if we amend it or grant any waiver under it that applies to our principal executive officer, principal financial officer, or principal accounting officer, we will promptly post that amendment or waiver on our website as well.

ITEM 11: *EXECUTIVE COMPENSATION*

Information appearing under this Item is incorporated herein by reference to our proxy statement for the 2019 annual meeting of stockholders.

ITEM 12: *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

Information appearing under this Item is incorporated herein by reference to our proxy statement for the 2019 annual meeting of stockholders.

ITEM 13: *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

Information appearing under this Item is incorporated herein by reference to our proxy statement for the 2019 annual meeting of stockholders.

ITEM 14: *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

Information appearing under this Item is incorporated herein by reference to our proxy statement for the 2019 annual meeting of stockholders.

ITEM 15: *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

The following documents are filed as a part of this Annual Report on Form 10-K:

1. *Financial Statements:*

2. *Financial Statement Schedule:*

All financial statement schedules are omitted as the required information is inapplicable or the information is presented in the Consolidated Financial Statements or Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K.

3. *Exhibits:*

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of SunPower Corporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 16, 2011).
3.2	Amended and Restated By-Laws of SunPower Corporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 7, 2017).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012).
4.3	Certificate of Designation of Series A Junior Participating Preferred Stock of SunPower Corporation (incorporated by reference to Exhibit 4.6 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 16, 2011).
4.6	Indenture, dated as of December 15, 2015 by and between SunPower Corporation and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2015).
4.7	Indenture, dated as of June 11, 2014 by and between SunPower Corporation and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 11, 2014).
10.3	Continuing Agreement for Standby Letters of Credit and Demand Guarantees, dated June 29, 2016 by and among the Company, Deutsche Bank AG New York Branch, and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.63 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 10, 2016).
10.4	Letter of Credit Facility Agreement, dated June 29, 2016, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., the Subsidiary Applicants party thereto, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (incorporated by reference to Exhibit 10.64 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 10, 2016).
10.5	Letter of Credit Facility Agreement, dated June 29, 2016, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., the Subsidiary Applicants party thereto, and Credit Agricole Corporate and Investment Bank (incorporated by reference to Exhibit 10.65 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 10, 2016).
10.6	Letter of Credit Facility Agreement, dated June 29, 2016, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., the Subsidiary Applicants party thereto, and HSBC Bank USA, National Association (incorporated by reference to Exhibit 10.66 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 10, 2016).
10.7	Transfer Agreement, dated June 29, 2016, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., Deutsche Bank AG New York Branch as administrative agent, and the Banks party thereto (incorporated by reference to Exhibit 10.67 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2016).
10.11	Affiliation Agreement, dated April 28, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 99.6 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2011).
10.12	Amendment to Affiliation Agreement, dated April 28, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 7, 2011).
10.13	Second Amendment to Affiliation Agreement, dated December 23, 2011, by and between Total G&P and SunPower Corporation (incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2011).
10.14	Amendment No. 3 to Affiliation Agreement, dated February 28, 2012, by and between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.91 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012).
10.15	Amendment No. 4 to Affiliation Agreement, dated August 10, 2012, by and between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 2, 2012).

10.16	Affiliation Agreement Guaranty, dated April 28, 2011, between SunPower Corporation and Total S.A. (incorporated by reference to Exhibit 99.7 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2011).
10.17	Research & Collaboration Agreement, dated April 28, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 99.8 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2011).
10.18	Amendment to Research & Collaboration Agreement, dated June 7, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 7, 2011).
10.19	Registration Rights Agreement, dated April 28, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 99.9 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2011).
10.22^	SunPower Corporation 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-205207), filed with the Securities and Exchange Commission on June 25, 2015).
10.23^	Forms of agreements under SunPower Corporation 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.60 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 6, 2016).
10.26^	Outside Director Compensation Policy, as amended on July 22, 2015 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on October 29, 2015).
10.27^	Form of Employment Agreement for Executive Officers (incorporated by reference to Exhibit 10.47 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 18, 2014).
10.28^	SunPower Corporation Annual Executive Bonus Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 30, 2014).
10.29^	SunPower Corporation Executive Semi-Annual Bonus Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 30, 2014).
10.30^	Form of Indemnification Agreement for Directors and Officers (incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 19, 2016).
10.31^	2016 Management Career Transition Plan, dated August 10, 2015 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on October 29, 2015).
10.32†	Mortgage Loan Agreement, dated May 6, 2010, by and among SunPower Philippines Manufacturing Ltd., SPML Land, Inc. and International Finance Corporation (incorporated by reference to Exhibit 10.13 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 13, 2010).
10.33	Guarantee Agreement, dated May 6, 2010, by and between SunPower Corporation and International Finance Corporation (incorporated by reference to Exhibit 10.14 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 13, 2010).
10.34	Amendment No. 1 to Loan Agreement, dated November 2, 2010, by and between SunPower Philippines Manufacturing Ltd. and International Finance Corporation (incorporated by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2011).
10.35	Mortgage Supplement No. 1, dated November 3, 2010, by and between SunPower Philippines Manufacturing Ltd., SPML Land, Inc. and International Finance Corporation (incorporated by reference to Exhibit 10.63 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2013).
10.36	Mortgage Supplement No. 2, dated October 9, 2012, by and between SunPower Philippines Manufacturing Ltd., SPML Land, Inc. and International Finance Corporation (incorporated by reference to Exhibit 10.64 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2013).
10.37	Mortgage Supplement No. 3, dated February 7, 2013, by and between SunPower Philippines Manufacturing Ltd., SPML Land, Inc. and International Finance Corporation (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 7, 2013).

10.38	Loan Agreement, dated December 1, 2010, by and among California Enterprise Development Authority and SunPower Corporation, relating to $30,000,000 California Enterprise Development Authority Tax Exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (incorporated by reference to Exhibit 10.50 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2011).
10.39	First Supplement to Loan Agreement, dated June 1, 2011, by and between California Enterprise Development Authority and SunPower Corporation, relating to $30,000,000 California Enterprise Development Authority Tax Exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (incorporated by reference to Exhibit 10.16 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2011).
10.40†	Letter of Credit Facility Agreement, dated August 9, 2011, by and among SunPower Corporation, Total S.A., the Subsidiary Applicants party thereto, the Banks party thereto, and Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 10, 2011).
10.41†	First Amendment to Letter of Credit Facility Agreement, dated December 20, 2011, by and among SunPower Corporation, Total S.A., the Subsidiary Applicants party thereto, the Banks party thereto, and Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.65 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012).
10.42	Second Amendment to Letter of Credit Facility Agreement, dated December 19, 2012, by and among SunPower Corporation, Total S.A., the Subsidiary Applicants party thereto, the Banks party thereto, and Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.69 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2013).
10.43	Third Amendment to Letter of Credit Facility Agreement, dated December 20, 2013, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.61 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 18, 2014).
10.44	Fourth Amendment to Letter of Credit Facility Agreement, dated December 23, 2014, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.66 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2015).
10.45	Fifth Amendment to Letter of Credit Facility Agreement, dated October 7, 2015, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-Q filed with the Securities and Exchange Commission on October 29, 2015).
10.46	Continuing Agreement for Standby Letters of Credit and Demand Guarantees, dated September 27, 2011, by and among SunPower Corporation, Deutsche Bank Trust Company Americas, and Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 10, 2011).
10.47	Security Agreement, dated September 27, 2011, by and among SunPower Corporation, Deutsche Bank Trust Company Americas, and Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 10, 2011).
10.59	License and Technology Agreement, dated July 5, 2010, by and among SunPower Technology, Ltd., AU Optronics Singapore Pte. Ltd. and AUO SunPower Sdn. Bhd. (formerly known as SunPower Malaysia Manufacturing Sdn. Bhd.) (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 12, 2010).
10.60	Compensation and Funding Agreement, dated February 28, 2012, by and between SunPower Corporation and Total S.A. (incorporated by reference to Exhibit 10.90 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012).
10.61	Amendment No. 1 to Compensation and Funding Agreement, dated August 10, 2012, by and between SunPower Corporation and Total S.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 2, 2012).
10.62	Warrant to Purchase Common Stock, dated February 28, 2012, issued to Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.92 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012).
10.69	Letter Agreement, dated May 8, 2017, by and between SunPower Corporation and Total S.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2017).

10.70	Amended and Restated Revolving Credit Agreement, dated June 23, 2017, by and among SunPower Corporation, its subsidiaries, SunPower Corporation, Systems, SunPower North America LLC, and SunPower Capital, LLC, and Credit Agricole Corporate and Investment Bank and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 2, 2017).
10.71*	Indenture, dated November 28, 2018, by and between SunStrong 2018-1 Issuer, LLC and Wells Fargo Bank, National Association ("Wells Fargo"), as indenture trustee.
10.72	Purchase and Sale Agreement, dated as of November 5, 2018, by and between SunPower Corporation and HA SunStrong Capital LLC (incorporated by reference to Exhibit 10.1 to the Registrants Current Report on Form 8-K filed with the Securities and Exchange Commission on November 5, 2018).
10.73†	Master Supply Agreement, dated as of August 9, 2018, by and between SunPower Corporation and Enphase Energy, Inc. (incorporated by reference to Exhibit 99.1 to Amendment No. 1 of Enphase Energy, Inc.'s Current Report on Form 8-K/A filed with the Securities and Exchange Commission on October 23, 2018).
10.74†*	Amendment No. 1 to Master Supply Agreement, dated as of December 10, 2018, by and between SunPower Corporation and Enphase Energy, Inc.
10.75^	Equity Agreement and Release, dated as of June 25, 2018, by and between SunPower Corporation and Charles D. Boynton (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 1, 2018).
10.76	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) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 1, 2018).
10.77	Amendment to Continuing Agreement for Standby Letters of Credit and Demand Guarantees, dated as of June 29, 2016, by and among Deutsche Bank AG New York Branch and Deutsche Bank Trust Company Americas (collectively, as issuer), SunPower Corporation (as applicant), and SunPower Corporation, Systems (as subsidiary applicant), dated as of March 22, 2018 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 28, 2018).
10.78*	Amended and Restated Loan Agreement between SunStrong Capital Acquisition, LLC and SunStrong Capital Lender, LLC dated as of November 28, 2018.
10.79*	Loan Agreement between SunStrong 2018-1 Mezzanine, LLC and SunStrong Capital Lender, LLC dated as of November 28, 2018.
21.1*	List of Subsidiaries.
23.1*	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
24.1*	Power of Attorney.
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 a carrot (^) are director and officer compensatory arrangements.

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

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

Exhibits marked with an extended cross (†) are subject to a request for confidential treatment filed with the Securities and Exchange Commission.

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.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

SUNPOWER CORPORATION

Dated: February 13, 2019

By: /s/ MANAVENDRA S. SIAL

Manavendra S. Sial
Executive Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ THOMAS H. WERNER Thomas H. Werner	Chief Executive Officer and Director (Principal Executive Officer)	February 13, 2019
/S/ MANAVENDRA S. SIAL Manavendra S. Sial	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 13, 2019
/S/ VIDUL PRAKASH Vidul Prakash	Vice President, Corporate Controller (Principal Accounting Officer)	February 13, 2019
* Helle Kristoffersen	Director	February 13, 2019
* François Badoual	Director	February 13, 2019
* Catherine A. Lesjak	Director	February 13, 2019
* Thomas R. McDaniel	Director	February 13, 2019
* Ladislas Paszkiewicz	Director	February 13, 2019
* Julien Pouget	Director	February 13, 2019
* Antoine Larenaudie	Director	February 13, 2019
* Patrick Wood III	Director	February 13, 2019

* By: /S/ MANAVENDRA S. SIAL
Manavendra S. Sial
Power of Attorney

SUNSTRONG 2018-1 ISSUER, LLC

ISSUER

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

INDENTURE TRUSTEE

INDENTURE

DATED AS OF NOVEMBER 28, 2018,

$400,000,000

SUNSTRONG 2018-1 ISSUER, LLC
SOLAR ASSET BACKED NOTES, SERIES 2018-1

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THIS INDENTURE (as amended or supplemented from time to time, the "*Indenture*") is dated as of November 28, 2018 between SunStrong 2018-1 Issuer, LLC, a limited liability company organized under the laws of the State of Delaware, as issuer (the "*Issuer*"), and Wells Fargo Bank, National Association, a national banking association, not in its individual capacity but solely in its capacity as indenture trustee (together with its successors and assigns in such capacity, the "*Indenture Trustee*").

PRELIMINARY STATEMENT

Pursuant to this Indenture, there is hereby duly authorized the execution and delivery of notes designated as the Issuer's 5.68% Solar Asset Backed Notes, Series 2018-1 (the "*Notes*"). All covenants and agreements made by the Issuer herein are for the benefit and security of the Holders of the Notes. The Issuer is entering into this Indenture, and the Indenture Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

GRANTING CLAUSE

The Issuer hereby Grants to the Indenture Trustee, for the benefit of the Holders of the Notes, as their interests may appear, all of the rights, title, interest and benefits of the Issuer whether now existing or hereafter arising in and to: (a) the Managing Member Membership Interests; (b) the Contribution Agreement, the Management Agreement, the Manager Transition Agreement, the Custodial Agreement, the Performance Guaranty and all other Transaction Documents; (c) amounts deposited from time to time into the Collection Account, the Liquidity Reserve Account, the Supplemental Reserve Account, the Tax Loss Insurance Proceeds Account, and all Eligible Investments in each such account; (d) the membership interests of each Tax Equity Investor Member in the related Project Company if and when acquired by the Issuer through exercise of the related Purchase Option or Withdrawal Option; (e) the membership interests of each Managing Member in the related Project Company; (f) proceeds of any and all of the foregoing including all proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or other property; and (g) all other assets of the Issuer (collectively, the "*Trust Estate*"). In addition, the Indenture Trustee will be named as loss payee with respect to the Tax Loss Insurance Policy for the benefit of the Noteholders. In addition, the Indenture Trustee will be named as loss payee with respect to the Tax Loss Insurance Policy for the benefit of the Noteholders. For the avoidance of doubt, the Trust

Estate will not include any renewable energy certificate representing any environmental credits, benefits, emissions reductions, offsets and allowances, howsoever entitled, that are created or otherwise arise from a PV System's generation of electricity.

Such Grants are made in trust, to secure payments of amounts due with respect to the Notes ratably and without prejudice, priority or distinction between the Notes, and to secure: (a) the payment of all amounts on the Notes as such amounts become due in accordance with their terms; (b) the payment of all other sums payable in accordance with the provisions of this Indenture; and (c) compliance with the provisions of this Indenture, all as provided in this Indenture.

The Indenture Trustee acknowledges such Grants, accepts the trusts hereunder in accordance with the provisions of this Indenture, and agrees to perform the duties herein required pursuant to the terms and provisions of this Indenture and subject to the conditions hereof.

ARTICLE I

DEFINITIONS

Section 1.01. General Definitions and Rules of Construction. Except as otherwise specified or as the context may otherwise require, capitalized terms used in this Indenture shall have the respective meanings given to such terms in the Standard Definitions attached hereto as Annex A, which is hereby incorporated by reference into this Indenture as if set forth fully in this Indenture. The rules of construction set forth in Annex A shall apply to this Indenture and are hereby incorporated by reference into this Indenture as if set forth fully in this Indenture.

Section 1.02. Calculations. Calculations required to be made pursuant to this Indenture shall be made on the basis of information or accountings as to payments on each Note furnished by the Manager. Except to the extent they are incorrect on their face, such information or accountings may be conclusively relied upon in making such calculations, but to the extent that it is later determined that any such information or accountings are incorrect, appropriate corrections or adjustments will be made.

ARTICLE II

THE NOTES; RECONVEYANCE

Section 2.01. General. The Notes shall be designated the Issuer's "Solar Asset Backed Notes, Series 2018-1."

(a) All payments of principal and interest with respect to the Notes shall be made only from the Trust Estate on the terms and conditions specified herein. Each Noteholder and each Note Owner, by its acceptance of a Note, agrees that it will have recourse solely against such Trust Estate and such payment and indemnification obligations included therein.

(b) Except as otherwise provided herein, all Notes shall be substantially identical in all respects. Except as specifically provided herein, all Notes issued, authenticated and delivered under this Indenture shall be in all respects equally and ratably entitled to the benefits hereof without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Indenture.

(c) The Initial Outstanding Note Balance of the Notes that may be executed by the Issuer and authenticated and delivered by the Indenture Trustee and Outstanding at any given time under this Indenture is limited to $400,000,000.

(d) Holders of the Notes shall be entitled to payments of interest and principal as provided herein. The Notes shall have a final maturity on the Rated Final Maturity. All Notes shall be secured on parity with one another, with no Note having any priority over any other Note.

(e) The Notes that are authenticated and delivered to the Noteholders by the Indenture Trustee upon an Issuer Order on the Closing Date shall be dated as of the Closing Date. Any Note issued later in exchange for, or in replacement of, any Note issued on the Closing Date shall be dated the date of its authentication.

(f) The Notes are issuable in minimum denominations of $100,000 and in integral multiples of $1,000 in excess thereof; *provided, however,* that one Note may be issued in an additional amount equal to any remaining portion of the Initial Outstanding Note Balance of the Notes.

Section 2.02. Forms of Notes. The Notes shall be in substantially the form set forth in Exhibit A with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters,

numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith, be determined by the Issuer, as evidenced by its execution thereof.

The Definitive Notes shall be typewritten, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Each Note shall be dated the date of its authentication. The terms of the Notes are set forth in Exhibit A and are part of the terms of this Indenture.

(a) *Global Note*. The Notes are being offered and sold by the Issuer to the Initial Purchasers pursuant to the Note Purchase Agreement.

Notes offered and sold within the United States to QIBs in reliance on Rule 144A shall be issued initially in the form of a Rule 144A Global Note, which shall be deposited on behalf of the purchasers of the Notes represented thereby with the Indenture Trustee, as custodian for the Securities Depository, and registered in the name of the Securities Depository or a nominee of the Securities Depository, duly executed by the Issuer and authenticated by the Indenture Trustee as hereinafter provided. The Outstanding Note Balance of the Rule 144A Global Note may from time to time be increased or decreased by adjustments made on the records of the Indenture Trustee and the Securities Depository or its nominee as hereinafter provided. The Indenture Trustee shall not be liable for any error or omission by the Securities Depository in making such record adjustments and the records of the Indenture Trustee shall be controlling with regard to outstanding principal amount of Notes hereunder.

Notes offered and sold outside of the United States in reliance on Regulation S under the Securities Act shall be issued initially in the form of a Regulation S Temporary Global Note, which shall be deposited on behalf of the purchasers of the Notes represented thereby with the Indenture Trustee, as custodian for the Securities Depository, and registered in the name of the Securities Depository or the nominee of the Securities Depository for the investors' respective accounts at Euroclear Bank S.A./N.V. as operator of the Euroclear System ("*Euroclear*"), or Clearstream Banking société anonyme ("*Clearstream*"), duly executed by the Issuer and authenticated by the Indenture Trustee as hereinafter provided. Beneficial interests in the Regulation S Temporary Global Note may be held only through Euroclear or Clearstream.

Within a reasonable period of time following the expiration of the "40-day distribution compliance period" (as defined in Regulation S), beneficial interests in the Regulation S Temporary Global Note shall be exchanged for beneficial interests in Regulation S Permanent Global Note upon the receipt by the Indenture Trustee of an Officer's Certificate from the Issuer. The Regulation S Permanent Global Note will be deposited with the Indenture Trustee, as custodian, and registered in the name of a nominee of the Securities Depository. Simultaneously with the authentication of the Regulation S Permanent Global Note, the Indenture Trustee shall cancel the Regulation S Temporary Global Note. The Outstanding Note Balance of the Regulation S Temporary Global Note and the Regulation S Permanent Global Note may from time to time be increased or decreased by adjustments made on the records of the Indenture Trustee and the Securities Depository or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided. The Indenture Trustee shall incur no liability for any error or omission of the Securities Depository in making such record adjustments and the records of the Indenture Trustee shall be controlling with regard to outstanding principal amount of Regulation S Global Note hereunder.

Each Global Note shall represent such of the outstanding Notes as shall be specified therein and each shall provide that it shall represent the aggregate amount of outstanding Notes from time to time endorsed thereon and that the aggregate amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and prepayments. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Indenture Trustee, or by the Note Registrar at the direction of the Indenture Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.08.

The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "Management Regulations" and "Instructions to Participants" of Clearstream shall be applicable to interests in the Regulation S Temporary Global Note and the Regulation S Permanent Global Note that are held by the members of, or participants in, the Securities Depository ("*Agent Members*") through Euroclear or Clearstream.

Except as set forth in Section 2.08, the Global Note may be transferred, in whole and not in part, only to another nominee of the Securities Depository or to a successor of the Securities Depository or its nominee.

(b) *Book-Entry Provisions*. This Section 2.02(b) shall apply only to the Global Note deposited with or on behalf of the Securities Depository.

The Issuer shall execute and the Indenture Trustee shall, in accordance with this Section 2.02(b), authenticate and deliver one Rule 144A Global Note and one Temporary Regulation S Global Note, as applicable, for the Notes which (i) shall be registered

in the name of the Securities Depository or the nominee of the Securities Depository and (ii) shall be delivered by the Indenture Trustee to the Securities Depository or pursuant to the Securities Depository's instructions or held by the Indenture Trustee as custodian for the Securities Depository.

Agent Members shall have no rights either under this Indenture with respect to any Global Note held on their behalf by the Securities Depository or by the Indenture Trustee as custodian for the Securities Depository or under such Global Note, and the Securities Depository may be treated by the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Indenture Trustee or any agent of the Issuer or the Indenture Trustee from giving effect to any written certification, proxy or other authorization furnished by the Securities Depository or impair, as between the Securities Depository and its Agent Members, the operation of customary practices of such Securities Depository governing the exercise of the rights of an owner of a beneficial interest in any Global Note.

The Note Registrar and the Indenture Trustee shall be entitled to treat the Securities Depository for all purposes of this Indenture (including the payment of principal of and interest on the Notes and the giving of instructions or directions hereunder) as the sole Holder of the Notes, and shall have no obligation to the Note Owners.

The rights of Note Owners shall be exercised only through the Securities Depository and shall be limited to those established by law and agreements between such Note Owners and the Securities Depository and/or the Agent Members pursuant to the Note Depository Agreement. The initial Securities Depository will make book-entry transfers among the Agent Members and receive and transmit payments of principal of and interest on the Notes to such Agent Members with respect to such Global Note.

Whenever this Indenture requires or permits actions to be taken based upon instructions or directions of Holders of Notes evidencing a specified percentage of the Outstanding amount of the Notes, the Securities Depository shall be deemed to represent such percentage only to the extent that it has received instructions to such effect from Note Owners and/or Agent Members owning or representing, respectively, such required percentage of the beneficial interest in the Notes and has delivered such instructions to the Indenture Trustee.

(c) *Definitive Notes*. Except as provided in Sections 2.08 and 2.13, owners of beneficial interests in Global Note will not be entitled to receive physical delivery of certificated definitive, fully registered Notes (the "*Definitive Notes*").

Section 2.03. Payment of Principal and Interest. Principal payments on the Notes will be made on each Payment Date to the Noteholders as of the related Record Date pursuant to the provision of Section 5.05. The remaining Aggregate Outstanding Note Balance, if any, shall be due and payable on the Rated Final Maturity.

(a) On each Payment Date, the Note Interest will be distributed to the registered Noteholders as of the related Record Date in accordance with the Priority of Payments. Interest on the Notes with respect to any Payment Date will accrue at the Note Rate based on the Interest Accrual Period.

(b) If the Outstanding Note Balance has not been paid in full on or before the Anticipated Repayment Date, additional interest (the "*Post-ARD Additional Note Interest*") will begin to accrue during each Interest Accrual Period thereafter at the related Post-ARD Additional Interest Rate. The Post-ARD Additional Note Interest for the Notes will only be due and payable after the Aggregate Outstanding Note Balance has been paid in full. Prior to such time, the Post-ARD Additional Note Interest accruing on the Notes will be deferred and added to any Post-ARD Additional Note Interest previously deferred and remaining unpaid ("*Deferred Post-ARD Additional Note Interest*"). Deferred Post-ARD Additional Note Interest will not bear interest.

Section 2.04. Payments to Noteholders. Noteholders shall, subject to the priorities and conditions set forth in Section 5.05, be entitled to receive payments of interest and principal on each Payment Date. Any payment of interest or principal payable with respect to the Notes on the applicable Payment Date shall be made to the Person in whose name such Note is registered on the Record Date for such Payment Date in the manner provided in Section 5.07.

(a) All reductions in the principal balance of a Note (or one or more Predecessor Notes) effected by payments of principal made on any Payment Date shall be binding upon all Holders of such Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note.

Section 2.05. Execution, Authentication, Delivery and Dating. The Notes shall be executed by the Issuer. The signature of such Authorized Officer on the Notes may be manual or facsimile. Notes bearing the manual or facsimile signature of any individual who was, at the time of execution thereof, an Authorized Officer of the Issuer shall bind the Issuer, notwithstanding the

fact that such individual ceased to hold such office prior to the authentication and delivery of such Notes or did not hold such office at the date of issuance of such Notes.

(a) On the Closing Date, the Issuer shall, and at any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Notes executed by the Issuer to the Indenture Trustee for authentication, and the Indenture Trustee, upon receipt of the Notes and of an Issuer Order, shall authenticate and deliver such Notes; *provided*, *however*, that the Indenture Trustee shall not authenticate the Notes on the Closing Date unless and until it shall have received the documents listed in Section 2.12.

(b) Each Note authenticated and delivered by the Indenture Trustee to or upon an Issuer Order on or prior to the Closing Date shall be dated the Closing Date. All other Notes that are authenticated after the Closing Date for any other purpose under this Indenture shall be dated the date of their authentication.

(c) Notes issued upon transfer, exchange or replacement of other Notes shall be issued in authorized denominations reflecting the Outstanding Note Balance so transferred, exchanged or replaced, but shall represent only the Outstanding Note Balance so transferred, exchanged or replaced. In the event that any Note is divided into more than one Note in accordance with this Article II, such Outstanding Note Balance shall be divided among the Notes delivered in exchange therefor.

(d) No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication, substantially in the form provided for herein, executed by the Indenture Trustee by the manual signature of a Responsible Officer of the Indenture Trustee, and such executed certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered.

Section 2.06. Temporary Notes. Except for the Notes maintained in book-entry form, temporary Notes shall be issuable in any authorized denomination, and substantially in the form of the Definitive Notes but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Issuer. Every such temporary Note shall be executed by the Issuer and authenticated by the Indenture Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the Definitive Notes. Without unreasonable delay, the Issuer will execute and deliver to the Indenture Trustee Definitive Notes (other than in the case of Notes in global form) and thereupon any or all temporary Notes (other than in the case of Notes in global form) may be surrendered in exchange therefor, at the Corporate Trust Office, and the Indenture Trustee shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of Definitive Notes. Such exchange shall be made by the Issuer at its own expense and without any charge therefor. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Definitive Notes authenticated and delivered hereunder.

Section 2.07. Registration, Registration of Transfer and Exchange. The Indenture Trustee (in such capacity, the "*Note Registrar*") shall cause to be kept at its Corporate Trust Office a register (the "*Note Register*"), in which, subject to such reasonable regulations as it may prescribe, the Note Registrar shall provide for the registration of the Notes and the registration of transfers of such Notes. The Notes are intended to be obligations in registered form for purposes of Section 163(f), Section 871(h)(2) and Section 881(c)(2) of the Code.

(a) Each Person who has or who acquires any Ownership Interest in a Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of this Section 2.07 and Section 2.08.

(b) Each purchaser of Global Note, other than the Initial Purchasers, will be deemed to have represented and agreed as follows:

(i) The purchaser (A) (1) is a QIB, (2) is aware that the sale to it is being made in reliance on Rule 144A and (3) is acquiring the Notes or interests therein for its own account or for the account of a QIB or (B) is not a U.S. Person and is purchasing the Notes or interests therein in an offshore transaction pursuant to Regulation S.

(ii) The purchaser understands that the Notes and interests therein are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Notes have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes or any interests therein, the Notes or the interests therein may be offered, resold, pledged or otherwise transferred in minimum denominations of $100,000 and in integral multiples of $1,000 in excess thereof, and only (1) in the United States to a person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (2) outside the United States in a transaction complying with the provisions of Regulation S under the Securities Act, or (3) pursuant to another exemption from registration under the Securities Act (if available and evidenced by an opinion of

counsel acceptable to the Issuer and the Indenture Trustee), in each of cases (1) through (3) in accordance with any applicable securities laws of any State of the United States and any other applicable jurisdiction, and that (B) the purchaser will, and each subsequent Holder is required to, notify any subsequent purchaser of such Notes or interests therein from it of the resale restrictions referred to in (A) above.

(iii) The purchaser understands that the Notes will bear a legend substantially to the following effect:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND NEITHER THIS NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE OR ANY INTEREST HEREIN IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE OR INTEREST HEREIN MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE OR ANY INTEREST HEREIN AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE AND ANY INTEREST HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN MINIMUM DENOMINATIONS OF $100,000 AND IN INTEGRAL MULTIPLES OF $1,000 IN EXCESS THEREOF, AND ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S, OR (III) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE AND EVIDENCED BY AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE INDENTURE TRUSTEE), IN EACH OF CASES (I) THROUGH (III) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE OR ANY INTEREST HEREIN FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

THE PURCHASER UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN THE NOTES FROM THE SECURITIES DEPOSITORY.

(iv) The purchaser understands that any Note offered in reliance on Regulation S will, during the 40-day distribution compliance period commencing on the day after the later of the commencement of the offering and the date of original issuance of the Notes, bear a legend substantially to the following effect:

THIS NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE SECURITIES ACT WHICH IS EXCHANGEABLE FOR A REGULATION S PERMANENT GLOBAL NOTE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE.

PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE ORIGINAL ISSUE DATE OF THE NOTES, THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Following the 40-day distribution compliance period, interests in a Regulation S Temporary Global Note will be exchanged for interests in a Regulation S Permanent Global Note

(v) Each purchaser and transferee by its purchase of a Note or Ownership Interest therein shall be deemed to have represented and warranted that (a) it is not acquiring the Note or interest therein for or on behalf of or with the assets of any employee benefit plan as defined in Section 3(3) of the Employment Retirement Income Security Act of 1974, as amended ("*ERISA*") that is subject to Title I of ERISA or any other "plan" as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code or any entity whose underlying assets include plan assets (within the meaning of 29 C.F.R. 2510.3-101, as modified by Section 3(42) of ERISA) by reason of an employee benefit plan's or plan's investment in such entity (each a "*Benefit Plan Investor*"), or any "governmental plan" within the meaning of Section 3(32) of ERISA or "church plan" within the meaning of Section 3(33) of ERISA that is subject to any substantially similar provision of state or local law ("*Similar Law*"), or (b) with respect to purchases and transfers of Notes, if the purchaser or transferee is a Benefit Plan Investor or a governmental plan or church plan subject to Similar Law, the purchaser and transferee and the fiduciary of such Benefit Plan Investor or governmental plan or church plan by its purchase of the Note or interest therein shall be

deemed to have represented and warranted that the purchase and holding of the Note or interest therein will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or violation of Similar Law and will be consistent with any applicable fiduciary duties that may be imposed upon the purchaser or transferee.

(i) The purchaser understands that the Issuer may receive a list of participants holding positions in the Notes from the Securities Depository.

(ii) Each purchaser and transferee by its purchase of a Note or interest therein shall be deemed to have agreed to treat the Note as indebtedness and indicate on all federal, state and local income tax and information returns and reports required to be filed with respect to the Note, under any applicable federal, state or local tax statute or any rule or regulation under any of them, that the Note is indebtedness unless otherwise required by applicable law as determined by a Final Determination.

(iii) Each purchaser and transferee of a Note that is a Benefit Plan Investor, by its purchase of a Note or interest therein, shall be deemed to have represented and warranted that (i) it has not received and is not receiving investment advice from the ERISA Transaction Parties with respect to the Benefit Plan Investor's investment in the Notes and (ii) none of the ERISA Transaction Parties has made or will make any recommendations as to the advisability of the acquiring, holding or continuing to hold, disposal of, or exchange of the Notes, or has provided or will provide investment advice.

(c) Other than with respect to Notes maintained in book-entry form, at the option of a Noteholder, Notes may be exchanged for other Notes of any authorized denominations and of a like Outstanding Note Balance upon surrender of the Notes to be exchanged at the Corporate Trust Office. Whenever any Notes are so surrendered for exchange, the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, the Notes which the Noteholder making the exchange is entitled to receive.

(d) Other than with respect to Notes maintained in book-entry form, any Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Indenture Trustee duly executed. All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same rights, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange. No service charge shall be made for any registration of transfer or exchange of Notes, but the Issuer and the Indenture Trustee may require payment of a sum sufficient to cover any tax or other governmental charge as may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 2.08 not involving any transfer.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any jurisdiction. Consequently, the Notes are not transferable other than pursuant to an exemption from the registration requirements of the Securities Act and satisfaction of provisions set forth in this Indenture.

Section 2.08. Transfer and Exchange. The transfer and exchange of Global Note or beneficial interests therein shall be effected through the Securities Depository, in accordance with this Indenture and the procedures of the Securities Depository therefor, which shall include restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Beneficial interests in a Global Note may be transferred to persons who take delivery thereof in the form of a beneficial interest in the same Global Note in accordance with the transfer restrictions set forth in the legends in subsections (c)(iii) and (c)(iv) of Section 2.07, as applicable. Transfers of beneficial interests in the Global Note to persons required or permitted to take delivery thereof in the form of an interest in another Global Note shall be permitted as follows:

(i) *Rule 144A Global Note to Regulation S Global Note*. If, at any time, an owner of a beneficial interest in a Rule 144A Global Note deposited with the Securities Depository (or the Indenture Trustee as custodian for the Securities Depository) wishes to transfer its interest in such Rule 144A Global Note to a person who is required or permitted to take delivery thereof in the form of an interest in a Regulation S Global Note, such owner shall, subject to compliance with the applicable procedures described herein (the "*Applicable Procedures*"), exchange or cause the exchange of such interest for an equivalent beneficial interest in a Regulation S Global Note as provided in this Section 2.08(a)(i). Upon receipt by the Indenture Trustee of (1) instructions given in accordance with the Applicable Procedures from an Agent Member directing the Indenture Trustee to credit or cause to be credited a beneficial interest in the Regulation S Global Note in an amount equal to the beneficial interest in the Rule 144A Global Note to be exchanged, (2) a written order given in accordance with the Applicable Procedures containing information regarding the participant account of the Securities Depository and the Euroclear or Clearstream account to be credited with such increase, and (3) a certificate in the form of Exhibit B-1 hereto given by the Note Owner of such beneficial interest stating that the transfer of such interest has been made in compliance with the transfer restrictions applicable to the Global Note and pursuant to and in accordance with Rule 903 or Rule 904 of

Regulation S, then the Indenture Trustee, as Note Registrar, shall instruct the Securities Depository to reduce or cause to be reduced the initial Outstanding Note Balance of the applicable Rule 144A Global Note and to increase or cause to be increased the initial Outstanding Note Balance of the applicable Regulation S Global Note by the initial principal amount of the beneficial interest in the Rule 144A Global Note to be exchanged, to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Regulation S Global Note equal to the reduction in the initial Outstanding Note Balance of the Rule 144A Global Note, and to debit, or cause to be debited, from the account of the person making such exchange or transfer the beneficial interest in the Rule 144A Global Note that is being exchanged or transferred.

(ii) *Regulation S Global Note to Rule 144A Global Note*. If, at any time an owner of a beneficial interest in a Regulation S Global Note deposited with the Securities Depository or with the Indenture Trustee as custodian for the Securities Depository wishes to transfer its interest in such Regulation S Global Note to a person who is required or permitted to take delivery thereof in the form of an interest in a Rule 144A Global Note, such owner shall, subject to the Applicable Procedures, exchange or cause the exchange of such interest for an equivalent beneficial interest in a Rule 144A Global Note as provided in this Section 2.08(a)(ii). Upon receipt by the Indenture Trustee of (1) instructions from Euroclear or Clearstream, if applicable, and the Securities Depository, directing the Indenture Trustee, as Note Registrar, to credit or cause to be credited a beneficial interest in the Rule 144A Global Note equal to the beneficial interest in the Regulation S Global Note to be exchanged, such instructions to contain information regarding the participant account with the Securities Depository to be credited with such increase, (2) a written order given in accordance with the Applicable Procedures containing information regarding the participant account of the Securities Depository and (3) if such transfer is being effected prior to the expiration of the "40-day distribution compliance period" (as defined by Regulation S under the Securities Act), a certificate in the form of Exhibit B-2 attached hereto given by the Note Owner of such beneficial interest stating (A) if the transfer is pursuant to Rule 144A, that the person transferring such interest in a Regulation S Global Note reasonably believes that the person acquiring such interest in a Rule 144A Global Note is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A and any applicable blue sky or securities laws of any State of the United States, (B) that the transfer complies with the requirements of Rule 144A under the Securities Act and any applicable blue sky or securities laws of any State of the United States or (C) if the transfer is pursuant to any other exemption from the registration requirements of the Securities Act, that the transfer of such interest has been made in compliance with the transfer restrictions applicable to the Global Note and pursuant to and in accordance with the requirements of the exemption claimed, such statement to be supported by an Opinion of Counsel from the transferee or the transferor in form reasonably acceptable to the Issuer and to the Indenture Trustee, then the Indenture Trustee, as Note Registrar, shall instruct the Securities Depository to reduce or cause to be reduced the initial Outstanding Note Balance of such Regulation S Global Note and to increase or cause to be increased the initial Outstanding Note Balance of the applicable Rule 144A Global Note by the initial principal amount of the beneficial interest in the Regulation S Global Note to be exchanged, and the Indenture Trustee, as Note Registrar, shall instruct the Securities Depository, concurrently with such reduction, to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the applicable Rule 144A Global Note equal to the reduction in the Outstanding Note Balance at maturity of such Regulation S Global Note and to debit or cause to be debited from the account of the person making such transfer the beneficial interest in the Regulation S Global Note that is being transferred.

(b) *Transfer and Exchange from Definitive Notes to Definitive Notes*. When Definitive Notes are presented by a Holder to the Note Registrar with a request:

(i) to register the transfer of Definitive Notes in the form of other Definitive Notes; or

(ii) to exchange such Definitive Notes for an equal principal amount of Definitive Notes of other authorized denominations,

the Note Registrar shall register the transfer or make the exchange as requested; *provided, however*, that the Definitive Notes presented or surrendered for register of transfer or exchange shall be duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Note Registrar duly executed by such Holder or by his attorney, duly authorized in writing; and

(i) if such Definitive Note is being transferred to a QIB in accordance with Rule 144A or in an offshore transaction pursuant to Regulation S, a certification to that effect from such Holder (in the form attached as Exhibit B-3 hereto); or

(ii) if such Definitive Note is being transferred in reliance on any other exemption from the registration requirements of the Securities Act, a certification to that effect from such Holder (in the form attached as Exhibit B-3 hereto) and an Opinion of Counsel from such Holder or the transferee reasonably acceptable to the Issuer and to the Indenture Trustee to the effect that such transfer is in compliance with the Securities Act.

(c) *Restrictions on Transfer and Exchange of Global Note*. Notwithstanding any other provision of this Indenture, a Global Note may not be transferred except by the Securities Depository to a nominee of the Securities Depository or by a nominee of the Securities Depository to the Securities Depository or another nominee of the Securities Depository or by the Securities Depository or any such nominee to a successor Securities Depository or a nominee of such successor Securities Depository.

(d) *Initial Issuance of the Notes*. The Initial Purchasers shall not be required to deliver, and neither the Issuer nor the Indenture Trustee shall demand therefrom, any of the certifications or opinions described in this Section 2.08 in connection with the initial issuance of the Notes and the delivery thereof by the Issuer.

Section 2.09. Mutilated, Destroyed, Lost or Stolen Notes. If (i) any mutilated Note is surrendered to the Indenture Trustee or the Indenture Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Indenture Trustee such security or indemnity as may be required by the Indenture Trustee to hold each of the Issuer and the Indenture Trustee harmless, then, in the absence of actual notice to the Issuer or the Indenture Trustee that such Note has been acquired by a protected purchaser, the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver upon an Issuer Order, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a new Note or Notes of the same tenor and principal balance bearing a number not contemporaneously outstanding; *provided, however*, that if any such mutilated, destroyed, lost or stolen Note shall have become subject to receipt of payment in full, instead of issuing a new Note, the Indenture Trustee may make a payment with respect to such Note without surrender thereof, except that any mutilated Note shall be surrendered. If, after the delivery of such new Note or payment with respect to a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a protected purchaser of the original Note in lieu of which such new Note was issued presents for receipt of payments such original Note, the Issuer and the Indenture Trustee shall be entitled to recover such new Note (or such payment) from the Person to whom it was delivered or any Person taking such new Note from such Person, except a protected purchaser, and each of the Issuer and the Indenture Trustee shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage or cost incurred by the Issuer or the Indenture Trustee in connection therewith.

(a) Upon the issuance of any new Note under this Section 2.09, the Issuer or the Indenture Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

(b) Every new Note issued pursuant to this Section 2.09 in lieu of any destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer, whether or not such destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

(c) The provisions of this Section 2.09 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment with respect to mutilated, destroyed, lost or stolen Notes.

Section 2.10. Persons Deemed Noteholders. Before due presentment for registration of transfer of any Note, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the Person in whose name any Note is registered as the owner of such Note (a) on the applicable Record Date for the purpose of receiving payments with respect to principal and interest on such Note and (b) on any date for all other purposes whatsoever, whether or not such Note be overdue, and none of the Issuer, the Indenture Trustee nor any agent of the Issuer or the Indenture Trustee shall be affected by any notice to the contrary.

Section 2.11. Cancellation of Notes. All Definitive Notes surrendered for payment, registration of transfer, exchange, or prepayment shall, if surrendered to any Person other than the Indenture Trustee, be delivered to the Indenture Trustee and shall be promptly canceled by it. The Issuer may at any time deliver to the Indenture Trustee for cancellation any Note previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly canceled by the Indenture Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.11 except as expressly permitted by this Indenture. All canceled Notes shall be held and disposed of by the Indenture Trustee in accordance with its standard retention and disposal policy.

Section 2.12. Conditions to Closing. The Notes shall be executed, authenticated and delivered on the Closing Date in accordance with Section 2.05 and, upon receipt by the Indenture Trustee of the following:

(a) an Issuer Order authorizing the authentication and delivery of such Notes by the Indenture Trustee;

(b) the original Notes executed by the Issuer and true and correct copies of the fully executed Transaction Documents;

(c) Opinions of Counsel addressed to the Indenture Trustee, the Initial Purchasers, and the Rating Agency in form and substance satisfactory to the Indenture Trustee and the Rating Agency addressing corporate, security interest and bankruptcy

matters;

(d) an Officer's Certificate of an Authorized Officer of the Issuer, stating that:

(i) all representations and warranties of the Issuer contained in the Transaction Documents are true and correct, and no defaults of the Issuer exist under the Transaction Documents; and

(ii) the issuance of the Notes will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, this Indenture or any other Transaction Document, the Issuer Operating Agreement or any other constituent documents of the Issuer or any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any proceeding to which the Issuer is a party or by which it may be bound or to which it may be subject, and that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Notes have been fully satisfied; and

(iii) the conditions precedent in this Indenture relating to the authentication and delivery of the Notes have been satisfied;

(e) an Officer's Certificate dated as of the Closing Date, of an Authorized Officer of each of SunStrong Acquisition and the Depositor that:

(i) SunStrong Acquisition or the Depositor, as applicable, is not in default under any of the Transaction Documents to which it is a party, and the transfer of the Transferred Property by SunStrong Acquisition and the Depositor and the simultaneous Grant of the Trust Estate to the Indenture Trustee by the Issuer will not result in any breach of any of the terms, conditions or provisions of, or constitute a material default under, its organizational documents or any other constituent documents of it or any indenture, mortgage, deed of trust or other agreement or instrument to which it is a party or by which it is bound, or any order of any court or administrative agency entered in any proceeding to which it is a party or by which it may be bound or to which it may be subject;

(ii) all representations and warranties of it contained in each of the Transaction Documents to which it is a party are true and correct; and

(iii) the conditions precedent in this Indenture relating to the authentication and delivery of the Notes have been satisfied;

(f) an organizational matters certificate of a chief executive officer of the Sponsor dated as of the Closing Date on behalf of each of the Issuer, the Manager, SunStrong Acquisition and the Depositor regarding certain organizational matters and the incumbency of the signatures of the Issuer, the Manager, SunStrong Acquisition and the Depositor;

(g) [Reserved];

(h) [Reserved];

(i) presentment of all applicable UCC termination statements or partial releases (collectively, the "*Termination Statements*") terminating the Liens of creditors of the Depositor or any other Person with respect to any part of the Trust Estate (except as expressly contemplated by the Transaction Documents) and the Financing Statements (which shall constitute all of the Perfection UCCs with respect to the Closing Date) to the proper Person for filing to perfect the Indenture Trustee's first priority security interest in such Trust Estate Granted on the Closing Date registered in the name of the Indenture Trustee or its nominee and agent (a copy of the file stamped Financing Statements and Termination Statements shall be delivered by the Manager to the Indenture Trustee);

(j) evidence that the Indenture Trustee has established the Collection Account, the Liquidity Reserve Account, the Supplemental Reserve Account and the Tax Loss Insurance Proceeds Account;

(k) delivery by the Custodian to the Issuer and the Indenture Trustee of an executed Closing Date Certification;

(l) delivery by the Rating Agency to the Issuer and the Indenture Trustee of its rating letter assigning a rating to the Notes on the Closing Date of at least "A(sf)" by KBRA;

(m) the Issuer shall have deposited the Liquidity Reserve Account Required Balance into the Liquidity Reserve Account;

(n) the Issuer shall have deposited the Supplemental Reserve Account Initial Deposit into the Supplemental Reserve Account;

(o) the Issuer shall have caused to be deposited the Collection Account Closing Date Deposit into the Collection Account;

(p) the Issuer shall not be insolvent and will not become insolvent as a result of the Grant pursuant to this Indenture or the transactions contemplated by the Transaction Documents; and

(q) any other certificate, document or instrument reasonably requested by the Initial Purchasers or the Indenture Trustee.

Section 2.13. Definitive Notes. The Notes will be issued as Definitive Notes, rather than to DTC or its nominee, only if (a) the Securities Depository notifies the Issuer and the Indenture Trustee that it is unwilling or unable to continue as Securities Depository with respect to any or all of the Notes or (b) at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, and in either case a successor Securities Depository is not appointed by the Issuer within 90 days after the Issuer receives notice or becomes aware of such condition, as the case may be. Upon the occurrence of any of the events described in the immediately preceding paragraph, the Issuer will issue the Notes in the form of Definitive Notes and thereafter the Indenture Trustee will recognize the holders of such Definitive Notes as Noteholders under this Indenture. In connection with any proposed transfer outside the book entry system or exchange of beneficial interest in a Note for Notes in definitive registered form, the Issuer shall be required to provide or cause to be provided to the Indenture Trustee all information reasonably available to it that is not otherwise available to the Indenture Trustee and is reasonably requested by the Indenture Trustee and is otherwise necessary to allow the Indenture Trustee to comply with any applicable tax reporting obligations, including without limitation, any cost basis reporting obligations under Section 6045 of the Code. The Indenture Trustee may rely on any such information provided to it or available on the Note Register and shall have no responsibility to verify or ensure the accuracy of such information. The Indenture Trustee shall not have any responsibility or liability for any actions taken or not taken by DTC.

Section 2.14. Access to List of Noteholders' Names and Addresses. The Indenture Trustee shall furnish or cause to be furnished to the Manager within 15 days after receipt by the Indenture Trustee of a request therefor from the Manager in writing, a list, in such form as the Manager may reasonably require, of the names and addresses of the Noteholders as of the most recent Record Date.

ARTICLE III

COVENANTS; COLLATERAL; REPRESENTATIONS; WARRANTIES

Section 3.01. Performance of Obligations. The Issuer will not take any action or permit any action to be taken by others which would release any Person from any of such Person's covenants or obligations in any Transaction Document or under any instrument or agreement included in the Trust Estate or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except as ordered by any bankruptcy or other court or as permitted by, or expressly contemplated in, this Indenture, the Transaction Documents or such other instrument or agreement.

(a) To the extent consistent with the Issuer Operating Agreement, the Issuer may contract with other Persons to assist it in performing its duties hereunder, and any performance of such duties shall be deemed to be action taken by the Issuer. To the extent that the Issuer contracts with other Persons which include or may include the furnishing of reports, notices or correspondence to the Indenture Trustee, the Issuer shall identify such Persons in a written notice to the Indenture Trustee.

(b) The Issuer shall and shall require that SunStrong Acquisition and the Depositor characterize (i) the transfer of the Transferred Property by SunStrong Acquisition to the Issuer pursuant to the Contribution Agreement as an absolute transfer for legal purposes, (ii) the Grant of the Trust Estate by the Issuer under this Indenture as a pledge for U.S. federal income tax purposes and for financial accounting purposes, and (iii) the Notes as indebtedness for financial accounting purposes. In this regard, the financial statements of the Sponsor, SunStrong Acquisition and the Depositor and their consolidated subsidiaries will show the Transferred Property as owned by the consolidated group and the Notes as indebtedness of the consolidated group (and will contain appropriate footnotes describing the transfer to the Issuer and the pledge to the Indenture Trustee for the benefit of the Noteholders), and the U.S. federal income tax returns of the Sponsor, SunStrong Acquisition and the Depositor and their consolidated subsidiaries will indicate that the Notes are indebtedness unless otherwise required by applicable law as determined by a Final Determination. The Issuer will cause the Sponsor, SunStrong Acquisition and the Depositor to file all required tax returns and associated forms, reports, schedules and supplements thereto in a manner consistent with such characterizations unless otherwise required by applicable law as determined by a Final Determination.

(c) The Issuer covenants to pay all material taxes or other similar charges levied by any governmental authority with regard to the Trust Estate (which shall include paying any Affiliate of the Issuer who pays such taxes for any affiliated group of which the Issuer is a member), except to the extent that the validity or amount of such taxes is contested in good faith, via appropriate proceedings and with adequate reserves established and maintained therefor in accordance with GAAP.

(d) The Issuer hereby assumes liability for all liabilities associated with the Trust Estate or created under this Indenture, including but not limited to any obligation arising from the breach or inaccuracy of any representation, warranty or covenant of the Issuer set forth herein. Notwithstanding the foregoing, the Issuer has and shall have no liability with respect to the payment of principal and interest on the Notes, except as otherwise provided in this Indenture.

(e) The Issuer will punctually perform and observe all of its obligations and agreements contained in this Indenture, the Transaction Documents and in the instruments and agreements included in the Trust Estate, including, but not limited to, preparing (or causing to be prepared) and filing (or causing to be filed) all UCC financing statements and continuation statements required to be filed by the terms of this Indenture and the other Transaction Documents in accordance with and within the time periods provided for herein and therein. Except as otherwise expressly provided therein, the Issuer shall not waive, amend, modify, supplement or terminate any Transaction Document or any provision thereof without the consent of the Indenture Trustee (acting at the direction of the Majority Noteholders); provided that, in addition, any amendment to any Transaction Document shall be permitted on the same basis that an amendment to this Indenture is permitted pursuant to Section 10.01 hereof.

(f) If an Event of Default or Manager Termination Event shall arise from the failure of the Manager to perform any of its duties or obligations under the Management Agreement, the Issuer shall take all reasonable steps available to it to remedy such failure.

(g) The Issuer shall not waive timely performance or observance by the Manager or the Depositor of their respective duties under the Transaction Documents if the effect thereof would adversely affect the Holders of the Notes.

Section 3.02. Negative Covenants. In addition to the restrictions and prohibitions set forth in Sections 3.04, 3.09 and 3.10 and elsewhere herein, the Issuer will not:

(a) sell, transfer, exchange or otherwise dispose of any portion of its interest in the Trust Estate except as expressly permitted by or expressly contemplated in this Indenture or the other Transaction Documents;

(b) permit the validity or effectiveness of this Indenture or any Grant hereunder to be impaired, or permit the Lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations under this Indenture, except as may be expressly permitted by or expressly contemplated in this Indenture or the other Transaction Documents;

(c) permit the Lien of this Indenture not to constitute a valid first priority, perfected security interest in the Trust Estate, subject to Permitted Liens;

(d) take any action or fail to take any action which may cause the Issuer to become classified as an association (or publicly traded partnership) that is taxable as a corporation for U.S. federal income tax purposes;

(e) act in violation of its organizational documents; or

(f) create, incur or suffer, or permit to be created or incurred or to exist, any Lien on any portion of the Trust Estate, except for the Lien created by this Indenture and Permitted Liens.

Section 3.03. Money for Note Payments. All payments with respect to any Notes which are to be made from amounts withdrawn from the Collection Account pursuant to Section 5.05 shall be punctually made on behalf of the Issuer by the Indenture Trustee, and no amounts so withdrawn from an Account for payments with respect to Notes shall be paid over to the Issuer under any circumstances except as provided in this Section 3.03 and Article V.

(a) When there shall be an Indenture Trustee that is not also the Note Registrar, the Issuer shall furnish, or cause the Note Registrar to furnish, with respect to Global Note, on each Record Date, and with respect to Definitive Notes, no later than the fifth calendar day after each Record Date, a list, in such form as such Indenture Trustee may reasonably require, of the names and addresses of the Noteholders and of the number of individual Notes and the Outstanding Note Balance of such Notes held by each such Noteholder.

(b) Any money held by the Indenture Trustee in trust for the payment of any amount distributable but unclaimed with respect to any Note shall be held in a non-interest bearing trust account, and if the same remains unclaimed for two years after such amount has become due to such Noteholder, such money shall be discharged from such trust and paid to the Issuer upon an Issuer Order without any further action by any Person; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Indenture Trustee with respect to such trust money shall thereupon cease. The Indenture Trustee may adopt and employ, at the expense of the Issuer, any reasonable means of notification of such payment (including, but not limited to, mailing notice of such payment to Noteholders whose Notes have been called but have not been surrendered for prepayment or whose right to or interest in moneys due and payable but not claimed is determinable from the records of the Indenture Trustee, at the last address of record for each such Noteholder).

Section 3.04. Restriction of Issuer Activities. Until the date that is 365 days after the payment by the Issuer in full of all payments on the Notes, the Issuer will not on or after the date of execution of this Indenture: (i) engage in any business or investment activities other than those necessary for, incident to, connected with or arising out of, owning and Granting the Trust Estate to the Indenture Trustee for the benefit of the Noteholders, or contemplated hereby, in the Transaction Documents and the Issuer Operating Agreement; (ii) incur any indebtedness secured in any manner by, or that has any claim against, the Trust Estate or the Issuer other than indebtedness arising hereunder and in connection with the Transaction Documents and as otherwise expressly permitted in a Transaction Document; (iii) incur any other indebtedness except as permitted in the Issuer Operating Agreement; (iv) amend, or propose to the member of the Depositor for its consent any amendment of, the Issuer Operating Agreement (or, if the Issuer shall be a successor to the Person named as the Issuer in the first paragraph of this Indenture, amend, consent to amendment or propose any amendment of, the governing instruments of such successor), without giving notice thereof in writing, 30 days prior to the date on which such amendment is to become effective, to the Rating Agency; (v) claim any credit on, or make any deduction from the principal or interest payable in respect of, the Notes (other than amounts properly withheld from such payments under the Code) or assert any claim against any present or former Noteholder by reason of the payment of the taxes levied or assessed upon any part of the Trust Estate; or (vi) dissolve or liquidate in whole or in part or merge or consolidate with any other Person, other than in compliance with Section 3.10 if any Notes are Outstanding.

Section 3.05. Protection of Trust Estate. The Issuer intends the security interest Granted pursuant to this Indenture in favor of the Indenture Trustee for the benefit of the Noteholders to be prior to all other Liens in respect of the Trust Estate, subject to Permitted Liens, and the Issuer shall take all actions necessary to obtain and maintain, in favor of the Indenture Trustee and the Noteholders, a first Lien on and a first priority, perfected security interest in the Trust Estate, subject to Permitted Liens. The Issuer authorizes and shall cause to be filed a financing statement that names the Issuer as debtor and the Indenture Trustee as secured party to ensure the perfection of the interest of the Indenture Trustee in the Trust Estate (including describing the Trust Estate as "all assets of the Debtor whether now existing or hereafter acquired"). Subject to Section 3.05(f), the Issuer will from time to time prepare, execute (or authorize the filing of) and deliver all such supplements and amendments hereto and all such financing statements, continuation statements, instruments of further assurance, and other instruments (all as presented to it in final execution form), and will take such other action as may be necessary or advisable to:

(i) provide further assurance with respect to such Grant and/or Grant more effectively all or any portion of the Trust Estate;

(ii) maintain, preserve or enforce (A) the Lien and security interest (and the priority thereof) in favor of the Indenture Trustee created by this Indenture and (B) the terms and provisions of this Indenture or carry out more effectively the purposes hereof;

(iii) perfect, publish notice of, or protect the validity of, any Grant made or to be made by this Indenture;

(iv) enforce any of the Trust Estate; or

(v) preserve and defend title to any item comprising the Transferred Property or other item included in the Trust Estate and the rights of the Indenture Trustee and of the Noteholders in such Transferred Property or other item against the claims of all Persons.

The Issuer shall deliver or cause to be delivered to the Indenture Trustee file stamped copies of, or filing receipts for, any document recorded, registered or filed as provided above, as soon as available following such recording, registration or filing. The Issuer shall cooperate fully with the Indenture Trustee in connection with the obligations set forth above and will execute (or authorize the filing of) any and all documents reasonably required to fulfill the intent of this Section 3.05.

(b) The Issuer hereby irrevocably appoints the Indenture Trustee as its agent and attorney-in-fact (such appointment being coupled with an interest) to execute, or authorize the filing of, upon the Issuer's failure to do so, any financing statement or continuation statement required pursuant to this Section 3.05; *provided, however*, that such designation shall not be deemed to create any duty in the Indenture Trustee to monitor the compliance of the Issuer with the foregoing covenants; and *provided further*, that the Indenture Trustee shall only be obligated to execute or authorize such financing statement or continuation statement upon written direction of the Manager and upon written notice to a Responsible Officer of the Indenture Trustee of the failure of the Issuer to comply with the provisions of Section 3.05(a); shall not be required to pay any fees, Taxes or other governmental charges in connection therewith; and shall not be required to prepare any financing statement or continuation statement required pursuant to this Section 3.05 (which shall in each case be prepared by the Issuer or the Manager). The Issuer shall cooperate with the Manager and provide to the Manager any information, documents or instruments with respect to such financing statement or continuation statement that the Manager may reasonably require. Neither the Indenture Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Transaction Documents or any financing statement or continuation statement for the creation, perfection, continuation, priority, sufficiency or protection of any of the liens, or for any defect or deficiency as to any such matters, for monitoring the status of any lien or performance of the collateral or for the accuracy or sufficiency of any financing statement or continuation statement prepared for its execution or authorization hereunder.

(c) Except as necessary or advisable in connection with the fulfillment by the Indenture Trustee of its duties and obligations described herein or in any Transaction Document, the Indenture Trustee shall not remove any portion of the Trust Estate that consists of money or is evidenced by an instrument, certificate or other writing from the jurisdiction in which it was held as described in the most recent Opinion of Counsel that was delivered pursuant to Section 3.06 (or from the jurisdiction in which it was held as described in the Opinion of Counsel delivered at the Closing Date pursuant to Section 2.12(c), if no Opinion of Counsel has yet been delivered pursuant to Section 3.06) unless the Indenture Trustee shall have first received an Opinion of Counsel to the effect that the Lien created by this Indenture with respect to such property will continue to be maintained after giving effect to such action or actions.

(d) No later than 60 days prior to any of SunStrong Acquisition, the Depositor or the Issuer making any change in its or their name, identity, jurisdiction of organization or structure which would make any financing statement or continuation statement filed in accordance with paragraph (a) above seriously misleading within the meaning of Section 9-506 of the UCC as in effect in New York or wherever else necessary or appropriate under applicable law, or otherwise impair the perfection of the security interest in the Trust Estate, the Issuer shall give or cause to be given to the Indenture Trustee written notice of any such change and shall file such financing statements or amendments as may be necessary to continue the perfection of the Indenture Trustee's security interest in the Trust Estate. Neither the Depositor nor the Issuer shall become or seek to become organized under the laws of more than one jurisdiction.

(e) The Issuer shall give the Indenture Trustee written notice at least 60 days prior to any relocation of SunStrong Acquisition's, the Depositor's or the Issuer's respective principal executive office or jurisdiction of organization and whether, as a result of such relocation, the applicable provisions of relevant law or the UCC would require the filing of any amendment of any previously filed financing or continuation statement or of any new financing statement and shall file such financing statements or amendments as may be necessary to continue the perfection of the Indenture Trustee's security interest in the Trust Estate. The Issuer shall at all times maintain its principal executive office and jurisdiction of organization within the United States of America.

Section 3.06. Opinions and Officer's Certificates as to Trust Estate. On the Closing Date and, if requested by the Indenture Trustee, on the date of each supplemental indenture hereto, the Issuer shall furnish to the Indenture Trustee an Opinion of Counsel either stating that, in the opinion of such counsel, such action has been taken with respect to the recording and filing of this Indenture, and indentures supplemental hereto and other requisite documents and with respect to the authorization and filing of any financing statements and continuation statements, as are necessary to perfect and make effective the Lien and security interest in the Trust Estate in favor of the Indenture Trustee for the benefit of the Noteholders, created by this Indenture, subject to Permitted Liens, and reciting the details of such action, or stating that, in the opinion of such counsel, no such action is necessary to make such Lien and security interest effective.

On or before the thirtieth day prior to the fifth anniversary of the Closing Date and every five years thereafter until the Rated Final Maturity, the Issuer (or the Manager on behalf of the Issuer) shall furnish to the Indenture Trustee an Officer's Certificate either stating that all actions have been taken with respect to the recording, filing, re-recording and re-filing of this Indenture, any indentures supplemental hereto and any other requisite documents and with respect to the authorization and filing of any financing statements and continuation statements as is necessary to maintain the Lien created by this Indenture with respect to the Trust Estate and reciting the details of such actions or stating that no actions are necessary to maintain such Lien and security

interest. The Issuer (or the Manager on behalf of the Issuer) shall also provide the Indenture Trustee with a file stamped copy of any document or instrument filed as described in such Officer's Certificate contemporaneously with the delivery of such Officer's Certificate. Such Officer's Certificate shall also describe the recording, filing, re-recording and re-filing of this Indenture, any indentures supplemental hereto and any other requisite documents and the authorization and filing of any financing statements and continuation statements that will be required to maintain the Lien of this Indenture with respect to the Trust Estate. If the Officer's Certificate delivered to the Indenture Trustee hereunder specifies future action to be taken by the Issuer, the Issuer (or the Manager on behalf of the Issuer) shall furnish a further Officer's Certificate no later than the time so specified in such former Officer's Certificate to the effect required hereby.

Section 3.07. Statement as to Compliance. The Issuer will deliver to the Indenture Trustee and the Rating Agency, within 150 days after the end of each fiscal year (beginning with fiscal year 2019), an Officer's Certificate of the Issuer stating, as to the signer thereof, that, (a) a review of the activities of the Issuer during the preceding calendar year and of its performance under this Indenture has been made under such officer's supervision, (b) to the best of such officer's knowledge, based on such review, the Issuer has fulfilled all its obligations under this Indenture throughout such year, or, if there has been a default in the fulfillment of any such obligation that is continuing, specifying each such default known to such officer and the nature and status thereof and remedies therefor being pursued, and (c) to the best of such officer's knowledge, based on such review, no event has occurred and is continuing which is, or after notice or lapse of time or both would become, an Event of Default hereunder or, if such an event has occurred and is continuing, specifying each such event known to him or her and the nature and status thereof and remedies therefor being pursued.

Section 3.08. Recording. The Issuer will, upon the Closing Date and thereafter from time to time, prepare and cause financing statements and such other instruments as may be required with respect thereto, including without limitation, the Financing Statements to be filed, registered and recorded as may be required by present or future law (with file stamped copies thereof delivered to the Indenture Trustee) to create, perfect and protect the Lien hereof upon the Transferred Property and the other items of the Trust Estate, and protect the validity of this Indenture. The Issuer shall, from time to time, perform or cause to be performed any other act as required by law and shall execute (or authorize, as applicable) or cause to be executed (or authorized, as applicable) any and all further instruments (including financing statements, continuation statements and similar statements with respect to any of said documents with file stamped copies thereof delivered to the Indenture Trustee) that are necessary or reasonably requested by the Indenture Trustee for such creation, perfection and protection. The Issuer shall pay, or shall cause to be paid, all filing, registration and recording taxes and fees incident thereto, and all expenses, taxes and other governmental charges incident to or in connection with the preparation, execution, authorization, delivery or acknowledgment of the recordable documents, any instruments of further assurance, and the Notes.

Section 3.09. Agreements Not to Institute Bankruptcy Proceedings. The Issuer shall only voluntarily institute any proceedings to adjudicate the Issuer as bankrupt or insolvent, consent to the institution of bankruptcy or insolvency proceedings against the Issuer, file a petition seeking or consenting to reorganization or relief under any applicable federal or State law relating to bankruptcy, consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Issuer or a substantial part of its property or admit its inability to pay its debts generally as they become due or authorize any of the foregoing to be done or taken on behalf of the Issuer, in accordance with the terms of the Issuer Operating Agreement.

Section 3.10. Additional Covenants; *Covenants with Respect to the Managing Members and Project Companies.*

(a) So long as any of the Notes are Outstanding:

(i) The Issuer will keep in full effect its existence, rights and franchises as a limited liability company under the laws of the State of Delaware and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes and each asset included in the Trust Estate and to perform its obligations under any of the Transaction Documents to which it is a party.

(ii) The Issuer shall not consolidate or merge with or into any other entity or convey or transfer its properties and assets substantially as an entirety to any entity unless (A) the entity (if other than the Issuer) formed or surviving such consolidation or merger, or that acquires by conveyance or transfer the properties and assets of the Issuer substantially as an entirety, shall be organized and existing under the laws of the United States of America or any State thereof as a special purpose bankruptcy remote entity, and shall expressly assume the obligation to make due and punctual payments of principal and interest on the Notes then Outstanding and the performance of every covenant on the part of the Issuer to be performed or observed pursuant to the Indenture, (B) immediately after giving effect to such transaction, no Default or Event of Default under this Indenture shall have occurred and be continuing, (C) such consolidation, merger, conveyance or transfer would not violate any applicable Designated Transfer Restrictions, (D) the Issuer shall have delivered to the Rating

Agency and the Indenture Trustee an Officer's Certificate of the Issuer and an Opinion of Counsel, each stating that such consolidation, merger, conveyance or transfer complies with this Indenture and (E) the Issuer shall have given prior written notice of such consolidation or merger to the Rating Agency.

(iii) The funds and other assets of the Issuer shall not be commingled with those of any other Person except to the extent expressly permitted under the Transaction Documents.

(iv) The Issuer shall not be, become or hold itself out as being liable for the debts of any other Person.

(v) The Issuer shall not form, or cause to be formed, any subsidiaries.

(vi) The Issuer shall act solely in its own name and through its Authorized Officers or duly authorized officers or agents in the conduct of its business, and shall conduct its business so as not to mislead others as to the identity of the entity with which they are concerned. The Issuer shall not have any employees other than the Authorized Officers of the Issuer.

(vii) The Issuer shall maintain its records and books of account and shall not commingle its records and books of account with the records and books of account of any other Person. The books of the Issuer may be kept (subject to any provision contained in the applicable statutes) inside or outside the State of Delaware at such place or places as may be designated from time to time by the Issuer Operating Agreement.

(viii) All actions of the Issuer shall be taken by an Authorized Officer of the Issuer (or any Person acting on behalf of the Issuer).

(ix) The Issuer shall not amend its certificate of formation (except as required under Delaware law) or the Issuer Operating Agreement, without first giving prior written notice of such amendment to the Rating Agency (a copy of which shall be provided to the Indenture Trustee).

(x) The Issuer shall not waive, repeal, amend, vary, supplement or otherwise modify any provision of the Issuer Operating Agreement that requires the unanimous written consent of the Issuer's members without the prior written consent of all members and shall comply with and cause compliance with the provisions of its certificate of formation and Issuer Operating Agreement.

(xi) The Issuer will maintain the formalities of the form of its organization.

(xii) The annual financial statements of the Issuer, the Sponsor, SunStrong Acquisition, the Depositor and their Affiliates will disclose the effects of the transactions contemplated by the Transaction Documents in accordance with GAAP. Any consolidated financial statements which consolidate the assets and earnings of the Sponsor, SunStrong Acquisition, the Depositor and their Affiliates with those of the Issuer will contain a footnote stating that the assets of the Issuer will not be available to creditors of the Sponsor, SunStrong Acquisition, the Depositor, their Affiliates or any other Person. The financial statements of the Issuer, if any, will disclose that the assets of the Sponsor, SunStrong Acquisition, the Depositor and their Affiliates are not available to pay creditors of the Issuer.

(xiii) Other than certain costs and expenses related to the issuance of the Notes, none of the SunStrong Parties shall pay the Issuer's expenses, guarantee the Issuer's obligations or advance funds to the Issuer for payment of expenses except for costs and expenses for which any SunStrong Party is required to make payments, in which case the Issuer will reimburse such Person for such payment.

(xiv) All business correspondences of the Issuer shall be conducted in the Issuer's own name.

(xv) Other than as contemplated by the Transaction Documents, none of the SunStrong Parties act and will not act as agent of the Issuer and the Issuer does not and will not act as agent of any SunStrong Party

(xvi) The Issuer shall not make any expenditure (by long-term or operating lease or otherwise) for capital assets (either realty or personalty).

(xvii) The Issuer shall comply with the requirements of all applicable laws, the non-compliance with which would, individually or in the aggregate, materially and adversely affect the ability of the Issuer to perform its obligations under the Notes, this Indenture or any other Transaction Document.

(xviii) The Issuer shall not, directly or indirectly, (A) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to any owner of a beneficial interest in

the Issuer or otherwise with respect to any ownership or equity interest or security in or of the Issuer or to the Manager or the Transition Manager, (B) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or security or (C) set aside or otherwise segregate any amounts for any such purpose; *provided*, *however*, that the Issuer may make, or cause to be made, distributions to the Manager, the Transition Manager, its beneficial owners and the Indenture Trustee as permitted by, and to the extent funds are available for such purpose under, this Indenture and the other Transaction Documents. The Issuer will not, directly or indirectly, make payments to or distributions from the Collection Account or any other Account except in accordance with this Indenture and the other Transaction Documents.

(xix) The Issuer shall determine whether or not to exercise its Purchase Option with respect to each Project Company in accordance with the Purchase Standard. The Issuer will make such determination, and if it determines to do so, will exercise such Purchase Option, within the applicable Purchase Option Period in accordance with the terms and conditions of the applicable Project Company LLCA. Such determination will take into account whether sufficient funds are available in the Supplemental Reserve Account to pay the related Purchase Option Price, and if such funds are not then available in the Supplemental Reserve Account, the Issuer will make a determination, in accordance with the Purchase Standard, whether to exercise such Purchase Option as soon thereafter as such funds are available in the Supplemental Reserve Account.

(xx) Upon the Issuer's exercise and completion of a Purchase Option with respect to the membership interest of the related Tax Equity Investor Member, the Issuer shall (i) instruct the related Project Company to pay all distributions to be made by such Project Company to the Issuer in respect of such membership interest directly to the Collection Account and deliver to the Indenture Trustee the original certificate of such membership interest together with instruments of transfer executed in blank and (ii) cause the related Managing Member to execute and deliver to the Indenture Trustee a Managing Member Pledge Agreement and deliver to the Indenture Trustee the original certificate of such membership interest together with instruments of transfer executed in blank. In addition, following the exercise of a Purchase Option, the Issuer may, subject to the related Acknowledgments, direct the related Managing Member to cause the termination of the related Lease Servicing Agreement and Maintenance Services Agreement and enter into a replacement agreement or agreements for such services on substantially similar terms.

(b) So long as any of the Notes remain Outstanding, the Issuer agrees, as the managing member of each Managing Member, that it will:

(i) cause such Managing Member (A) to cause the related Project Company to make all Managing Member Distributions with respect to such Managing Member directly to the Collection Account and (B) to deliver to the Indenture Trustee for deposit into the Collection Account any Managing Member Distributions received by such Managing Member;

(ii) cause such Managing Member to comply with the provisions of its Managing Member LLCA and not to take any action that would cause such Managing Member to violate the provisions of its Managing Member LLCA;

(iii) cause such Managing Member to maintain all material licenses and permits required to carry on its business as now conducted and in accordance with the provisions of the Transaction Documents, except to the extent the failure to do so could not reasonably be expected to have a material adverse effect on the interests of the Noteholders;

(iv) not permit or consent to the admission of any new member of such Managing Member other than a successor independent member in accordance with the provisions of its Managing Member LLCA;

(v) not make any material amendment to the limited liability company agreement of such Managing Member that would reasonably be expected to have a material adverse effect on the interests of the Noteholders;

(vi) cause such Managing Member to, and cause the related Project Company to (A) comply with the provisions of its Project Company LLCA and (B) not take any action that would violate the provisions of such Project Company LLCA;

(vii) cause such Managing Member (A) to comply with and enforce the provisions of the Tax Loss Insurance Policy and (B) not to consent to any amendment to the Tax Loss Insurance Policy, to the extent that such amendment would reasonably be expected to have a material adverse effect on the interests of the Noteholders;

(viii) so long as such Managing Member is the managing member of a Project Company, cause such Project Company to comply with and enforce the provisions of the Tax Loss Insurance Policy;

(ix) so long as such Managing Member is the managing member of a Project Company, cause such Project Company to maintain all material licenses and permits required to carry on its business as now conducted and in accordance

with the provisions of the Project Company Documents, except to the extent the failure to do so could not reasonably be expected to have a material adverse effect on the interests of the Noteholders;

(x) not permit such Managing Member to consent to the admission of any new member of the related Project Company other than pursuant to the exercise of the related Purchase Option by such Managing Member;

(xi) cause such Managing Member to not consent to or approve any material amendment to the related Project Company LLCA that would reasonably be expected to have a material adverse effect on the interests of the Noteholders except to the extent that any such consent is expressly required pursuant to the terms of the applicable Project Company LLCA; and

(xii) not permit such Managing Member to permit the related Project Company to incur any Project Loans.

Section 3.11. Providing of Notice.

(a) The Issuer, upon learning of any failure on the part of a SunStrong Party to observe or perform in any material respect any covenant, representation or warranty set forth in the any Transaction Document to which it is a party, as applicable, which would reasonably be expected to have a material adverse effect on the Issuer, the Trust Estate, the Noteholders or the Notes or upon learning of any Event of Default, Manager Termination Event, proposed material amendment of any Project Company Document or resignation or removal of a Lease Services Provider or Maintenance Services Provider, shall promptly notify, in writing, the Indenture Trustee, the Noteholders and the Depositor of such failure or Event of Default, Manager Termination Event, proposed material amendment of any Project Company Document or resignation or removal of a Lease Services Provider or Maintenance Services Provider.

(b) The Indenture Trustee, upon receipt of written notice by a Responsible Officer thereof of the Performance Guarantor's failure to perform any covenant or obligation of the Performance Guarantor set forth in the Performance Guaranty, shall promptly notify, in the writing the Performance Guarantor of such failure.

(c) As soon as possible, and in any event within ten (10) Business Days, after the Issuer or any of its ERISA Affiliates knows that an ERISA Event has occurred, the Issuer deliver to the Indenture Trustee a certificate of a Responsible Officer of the Issuer setting forth the details of such ERISA Event, the action that the Issuer or the ERISA Affiliate proposes to take with respect thereto, and, when known, any action taken or threatened by the Internal Revenue Service, Department of Labor or the Pension Benefit Guaranty Corporation.

(d) To the extent any such notice has not been separately provided by a party to the Transaction Documents directly to the Indenture Trustee, the Issuer shall promptly, and in any event within five (5) Business Days, after receipt thereof by the Issuer, deliver to the Indenture Trustee copies of all material notices, requests, and other documents (excluding regular periodic reports) delivered or received by the Issuer under or in connection with the Transaction Documents.

(e) To the extent any such notice has not been separately provided by a party to the Transaction Documents directly to the Indenture Trustee, the Issuer shall promptly, and in any event within five (5) Business Days, after receipt thereof by any the Issuer, deliver to the Indenture Trustee copies of all notices and other documents delivered or received by such Issuer with respect to any material Liens on the Trust Estate (either individually or in the aggregate) other than Permitted Liens.

Section 3.12. Representations and Warranties of the Issuer. The Issuer hereby represents and warrants to the Indenture Trustee and the Noteholders that as of the Closing Date:

(a) The Issuer is duly formed and is validly existing as a limited liability company in good standing under the laws of the State of Delaware with full power and authority to execute and deliver this Indenture, the Management Agreement, the Contribution Agreement, the Custodial Agreement and each other Transaction Document to which it is a party and to perform the terms and provisions hereof and thereof; the Issuer is duly qualified to do business as a foreign business entity in good standing, and has obtained all required licenses and approvals, if any, in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualifications except those jurisdictions in which failure to be so qualified would not have a material adverse effect on the business or operations of the Issuer, the Trust Estate, the Noteholders or the Transferred Property.

(b) All necessary action has been taken by the Issuer to authorize the Issuer, and the Issuer has full power and authority, to execute, deliver and perform its obligations under this Indenture, the Management Agreement, the Contribution Agreement, the Custodial Agreement and each other Transaction Document to which it is a party, and no consent or approval of any Person is required for the execution, delivery or performance by the Issuer of this Indenture, the Management Agreement, the Contribution Agreement, the Custodial Agreement and each other Transaction Document to which it is a party.

(c) This Indenture, the Management Agreement, the Contribution Agreement, the Custodial Agreement and each other Transaction Document to which it is a party have been duly executed and delivered, and the execution and delivery of this Indenture, the Management Agreement, the Contribution Agreement, the Custodial Agreement and each other Transaction Document to which it is a party by the Issuer and its performance and compliance with the terms hereof and thereof will not violate its certificate of formation or the Issuer Operating Agreement or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the breach of, any material contract or any other material agreement or instrument (including, without limitation, the Transaction Documents) to which the Issuer is a party or which may be applicable to the Issuer or any of its assets.

(d) This Indenture, the Management Agreement, the Contribution Agreement, the Custodial Agreement and each other Transaction Document to which it is a party constitute valid, legal and binding obligations of the Issuer, enforceable against it in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

(e) The Issuer is not in violation of, and the execution, delivery and performance of this Indenture, the Management Agreement, the Contribution Agreement, the Custodial Agreement and each other Transaction Document to which it is a party by the Issuer will not constitute a violation with respect to, any order or decree of any court or any order, regulation or demand of any federal, State, municipal or governmental agency, which violation might have consequences that would materially and adversely affect the condition (financial or other) or operations of the Issuer or its properties or might have consequences that would materially affect the performance of its duties hereunder or thereunder.

(f) No proceeding of any kind, including but not limited to litigation, arbitration, judicial or administrative, is pending or, to the Issuer's knowledge, threatened against or contemplated by the Issuer which could reasonably be expected to have a material adverse effect on the execution, delivery, performance or enforceability of this Indenture, the Notes or any other Transaction Document.

(g) None of the assets of the Issuer are subject to Title I of ERISA, Section 4975 of the Code, or, by reason of any investment in the Issuer by any governmental plan, as the case may be, any other federal, state, or local provision similar to Section 406 of ERISA or Section 4975 of the Code. Neither the Issuer nor any of its ERISA Affiliates has maintained, participated or had any liability in respect of any Plan during the past six (6) years which could reasonably be expected to subject the Issuer to any tax, penalty or other liabilities that are reasonably likely to result in a Material Adverse Effect. With respect to any Plan which is a Multi-Employer Plan, no such Multi-Employer Plan is in "insolvent," as defined in Title IV ERISA, which insolvent status has continued unremedied for thirty (30) days. No ERISA Event has occurred or is reasonably likely to occur.

(h) Each of the representations and warranties of the Issuer set forth in the Management Agreement, the Contribution Agreement, the Issuer Operating Agreement and each other Transaction Document to which it is a party is, as of the Closing Date, true and correct in all material respects.

(i) There are no ongoing breaches or defaults under the Transaction Documents or any of the Project Company Documents by the Issuer or any of its Affiliates or, to its Knowledge, any of the other parties to the Transaction Documents or Project Company Documents.

(j) The Issuer has not incurred debt or engaged in activities not related to the transactions contemplated hereunder except as permitted by the Issuer Operating Agreement or Section 3.04.

(k) The Issuer is not insolvent and will not become insolvent as a result of the Grant pursuant to this Indenture; the Issuer is not engaged and is not about to engage in any business or transaction for which any property remaining with the Issuer is unreasonably small capital or for which the remaining assets of the Issuer are unreasonably small in relation to the business of the Issuer or the transaction; the Issuer does not intend to incur, and does not believe or reasonably should not have believed that it would incur, debts beyond its ability to pay as they become due; and the Issuer has not made a transfer or incurred an obligation and does not intend to make such a transfer or incur such an obligation with actual intent to hinder, delay or defraud any entity to which the Issuer was or became, on or after the date that such transfer was made or such obligation was incurred, indebted.

(l) The proceeds from the issuance of the Notes will be used by the Issuer to (i) repay existing financing secured by the ownership interests in each of the Managing Members or Project Companies, as applicable, certain Project Company assets and related rights under the respective Project Company Documents, (ii) pay certain expenses incurred in connection with the issuance of the Notes (including payment of the one-time premiums for the Tax Loss Insurance Policy), and (iii) make the required deposits

into the Liquidity Reserve Account, the Supplemental Reserve Account and the Collection Account and (iv) make distributions of remaining proceeds to or as directed by the Depositor, as the sole member of the Issuer. Any proceeds distributed to the Sponsor in accordance with clause (iv) will be utilized by the Sponsor to acquire "Green Projects" as described in the GBP. To the extent that the Sponsor distributes any such proceeds to the Sponsor Parents, such proceeds would be utilized to support the general corporate purposes of SunPower Corporation, specifically the manufacturing, installation, and operation of PV Systems, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., specifically investment in renewable energy, energy efficiency, and other sustainable infrastructure.

(m) The transfer of the Transferred Property by SunStrong Acquisition to the Issuer pursuant to the Contribution Agreement is an absolute transfer for legal purposes, (ii) the Grant of the Trust Estate by the Issuer pursuant to the terms of this Indenture is a pledge for financial accounting purposes and U.S. federal income tax purposes, and (iii) the Notes will be treated by the Issuer as indebtedness for U.S. federal income tax purposes unless otherwise required by applicable law as determined by a Final Determination. In this regard, (i) the financial statements of the Sponsor, SunStrong Acquisition and the Depositor and their consolidated subsidiaries will show (A) that the Transferred Property is owned by such consolidated group and (B) that the Notes are indebtedness of the consolidated group (and will contain footnotes describing the transfer to the Issuer and the pledge to the Indenture Trustee for the benefit of the Noteholders), and (ii) the U.S. federal income tax returns of the Sponsor, SunStrong Acquisition and the Depositor and their consolidated subsidiaries will indicate that the Notes are indebtedness unless otherwise required by applicable law as determined by a Final Determination.

(n) [Reserved].

(o) As of the Statistical Cut-Off Date, the Aggregate Discounted Solar Asset Balance is approximately $ 644,389,536.11 and the Securitization Share of Aggregate Discounted Solar Asset Balance is $ 585,855,745.38.

(p) The legal name of the Issuer is as set forth in the introductory paragraph to this Indenture; the Issuer has no trade names, fictitious names, assumed names or "doing business as" names.

(q) The Issuer has not taken any action or failed to take any action that could cause it to be treated as an association taxable as a corporation for U.S. federal income tax purposes.

(r) No item comprising the Transferred Property has been sold, transferred, assigned or pledged by the Issuer to any Person other than the Indenture Trustee; immediately prior to the pledge of the Transferred Property to the Indenture Trustee pursuant to this Indenture, the Issuer was the sole owner thereof and had good and indefeasible title thereto, free of any Lien other than Permitted Liens.

(s) Upon (i) the filing of the Perfection UCCs in accordance with applicable law and (ii) the delivery to the Indenture Trustee of the certificates evidencing the limited liability company interests in each Managing Member, together with instruments of transfer, the Indenture Trustee, for the benefit of the Noteholders, shall have a first priority perfected security interest in the Transferred Property and in the proceeds thereof, limited with respect to proceeds to the extent set forth in Section 9-315 of the UCC as in effect in the applicable jurisdiction, subject to Permitted Liens. All filings (including, without limitation, UCC filings) and other actions as are necessary in any jurisdiction to provide third parties with notice of and to perfect the transfer and assignment of the Trust Estate to the Issuer and to give the Indenture Trustee a first perfected security interest in the Trust Estate (subject to Permitted Liens) and the payment of any fees, have been made or, with respect to Termination Statements, will be made within one Business Day of the Closing Date.

(t) Neither the absolute transfer of the Transferred Property by SunStrong Acquisition to the Issuer pursuant Contribution Agreement nor the Grant by the Issuer to the Indenture Trustee pursuant to this Indenture is subject to the bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction.

(u) The Issuer is not and, after giving effect to the offering and sale of the Notes and the application of the proceeds thereof as described in the Offering Circular, will not be required to register as an "investment company" as such term is defined in the 1940 Act. In making this determination, the Issuer is relying on not falling within the definition of "investment company" as defined in Section 3(a)(1) of the 1940 Act, although certain exclusions or exemptions may be available to the Issuer on the Closing Date or in the future. The Issuer is being structured so as not to constitute a "covered fund" for purposes of Section 619 of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010, based on its current interpretations.

(v) The principal place of business and the chief executive office of the Issuer are located in the State of California and the jurisdiction of organization of the Issuer is the State of Delaware, and there are no other such locations.

(w) None of the Transaction Parties, nor any of their respective officers, directors or employees appears on the Specially Designated Nationals and Blocked Persons List published by the Office of Foreign Assets Control ("*OFAC*") or is otherwise a person with which any U.S. person is prohibited from dealing under the laws of the United States, unless authorized by OFAC. None of the Transaction Parties, conducts business or completes transactions with the governments of any country subject to comprehensive economic sanctions, or persons subject to specific economic sanctions administered and enforced by OFAC. None of the Transaction Parties will directly or indirectly use the proceeds of the sale of the Notes, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person to fund any activities of or business with any person that, at the time of such funding, is subject to comprehensive or specific economic sanctions administered or enforced by OFAC, or is in any country or territory that, at the time of such funding or facilitation, is subject to comprehensive or specific economic sanctions administered or enforced by OFAC. None of the Transaction Parties is in violation of Executive Order No. 13224 or the Patriot Act.

(x) None of the Transaction Parties, nor any of their respective directors, officers or employees, nor to the knowledge of the Transaction Parties, any of their agents, shall use any of the proceeds of the sale of the Notes (i) for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity, (ii) to make any direct or indirect unlawful payment to any government official or employee from corporate funds, (iii) to violate any provision of the U.S. Foreign Corrupt Practices Act of 1977 or similar anti-corruption law to which they are lawfully subject, or (iv) to make any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(y) Representations and warranties regarding the security interest and Custodian Files, in each case, made as of the Closing Date:

(i) The Grant contained in the "Granting Clause" of this Indenture creates a valid and continuing security interest (as defined in the applicable UCC) in the Transferred Property in favor of the Indenture Trustee, which security interest is prior to all other Liens arising under the UCC (other than Permitted Liens), and is enforceable as such against creditors of the Issuer, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

(ii) The Issuer has taken all steps necessary to perfect its ownership interest in 100% of the Managing Member Membership Interests.

(iii) The limited liability company interest in each Managing Member constitutes "investment property" within the meaning of the UCC.

(iv) The Issuer owns and has good and marketable title to the Transferred Property free and clear of any Lien, claim or encumbrance of any Person, other than Permitted Liens.

(v) The Issuer has caused or will have caused, within ten days of the Closing Date, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Transferred Property granted to the Indenture Trustee hereunder.

(vi) The Issuer has received a Certification from the Custodian that the Custodian is holding the Custodian Files that evidence the Solar Assets on behalf the Indenture Trustee for the benefit of the Noteholders.

(vii) Other than the security interest granted to the Indenture Trustee pursuant to this Indenture, the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any portion of the Trust Estate. The Issuer has not authorized the filing of and is not aware of any financing statements against the Issuer that include a description of collateral covering any portion of the Trust Estate other than any financing statement relating to the security interest granted to the Indenture Trustee hereunder or that have been terminated. The Issuer is not aware of any judgment or tax lien filings against the Issuer.

(viii) The Issuer has taken all action required on its part for control (as defined in Section 8-106 of the UCC) to have been obtained by the Indenture Trustee on behalf of the Noteholders over the limited liability company interests in each Managing Member with respect to which such control may be obtained pursuant to the UCC. No person other than the Indenture Trustee on behalf of the Noteholders has control or possession of all or any part of the limited liability company interests in the Managing Members. Without limiting the foregoing, all certificates evidencing the limited liability company interests in the Managing Members in existence on the date hereof have been delivered to the Indenture Trustee on behalf of the Noteholders.

The foregoing representations and warranties in Section 3.12(z)(i)-(viii) shall remain in full force and effect and shall not be waived or amended until the Notes are paid in full or otherwise released or discharged.

Section 3.13. Representations and Warranties of the Indenture Trustee. The Indenture Trustee hereby represents and warrants to the Rating Agency and the Noteholders that as of the Closing Date:

(a) The Indenture Trustee has been duly organized and is validly existing as a national banking association;

(b) The Indenture Trustee has full power and authority and legal right to execute, deliver and perform its obligations under this Indenture and each other Transaction Document to which it is a party and has taken all necessary action to authorize the execution, delivery and performance by it of this Indenture and each other Transaction Document to which it is a party;

(c) This Indenture and each other Transaction Document to which it is a party have been duly executed and delivered by the Indenture Trustee and constitute the legal, valid, and binding obligations of the Indenture Trustee, enforceable against the Indenture Trustee in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, reorganization, insolvency, liquidation, moratorium, fraudulent conveyance, or similar laws affecting creditors' or creditors of banks' rights and/or remedies generally or by general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law);

(d) The execution, delivery and performance of this Indenture and each other Transaction Document to which it is a party by the Indenture Trustee will not constitute a violation with respect to any order or decree of any court or any order, regulation or demand of any federal, State, municipal or governmental agency binding on the Indenture Trustee or such of its property which is material to it, which violation might have consequences that would materially and adversely affect the performance of its duties under this Indenture;

(e) The execution, delivery and performance of this Indenture and each other Transaction Document to which it is a party by the Indenture Trustee do not require any approval or consent of any Person, do not conflict with the Articles of Association and Bylaws of the Indenture Trustee, and do not and will not conflict with or result in a breach which would constitute a material default under any agreement applicable to it or such of its property which is material to it; and

(f) No proceeding of any kind, including but not limited to litigation, arbitration, judicial or administrative, is pending or, to the Indenture Trustee's knowledge, threatened against or contemplated by the Indenture Trustee which would have a reasonable likelihood of having an adverse effect on the execution, delivery, performance or enforceability of this Indenture or any other Transaction Document to which it is a party by or against the Indenture Trustee.

Section 3.14. Rule 144A Information. So long as any of the Notes are outstanding, and the Issuer is not subject to Section 13 or 15(d) of the Exchange Act, upon the request of a Noteholder, the Issuer shall promptly furnish at such Noteholder's expense to such Noteholder, and the prospective purchasers designated by such Noteholder, Rule 144A Information in order to permit compliance with Rule 144A under the Securities Act in connection with the resale of such Notes by such Noteholder.

Section 3.15. Knowledge. Any references herein to the knowledge, discovery or learning of the Issuer or the Manager shall mean and refer to actual knowledge of an Authorized Officer of the Issuer or the Manager, as applicable.

ARTICLE IV

MANAGEMENT, ADMINISTRATION AND SERVICING

Section 4.01. Management Agreement. The Management Agreement, duly executed counterparts of which have been delivered to the Indenture Trustee, sets forth the covenants and obligations of the Manager with respect to the Trust Estate and other matters addressed in the Management Agreement, and reference is hereby made to the Management Agreement for a detailed statement of said covenants and obligations of the Manager thereunder. The Issuer agrees that the Indenture Trustee, in its name or (to the extent required by law) in the name of the Issuer, shall, if so directed and indemnified by the Majority Noteholders, enforce all rights of the Issuer under the Management Agreement for and on behalf of the Noteholders whether or not the Issuer is in default hereunder.

(a) Promptly following a request from the Indenture Trustee (acting at the direction of the Majority Noteholders) to do so, the Issuer shall take all such lawful action as the Indenture Trustee may request to compel or secure the performance and observance by the Manager of each of its obligations to the Issuer and with respect to the Trust Estate under or in connection with the Management Agreement, in accordance with the terms thereof, and in effecting such request shall exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Management Agreement to the

extent and in the manner directed by the Indenture Trustee, including, without limitation, the transmission of notices of default on the part of the Manager thereunder and the institution of legal or administrative actions or proceedings to compel or secure performance by the Manager of each of its obligations under the Management Agreement.

(b) The Issuer shall not waive any default by the Manager under the Management Agreement without the written consent of the Indenture Trustee (which shall be given at the written direction of the Super-Majority Noteholders); provided, that, an event resulting from the failure to make any required deposits to, or payments from, the Collection Account in accordance with the Management Agreement may not be waived.

(c) The Indenture Trustee does not assume any duty or obligation of the Issuer under the Management Agreement, and the rights given to the Indenture Trustee thereunder are subject to the provisions of Article VII.

(d) With respect to the Manager's obligations under Section 4.3 of the Management Agreement, the Indenture Trustee shall not have any responsibility to the Issuer, the Manager or any party hereunder to make any inquiry or investigation as to, and shall have no obligation in respect of, the terms of any engagement of the Independent Accountants by the Manager; *provided, however* that the Indenture Trustee shall be authorized, upon receipt of written direction from the Manager directing the Indenture Trustee, to execute any acknowledgment or other agreement with the Independent Accountant required for the Indenture Trustee to receive any of the reports or instructions provided for herein, which acknowledgment or agreement may include, among other things, (i) acknowledgement that the Manager has agreed that the procedures to be performed by the Independent Accountants are sufficient for the Issuer's purposes, (ii) acknowledgment that the Indenture Trustee has agreed that the procedures to be performed by the Independent Accountants are sufficient for the Indenture Trustee's purposes and that the Indenture Trustee's purposes is limited solely to receipt of the report, (iii) releases by the Indenture Trustee (on behalf of itself and the Noteholders) of claims against the Independent Accountants and acknowledgement of other limitations of liability in favor of the Independent Accountants, and (iv) restrictions or prohibitions on the disclosure of information or documents provided to it by such firm of Independent Accountants (including to the Noteholders).

(e) In the event such independent public accountants require the Indenture Trustee and the Transition Manager to execute an access or acknowledgment letter, which may include without limitation a requirement to agree to the procedures to be performed by such firm in any of the reports required to be prepared pursuant to Section 4.01(e), the Manager shall direct the Indenture Trustee or the Transition Manager in writing to so agree; it being understood and agreed that the Indenture Trustee and the Transition Manager will deliver such letter of agreement in conclusive reliance upon the direction of the Manager, and the Indenture Trustee and the Transition Manager has not made any independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures. Neither the Indenture Trustee nor the Transition Manager shall be liable for any claims, liabilities or expenses relating to such accountants' engagement or any report issued in connection with such engagement, and the dissemination of any such report is subject to the written consent of the accountants who prepared such report.

ARTICLE V

ACCOUNTS, COLLECTIONS, PAYMENTS OF INTEREST AND PRINCIPAL, RELEASES, AND STATEMENTS TO NOTEHOLDERS

Section 5.01. *Accounts*. On or prior to the Closing Date, the Issuer shall cause the Indenture Trustee to establish and maintain in the name of the Indenture Trustee, for the benefit of the Noteholders, four Eligible Accounts: (i) a collection account in which Managing Member Distributions and certain other amounts will be deposited from time to time (the "*Collection Account*"), (ii) a supplemental reserve account in which the Supplement Reserve Account Initial Deposit will be deposited on the Closing Date and the Supplemental Reserve Account Deposit will be deposited from time to time (the "*Supplemental Reserve Account*"), (iii) a liquidity reserve account in which amounts necessary to maintain the Liquidity Reserve Account Required Balance (the "*Liquidity Reserve Account*") and (iv) a tax loss insurance proceeds account in which all proceeds of a Tax Loss Insurance Policy received by the Indenture Trustee with respect to any Tax Loss Indemnity will be deposited from time to time (the "*Tax Loss Insurance Proceeds Account*"), in each case, bearing a designation that the funds deposited therein are held for the benefit of the Noteholders. Each of the Collection Account, the Supplemental Reserve Account, the Liquidity Reserve Account and the Tax Loss Insurance Proceeds Account will initially be established with the Indenture Trustee.

(a) Funds on deposit in the Collection Account, the Supplemental Reserve Account and the Liquidity Reserve Account shall be invested by the Indenture Trustee (or any custodian with respect to funds on deposit in any such account) in Eligible Investments selected in writing by the Manager (pursuant to standing instructions or otherwise). All such Eligible Investments shall be held by or on behalf of the Indenture Trustee for the benefit of the Noteholders.

(b) All investment earnings pursuant to Section 5.01(b) of moneys deposited into the Collection Account, the Supplemental Reserve Account and the Liquidity Reserve Account shall be deposited (or caused to be deposited) by the Indenture Trustee into the Collection Account, and any loss resulting from such investments shall be charged to such Account. No investment of any amount held in any of the Collection Account, the Supplemental Reserve Account and the Liquidity Reserve Account shall mature later than the Business Day immediately preceding the Payment Date which is scheduled to occur immediately following the date of investment. The Manager, on behalf of the Issuer, will not direct the Indenture Trustee to make any investment of any funds held in any of the Accounts unless the security interest Granted and perfected in such account will continue to be perfected in such investment, in either case without any further action by any Person.

(c) The Indenture Trustee shall not in any way be held liable by reason of any insufficiency in any of the Accounts resulting from any loss on any Eligible Investment included therein except for losses attributable to the Indenture Trustee's failure to follow instructions of the Issuer in accordance with Section 5.01, negligence or bad faith, or its failure to make payments on such Eligible Investments issued by the Indenture Trustee, in its commercial capacity as principal obligor and not as Indenture Trustee, in accordance with their terms.

(d) Funds on deposit in any Account shall remain uninvested if (i) the Manager shall have failed to give investment directions in writing for any funds on deposit in any Account to the Indenture Trustee by 1:00 p.m. Eastern time (or such other time as may be agreed by the Manager and the Indenture Trustee) on any Business Day; or (ii) based on the actual knowledge of, or receipt or written notice by, a Responsible Officer of the Indenture Trustee, a Default or Event of Default shall have occurred and be continuing with respect to the Notes but the Notes shall not have been declared due and payable, or, if such Notes shall have been declared due and payable following an Event of Default, amounts collected or receivable from the Trust Estate are being applied as if there had not been such a declaration.

(e) [Reserved].

(f) (g) The Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Accounts and in all proceeds thereof (including, without limitation, all investment earnings on the Collection Account) and all such funds, investments, proceeds and income shall be part of the Trust Estate. Except as otherwise provided herein, the Accounts shall be under the control (as defined in Section 9-104 of the UCC to the extent such account is a deposit account and Section 8-106 of the UCC to the extent such account is a securities account) of the Indenture Trustee for the benefit of the Noteholders. If, at any time, any of the Accounts ceases to be an Eligible Account, the Indenture Trustee (or the Manager on its behalf) shall within five Business Days establish a new Account as an Eligible Account and shall transfer any cash and/or any investments to such new Account. In connection with the foregoing, the Manager agrees that, in the event that any of the Accounts are not accounts with the Indenture Trustee, the Manager shall notify the Indenture Trustee in writing promptly upon any of such Accounts ceasing to be an Eligible Account.

(i) With respect to the Account Property, the Indenture Trustee agrees that:

(A) any Account Property that is held in deposit accounts shall be held solely in Eligible Accounts; and, except as otherwise provided herein, each such Eligible Account shall be subject to the exclusive custody and control of the Indenture Trustee, and the Indenture Trustee shall have sole signature authority with respect thereto;

(B) any Account Property that constitutes physical property shall be delivered to the Indenture Trustee in accordance with paragraph (i)(A) or (i)(B), as applicable, of the definition of "Delivery" and shall be held, pending maturity or disposition, solely by the Indenture Trustee or a securities intermediary (as such term is defined in Section 8-102(a)(14) of the UCC) acting solely for the Indenture Trustee;

(C) any Account Property that is a book-entry security held through the Federal Reserve System pursuant to federal book-entry regulations shall be delivered in accordance with paragraph (1)(c) or (1)(e), as applicable, of the definition of "Delivery" and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued book-entry registration of such Account Property as described in such paragraph;

(D) any Account Property that is an "uncertificated security" under Article 8 of the UCC and that is not governed by clause (C) above shall be delivered to the Indenture Trustee in accordance with paragraph (i)(D) of the definition of "Delivery" and shall be maintained by the Indenture Trustee, pending maturity or disposition, through continued registration of the Indenture Trustee's (or its nominee's) ownership of such security;

(E) the Manager shall have the power, revocable by the Indenture Trustee upon the occurrence of a Manager Termination Event, to instruct the Indenture Trustee to make withdrawals and payments from the Accounts

for the purpose of permitting the Manager and the Indenture Trustee to carry out their respective duties hereunder; and

(F) any Account held by it hereunder shall be maintained as a "securities account" as defined in the Uniform Commercial Code as in effect in New York (the "*New York UCC*"), and that it shall be acting as a "securities intermediary" for the Indenture Trustee itself as the "entitlement holder" (as defined in Section 8-102(a)(7) of the New York UCC) with respect to each such Account. The parties hereto agree that each Account shall be governed by the laws of the State of New York, and regardless of any provision in any other agreement, the "securities intermediary's jurisdiction" (within the meaning of Section 8-110 of the New York UCC) shall be the State of New York. The Indenture Trustee acknowledges and agrees that (1) each item of property (whether investment property, financial asset, security, instrument or cash) credited to the Accounts shall be treated as a "financial asset" within the meaning of Section 8-102(a)(9) of the New York UCC and (2) notwithstanding anything to the contrary, if at any time the Indenture Trustee shall receive any order from the Indenture Trustee (solely in its capacity as securities intermediary) directing transfer or redemption of any financial asset relating to the Accounts, the Indenture Trustee shall comply with such entitlement order without further consent by the Issuer, or any other person. In the event of any conflict of any provision of this Section 5.01(g)(ii)(F) with any other provision of this Indenture or any other agreement or document, the provisions of this Section 5.01(g)(ii)(F) shall prevail.

Section 5.02. Supplemental Reserve Account and Tax Loss Insurance Proceeds Account. (i) On the Closing Date, the Issuer shall deliver to the Indenture Trustee an amount equal to the Supplemental Reserve Account Initial Deposit for deposit into the Supplemental Reserve Account. On each Payment Date, to the extent of Available Funds and in accordance with and subject to the Priority of Payments, the Indenture Trustee shall, based on the Quarterly Manager Report, deposit into the Supplemental Reserve Account an amount equal to the Supplemental Reserve Account Deposit until the amount on deposit equals the Supplemental Reserve Account Required Balance.

(i) The Indenture Trustee shall release funds from the Supplemental Reserve Account to pay the following amounts upon direction from the Manager set forth in an Officer's Certificate (no more than once per calendar month, on each Payment Date and on any date in the case of payment of any Purchase Option Price and, in each case, with a reasonable volume of payment instructions); *provided* that if the amount available in the Supplemental Reserve Account is less than all such amounts, the Indenture Trustee shall release such funds in the following order of priority:

(A) the costs (inclusive of labor costs) of replacement of any inverter that no longer has the benefit of a Manufacturer Warranty and for which (A) the Maintenance Services Provider is not obligated under the related Maintenance Services Agreement to cover the replacement costs of such inverter (or if so obligated, fails to pay such costs), for the purpose of funding a loan by the Managing Member to the related Project Company to pay for the replacement of such inverter (or, if such a loan would not be permitted under the applicable Project Company LLCA, the Managing Member shall provide such amount in the form of an additional capital contribution to the Project Company) or (B) the Manager in its role as Maintenance Services Provider has paid under the related Maintenance Services Agreement;

(B) to the Tax Loss Insurance Proceeds Account, the amount of any deductible in connection with each claim paid by the Tax Loss Insurers under the Tax Loss Insurance Policy plus the amount of the difference, if any, between (a) the amount of a Tax Loss Indemnity minus (b) the sum of the amount of proceeds of the Tax Loss Insurance Policy received by the loss payee under the Tax Loss Insurance Policy with respect to such Tax Loss Indemnity and the amount of any deductible in connection therewith; and

(C) the Purchase Option Price when due and payable under the terms of the related Project Company LLCA upon exercise by the related Managing Member of the related Purchase Option or the Investor Withdrawal Amount upon the exercise by the related Tax Equity Investor Member of the Withdrawal Option.

(ii) If the amount on deposit in the Supplemental Reserve Account exceeds the Supplemental Reserve Account Required Balance on any Payment Date during a Regular Amortization Period, the amount of such excess will be transferred (i) first, to the Liquidity Reserve Account to the extent the amount on deposit in the Liquidity Reserve Account is then less than the Liquidity Reserve Account Required Balance, and (ii) then to the Collection Account for distribution as part of Available Funds pursuant to the Priority of Payments.

(iii) The Indenture Trustee shall transfer to the Collection Account all amounts on deposit in the Supplemental Reserve Account on the earlier of the Rated Final Maturity and the acceleration of the Notes following an Event of Default.

(iv) On any Payment Date after the Anticipated Repayment Date, if the sum of (i) Available Funds, (ii) amounts on deposit in the Liquidity Reserve Account and (iii) amounts on deposit in the Supplemental Reserve Account is greater than or equal to the aggregate sum of all Issuer Secured Obligations, all such amounts will be applied by the Indenture Trustee at the direction of the Manager on such Payment Date to the payment in full of all such Issuer Secured Obligations.

(b) Notwithstanding Section 5.02(a)(i), upon the Rating Agency Condition being satisfied, in lieu of or in substitution for moneys otherwise required to be deposited to the Supplemental Reserve Account, the Issuer (or the Manager on behalf of the Issuer) may deliver or cause to be delivered to the Indenture Trustee a Letter of Credit issued by an Eligible Letter of Credit Bank in an amount equal to the Supplemental Reserve Account Required Balance; provided that any Supplemental Reserve Account Deposit required to be made after the replacement of amounts on deposit in the Supplemental Reserve Account with the Letter of Credit shall be made in deposits to the Supplemental Reserve Account as provided in the Priority of Payments or pursuant to an increase in the Letter of Credit, or addition of another Letter of Credit (such increase or addition to require satisfaction of the Rating Agency Condition). The Letter of Credit shall be held as an asset of the Supplemental Reserve Account and valued for purposes of determining the amount on deposit in the Supplemental Reserve Account as the amount then available to be drawn on such Letter of Credit. Any references in the Transaction Documents to amounts on deposit in the Supplemental Replacement Reserve Account shall include the value of the Letter of Credit unless specifically excluded. If the amounts on deposit in the Supplemental Reserve Account are represented by a Letter of Credit, the Indenture Trustee shall be required to submit the drawing documents to the Eligible Letter of Credit Bank to draw the full stated amount of the Letter of Credit and deposit the proceeds therefrom in the Supplemental Reserve Account in the following circumstances: (i) if the Indenture Trustee is directed by the Manager on behalf of the Issuer, pursuant to an Officer's Certificate, to withdraw funds from the Supplemental Reserve Account for any reason; (ii) if the Letter of Credit is scheduled to expire in accordance with its terms and has not been extended or replaced with a Letter of Credit issued by an Eligible Letter of Credit Bank by the date that is ten days prior to the expiration date; or (iii) if the Indenture Trustee is directed by the Issuer, the Manager or the Majority Noteholders, pursuant to an Officer's Certificate stating that the financial institution issuing the Letter of Credit ceases to be an Eligible Letter of Credit Bank. Any drawing on the Letter of Credit may be reimbursed by the Issuer only from amounts remitted to the Issuer pursuant to clauses (x) of the Priority of Payments.

(c) The Indenture Trustee will deposit into the Tax Loss Insurance Proceeds Account upon receipt all proceeds of a Tax Loss Insurance Policy received by the Indenture Trustee with respect to any Tax Loss Indemnity.

(d) At the direction of the Manager pursuant to an Officer's Certificate, the Indenture Trustee will (i) transfer from the Supplemental Reserve Account an amount equal to the difference, if any, between the amount of such Tax Loss Indemnity and the amount of proceeds of the Tax Loss Insurance Policy received by the Indenture Trustee with respect to such Tax Loss Indemnity and (ii) pay from amounts on deposit in the Tax Loss Insurance Proceeds Account the amount of the Tax Loss Indemnity to the related Project Company for distribution by such Project Company to its Project Company Members in accordance with the terms of the related Project Company LLCA and (iii) deposit any remaining amounts in the Tax Loss Insurance Proceeds Account into the Collection Account. At the direction of the Manager, the Indenture Trustee will distribute any proceeds from the Tax Loss Insurance Proceeds Account to the related Project Company or Managing Member to the extent such funds are paid in connection with costs incurred by a Project Company or the related Managing Member in contesting any Tax Loss in accordance with the terms and conditions of the Tax Loss Insurance Policy, which were received by the Indenture Trustee and deposited in the Tax Loss Insurance Proceeds Account, to such Project Company or Managing Member and will deposit any remaining amounts in the Tax Loss Insurance Proceeds Account into the Collection Account.

(e) The Indenture Trustee shall transfer to the Collection Account all amounts on deposit in the Tax Loss Insurance Proceeds Account on the earlier of the Rated Final Maturity or the acceleration of the Notes following an Event of Default.

Section 5.03. Liquidity Reserve Account. On the Closing Date, the Issuer shall deliver to the Indenture Trustee an amount equal to the Liquidity Reserve Account Required Balance with respect to the Closing Date for deposit into the Liquidity Reserve Account. As described in the Priority of Payments, to the extent of Available Funds, the Indenture Trustee shall, on each Payment Date, deposit Available Funds into the Liquidity Reserve Account until the amount on deposit therein shall equal the Liquidity Reserve Account Required Balance

(a) On each Payment Date, the Indenture Trustee shall, based on the Quarterly Manager Report, transfer funds on deposit in the Liquidity Reserve Account to the Collection Account to the extent the amount on deposit in the Collection Account as of such Payment Date is less than the amounts necessary to make the distributions described in clauses (i) through (iii) of Section 5.05(a). If the amount on deposit in the Liquidity Reserve Account exceeds the Liquidity Reserve Account Required Balance on any Payment Date during a Regular Amortization Period, the amount of such excess will be transferred to the

Supplemental Reserve Account. If the amount on deposit in the Supplemental Reserve Account exceeds the Supplemental Reserve Account Required Balance on such Payment Date, the amount of such excess will be transferred to the Collection Account and will be part of Available Funds distributed pursuant to the Priority of Payments. If the amount on deposit in the Liquidity Reserve Account exceeds the Liquidity Reserve Account Required Balance on any Payment Date during an Early Amortization Period, the amount of such excess will be transferred to the Collection Account and will be part of the Available Funds distributed pursuant to the Priority of Payments.

(b) Upon the earliest of (i) the Rated Final Maturity, (ii) the acceleration of the Notes following an Event of Default and (iii) the Payment Date on which the sum of Available Funds and the amount on deposit in the Liquidity Reserve Account is greater than or equal to the sum of (a) the payments and distributions required under clauses (i) through (iii) and clause (v) in the Priority of Payments and (b) the Aggregate Outstanding Note Balance as of such Payment Date prior to any distributions made on such Payment Date, the Indenture Trustee shall, based on the information set forth in the related Quarterly Manager Report, withdraw any remaining funds on deposit in the Liquidity Reserve Account (including investment earnings or income) and deposit such funds into the Collection Account. On the Termination Date, the Indenture Trustee shall, based on the information set forth in the related Quarterly Manager Report, withdraw any remaining funds on deposit in the Liquidity Reserve Account (including investment earnings or income) and pay such amount to the Issuer.

(c) On any Payment Date after the Anticipated Repayment Date, if the sum of (i) Available Funds, (ii) amounts on deposit in the Liquidity Reserve Account and (iii) amounts on deposit in the Supplemental Reserve Account is greater than or equal to the aggregate sum of all Issuer Secured Obligations, all such amounts will be applied by the Indenture Trustee at the direction of the Manager on such Payment Date to the payment in full of all such Issuer Secured Obligations.

Section 5.04. Collection Account. On or prior to the Closing Date, the Manager, on behalf of the Issuer as owner of each Managing Member shall have instructed each Managing Member to cause to be deposited into the Collection Account all Managing Member Distributions. The Issuer shall cause all other amounts required to be deposited therein pursuant to the Transaction Documents, to be deposited within one Business Day of receipt thereof. The Indenture Trustee shall provide or make available electronically (or upon written request, by first class mail or facsimile) monthly statements on all amounts received in the Collection Account to the Issuer and the Manager.

(a) The Manager will be entitled to be reimbursed from amounts on deposit in the Collection Account with respect to a Collection Period for amounts previously deposited in the Collection Account but later determined by the Manager to have resulted from mistaken deposits or postings or checks returned for insufficient funds. The amount to be reimbursed hereunder shall be paid to the Manager on the related Payment Date upon certification by the Manager of such amounts; *provided, however*, that the Manager must provide such certification within six months of such mistaken deposit, posting or returned check.

(b) The Indenture Trustee shall make distributions from the Collection Account as directed by the Manager in accordance with the Management Agreement.

Section 5.05. Distribution of Funds in the Collection Account.

(a) On each Payment Date, Available Funds on deposit in the Collection Account shall be distributed by the Indenture Trustee, based solely on the information set forth in the related Quarterly Manager Report, in the following order and priority of payments (the "*Priority of Payments*"):

(i) (A) to the Indenture Trustee, (1) the Indenture Trustee Fee and any accrued and unpaid Indenture Trustee Fees with respect to prior Payment Dates plus (2) out-of-pocket expenses and indemnities of the Indenture Trustee incurred and not reimbursed in connection with its obligations and duties under this Indenture, (B) to the Transition Manager (1) the Transition Manager Fee and any accrued and unpaid Transition Manager Fees with respect to prior Payment Dates, (2) Transition Manager Expenses and (3) any accrued and unpaid transition costs payable to the Transition Manager, and (C) to the Custodian, (1) the Custodian Fee and any accrued and unpaid Custodian Fees with respect to prior Payment Dates plus (2) out-of-pocket expenses and indemnities of the Custodian incurred and not reimbursed in connection with its obligations and duties under the Custodial Agreement; *provided* that payments (x) to the Indenture Trustee as reimbursement for clause (A)(2), and to the Custodian as reimbursement for clause (C)(2) will be limited to $50,000 in the aggregate per calendar year as long as no Event of Default has occurred, and the Notes have not been accelerated, or the Trust Estate sold, pursuant to this Indenture and (y) to the Transition Manager as reimbursement for clause (B)(2) will be limited to $50,000 in the aggregate per calendar year as long as no Event of Default has occurred, and the Notes have not been accelerated, or the Trust Estate sold pursuant to this Indenture; *provided, further*, that the payments to the Transition Manager as reimbursement for clause (B)(3) will be limited to $75,000 per transition occurrence and $150,000 in the aggregate;

(ii) to the Manager, the Manager Fee (other than any portion of the Manager Fee represented by any Sub-Manager Fee), plus any accrued and unpaid Manager Fees with respect to prior Payment Dates (other than any portion of the Manager Fee represented by any Sub-Manager Fee) and (b) so long as a Sub-Manager has been appointed pursuant to the Management Agreement, to the Sub-Manager on behalf of the Manager, the Sub-Manager Fee plus any accrued and unpaid Sub-Manager Fees with respect to prior Payment Dates;

(iii) to the Noteholders, the Note Interest with respect to the Notes for such Payment Date;

(iv) to the Liquidity Reserve Account, an amount equal to the greater of (a)(1) the Liquidity Reserve Account Required Balance minus (2) the amount on deposit in the Liquidity Reserve Account on such Payment Date and (b) $0;

(v) to the Supplemental Reserve Account, the Supplemental Reserve Account Deposit until the Supplemental Reserve Account Required Balance has been met;

(vi) to the Noteholders, (A) during a Regular Amortization Period, in the following order: (1) to the Noteholders, the Scheduled Note Principal Payment for such Payment Date, and then (2) to the Noteholders, the Unscheduled Note Principal Payment for such Payment Date until the Outstanding Note Balance of the Notes has been reduced to zero; and (B) during an Early Amortization Period, all remaining Available Funds shall be paid to the Noteholders until the Outstanding Note Balance of the Notes has been reduced to zero;

(vii) to the Indenture Trustee, the Transition Manager and the Custodian, any incurred and not reimbursed out-of-pocket expenses and indemnities of the Indenture Trustee and the Custodian and Transition Manager Expenses, in each case to the extent not paid in accordance with (i) above;

(viii) to the Eligible Letter of Credit Bank or other party as directed by the Manager (a) any fees and expenses related to the Letter of Credit and (b) any amounts which have been drawn under the Letter of Credit and any interest due thereon;

(ix) to the Noteholders, the Post-ARD Additional Note Interest and Deferred Post-ARD Additional Note Interest due on such Payment Date, if any; and

(x) to or at the direction of the Issuer, any remaining Available Funds on deposit in the Collection Account.

(b) As directed by the Manager pursuant to Section 2.1(c)(iii) of the Management Agreement, the Indenture Trustee shall, within three Business Days of such direction, transfer funds from the Collection Account to the Manager in the amount required to pay any Managing Member Obligation then due and payable as set forth in an Officer's Certificate specifying the name of the applicable creditor and amount to be paid to such creditor and the Manager or the Issuer may, by delivery of an Officer's Certificate to the Indenture Trustee (in form reasonably satisfactory to the Indenture Trustee), request release of or direct the Indenture Trustee no more than once per week, and, in each case, with a reasonable volume of payment instructions, to remit any other amounts not constituting Available Funds that are not Managing Member Obligations, in each case, on deposit in the Collection Account.

Section 5.06. Early Amortization Period Payments . Any distributions of principal made during an Early Amortization Period will be allocated in the following manner to determine any unpaid amounts on future Payment Dates: first, to the Scheduled Note Principal Payment amount calculated for such Payment Date; and second, to the Unscheduled Note Principal Payment amount calculated for such Payment Date. Any principal payments made in excess of the amounts allocated to Scheduled Note Principal Payment and Unscheduled Note Principal Payment for such Payment Date will be considered an additional paydown of principal.

Section 5.07. Note Payments. The Indenture Trustee shall pay from amounts on deposit in the Collection Account in accordance with the Quarterly Manager Report and Section 5.05 to each Noteholder of record as of the related Record Date either (i) by wire transfer, in immediately available funds to the account of such Noteholder at a bank or other entity having appropriate facilities therefor, if such Noteholder shall have provided to the Indenture Trustee appropriate written instructions at least five Business Days prior to related Payment Date (which instructions may remain in effect for subsequent Payment Dates unless revoked by such Noteholder), or (ii) if not, by check mailed to such Noteholder at the address of such Noteholder appearing in the Note Register, the amounts to be paid to such Noteholder pursuant to such Noteholder's Notes; *provided*, that so long as the Notes are registered in the name of the Securities Depository such payments shall be made to the nominee thereof in immediately available funds.

(a) In the event that any withholding Tax is imposed on the Issuer's payment (or allocations of income) to a Noteholder, such withholding Tax shall reduce the amount otherwise distributable to the Noteholder in accordance with this Section 5.07. The Indenture Trustee is hereby authorized and directed to retain from amounts otherwise distributable to the Noteholders any

applicable withholding Taxes in accordance with applicable law. The Manager shall instruct the Indenture Trustee of any withholding Tax that is legally owed by the Issuer in respect of the Issuer's payment to a Noteholder (or the nominee, if the Notes are registered in the name of the Securities Depositary), in writing in a Quarterly Manager Report. Nothing herein shall prevent the Indenture Trustee from contesting at the expense of the applicable Noteholder any such withholding Tax in appropriate proceedings, and withholding payment of such withholding Tax, if permitted by law, pending the outcome of such proceedings. The amount of any withholding Tax imposed with respect to a Noteholder shall be treated as cash distributed to such Noteholder at the time it is withheld by the Issuer or the Indenture Trustee (at the direction of the Manager or the Issuer) and remitted to the appropriate taxing authority. In the event that a Noteholder wishes to apply for a refund of any such withholding Tax, the Indenture Trustee shall reasonably cooperate with such Noteholder in making such claim so long as such Noteholder agrees to reimburse the Indenture Trustee for any out-of-pocket expenses incurred.

(b) Each Noteholder and each Note Owner, by its acceptance of its Note, will be deemed to have consented to the provisions of Section 5.05(a) relating to the Priority of Payments.

(c) For purposes of U.S. federal income, state and local income and franchise taxes, each Noteholder and each Note Owner, by its acceptance of its Note, will be deemed to have agreed to, and hereby instructs the Indenture Trustee to, (i) treat the Notes as indebtedness unless otherwise required by applicable law as determined by a Final Determination, and (ii) treat the Grant of the Trust Estate by the Issuer to the Indenture Trustee pursuant to this Indenture as a pledge.

(d) Each Noteholder and each Note Owner, by its acceptance of such Note or such beneficial interest in such Note, will be deemed to have agreed to provide the Indenture Trustee or the Issuer or other applicable withholding agent with the Noteholder Tax Identification Information and the Noteholder FATCA Information. In addition, each Noteholder and each Note Owner will be deemed to have agreed that the Indenture Trustee (or other applicable withholding agent) has the right to withhold FATCA Withholding Tax from any amount of interest or other amounts (without any corresponding gross-up) payable to a Noteholder or Note Owner that fails to comply with the foregoing requirements provided that such amounts are properly remitted to the appropriate taxing authority. The Issuer hereby covenants with the Indenture Trustee that, upon request from the Indenture Trustee, the Issuer will provide the Indenture Trustee with information that is reasonably available to the Issuer so as to enable the Indenture Trustee to determine whether or not the Indenture Trustee is obliged to make any withholding, including FATCA Withholding Tax, in respect of any payments with respect to a Note (and if applicable, to provide the necessary detailed information that is reasonably available to the Issuer to effectuate any withholding, including FATCA Withholding Tax.

Section 5.08. Statements to Noteholders; Tax Returns. Within 30 days after the end of each calendar year, the Indenture Trustee shall furnish to each Person who at any time during such calendar year was a Noteholder of record and received any payment thereon (a) a report as to the aggregate of amounts paid during such calendar year to each such Noteholder allocable to principal, interest or other amounts for such calendar year or applicable portion thereof during which such Person was a Noteholder and (b) such information required by the Code, to enable such Noteholders to prepare their U.S. federal and state income tax returns. The obligation of the Indenture Trustee set forth in this paragraph shall be deemed to have been satisfied to the extent that information shall be provided by the Indenture Trustee, in the form of Form 1099 or other comparable form, pursuant to any requirements of the Code.

The Indenture Trustee shall have no responsibility or liability with respect to reporting or calculation of original issue discount with respect to the Notes. Upon written request from the Noteholders to the Indenture Trustee for any information with respect to original issue discount accruing on the Notes, the Issuer will promptly supply to the Indenture Trustee any such information for further distributions to the Noteholders.

The Issuer shall cause the Manager, at the Manager's expense, to cause a firm of Independent Accountants to prepare any tax returns required to be filed by the Issuer. The Indenture Trustee, upon reasonable written request, shall furnish the Issuer with all such information in the possession of the Indenture Trustee as may be reasonably required in connection with the preparation of any tax return of the Issuer.

Section 5.09. Reports by Indenture Trustee. Within five Business Days after the end of each Collection Period, the Indenture Trustee shall provide or make available electronically (or upon written request, by first class mail or facsimile) to the Manager a written report setting forth the amounts in the Collection Account, the Liquidity Reserve Account, the Tax Loss Insurance Proceeds Account and the Supplemental Reserve Account, and the identity of the investments included therein. Without limiting the generality of the foregoing, the Indenture Trustee shall, upon the written request of the Manager, promptly transmit or make available electronically to the Manager, copies of all accountings of, and information with respect to, the Collection Account, the Liquidity Reserve Account, the Tax Loss Insurance Proceeds Account and the Supplemental Reserve Account, investments thereof, and payments thereto and therefrom.

Section 5.10. Final Balances. Upon payment of all principal and interest with regard to the Notes, all other amounts due to the Noteholders as expressly provided for in the Transaction Documents and payment of all reasonable fees, charges and other expenses, such as fees and expenses of the Indenture Trustee, all moneys remaining in all Accounts, except moneys necessary to make payments equal to such amounts and payments of principal and interest with respect to the Notes, which moneys shall be held and disbursed by the Indenture Trustee pursuant to this Article V, shall be, subject to applicable escheatment laws, remitted to, or at the direction of, the Issuer.

ARTICLE VI

VOLUNTARY PREPAYMENT OF NOTES AND RELEASE OF COLLATERAL

Section 6.01. Voluntary Prepayment. The Notes are subject to prepayment, in whole or in part (such prepayment, a "*Voluntary Prepayment*"), prior to its Rated Final Maturity, at the option of the Issuer on any Business Day, upon (i) delivery to the Indenture Trustee and the Manager, not less than 15 days prior to the date fixed for the proposed prepayment (the "*Voluntary Prepayment Date*"), of a Notice of Prepayment from the Issuer stating the Issuer's election to prepay the Notes or portion thereof in the form attached hereto as Exhibit C, and (ii) the deposit by the Issuer into the Collection Account, in the case of any Voluntary Prepayment in whole, no later than 11:00 a.m. Eastern time on such Voluntary Prepayment Date, or in the case of any Voluntary Prepayment in part, no later than 12:00 p.m. Eastern time on the Business Day prior to such Voluntary Prepayment Date, of (A) the outstanding principal of the Notes to be prepaid, (B) all accrued and unpaid interest thereon (including any Post-ARD Additional Note Interest), (C) all amounts owed on the Voluntary Prepayment Date to the Indenture Trustee, the Manager, the Sub-Manager, the Transition Manager, the Custodian and any other parties to the Transaction Documents, and (D) the Make Whole Amount, if applicable (the "*Prepayment Amount*"). On the specified Voluntary Prepayment Date, *provided* that the Indenture Trustee has received the Prepayment Amount, in the case of any Voluntary Prepayment in whole, no later than 11:00 a.m. Eastern time on such Voluntary Prepayment Date, or in the case of any Voluntary Prepayment in part, no later than 12:00 p.m. Eastern time on the Business Day prior to such specified Voluntary Prepayment Date, the Indenture Trustee shall (x) withdraw the Prepayment Amount from the Collection Account and disburse such amounts in accordance with clauses (i) through (iv) of the Priority of Payments and then to the Noteholders, the Make Whole Amount, if applicable.

(a) If the Voluntary Prepayment Date occurs prior to the Make Whole Determination Date, the Issuer will be required to pay the Noteholders the Make Whole Amount. The Make Whole Amount shall be calculated two Business Days before the related Voluntary Prepayment Date. No Make Whole Amount will be due to the Noteholders if the Voluntary Prepayment is made on or after the Make Whole Determination Date.

(b) If the Issuer elects to rescind the Voluntary Prepayment, it must give written notice of such determination to the Indenture Trustee at least two Business Days prior to the Voluntary Prepayment Date. If a redemption of the Notes has been rescinded pursuant to this Section 6.01(c), the Indenture Trustee shall provide notice of such rescission to the registered owner of each Note which had been subject to the rescinded redemption at the address shown on the Note Register maintained by the Note Registrar with copies to the Issuer, the Manager and the Rating Agency.

Section 6.02. Notice of Voluntary Prepayment. Any Notice of Voluntary Prepayment shall be given by the Indenture Trustee by mailing a copy of the notice of prepayment by first-class mail (postage prepaid) not less than 10 days and not more than 15 days prior to the date fixed for prepayment to the registered owner of each Note to be prepaid at the address shown on the Note Register maintained by the Note Registrar with copies to the Issuer, the Manager and the Rating Agency. Failure to give or receive such notice of prepayment by mailing to any Noteholder, or any defect therein, shall not affect the validity of any proceedings for the prepayment of other Notes. If a Voluntary Prepayment has been rescinded pursuant to Section 6.01(c), and to the extent the Indenture Trustee had provided notice of the Voluntary Prepayment, the Indenture Trustee shall provide notice of such rescission to the registered owner of each Note which had been subject to the rescinded Voluntary Prepayment at the address shown on the Note Register maintained by the Note Registrar with copies to the Issuer, the Manager and the Rating Agency.

Any notice mailed as provided in this Section 6.02 shall be conclusively presumed to have been duly given, whether or not the registered owner of such Notes receives the notice.

Section 6.03. [Reserved].

Section 6.04. Cancellation of Notes. All Notes which have been paid in full or retired or received by the Indenture Trustee for exchange shall not be reissued but shall be canceled and destroyed in accordance with its customary procedures.

Section 6.05. Release of Collateral. The Indenture Trustee shall, on or after the Termination Date, release any remaining portion of the Trust Estate from the Lien created by this Indenture and shall deposit in the Collection Account any funds then on

deposit in any other Account. The Indenture Trustee shall release property from the Lien created by this Indenture pursuant to this Section 6.05 only upon receipt by the Indenture Trustee of an Issuer Order accompanied by an Officer's Certificate and meeting the applicable requirements of Section 12.02. Notwithstanding the foregoing, upon the occurrence of an ICO Call Exercise or a Contingent Buyout with respect to a Project Company and receipt of funds in an amount equal to the Securitization Share of the Discounted Solar Asset Balance with respect to the Solar Assets owned by applicable Project Company, the Indenture Trustee, upon written direction, shall release its security interest in the membership interests in the related Managing Member and the related Project Company.

ARTICLE VII

THE INDENTURE TRUSTEE

Section 7.01. Duties of Indenture Trustee. If a Responsible Officer of the Indenture Trustee has received notice pursuant to Section 7.02(a), or a Responsible Officer of the Indenture Trustee shall otherwise have actual knowledge that an Event of Default has occurred and is continuing, the Indenture Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(a) Except during the occurrence and continuance of such an Event of Default:

(i) The Indenture Trustee need perform only those duties that are specifically set forth in this Indenture and any other Transaction Document to which it is a party and no others and no implied covenants or obligations of the Indenture Trustee shall be read into this Indenture or any other Transaction Document.

(ii) In the absence of negligence or bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture or any other Transaction Document. The Indenture Trustee shall, however, examine such certificates and opinions to determine whether they conform on their face to the requirements of this Indenture or any other Transaction Document but the Indenture Trustee shall not be required to determine, confirm or recalculate information contained in such certificates or opinions.

(b) No provision of this Indenture shall be construed to relieve the Indenture Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) This paragraph does not limit the effect of subsection (b) of this Section 7.01.

(ii) The Indenture Trustee shall not be liable in its individual capacity for any action taken or error of judgment made in good faith by a Responsible Officer or other officers of the Indenture Trustee, unless it is proved that the Indenture Trustee was negligent in ascertaining the pertinent facts.

(iii) The Indenture Trustee shall not be personally liable with respect to any action it takes, suffers or omits to take in good faith in accordance with a direction received by it from the Noteholders in accordance with this Indenture or any other Transaction Document or for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture or any other Transaction Document.

(iv) The Indenture Trustee shall have no responsibility for filing any financing or continuation statement in any public office at any time or otherwise to perfect or to maintain the perfection of any security interest in the Trust Estate or in any item comprising the Transferred Property.

(c) No provision of this Indenture or any other Transaction Document shall require the Indenture Trustee to expend or risk its own funds or otherwise incur any financial or other liability in the performance of any of its duties hereunder or thereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

(d) The provisions of subsections (a), (b), (c) and (d) of this Section 7.01 shall apply to any co-trustee or separate trustee appointed by the Issuer and the Indenture Trustee pursuant to Section 7.13.

(e) The Indenture Trustee shall not in any way be held liable by reason of any insufficiency in any Account held by the Indenture Trustee resulting from any loss experienced on any item comprising the Transferred Property.

(f) In no event shall the Indenture Trustee be required to take any action that conflicts with applicable law, any of the provisions of this Indenture or any other Transaction Document or with the Indenture Trustee's duties hereunder or that adversely affect its rights and immunities hereunder.

(g) In no event shall the Indenture Trustee have any obligations or duties under or have any liabilities whatsoever to Noteholders under ERISA.

(h) The Indenture Trustee shall not make any direct or indirect transfer of the Managing Member Membership Interests except in compliance with the Designated Transfer Restrictions and the Acknowledgements (as determined by the Majority Noteholders).

(i) In no event shall the Indenture Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control and without the fault or negligence of the Indenture Trustee, including, without limitation, strikes, work stoppages, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities; it being understood that the Indenture Trustee shall resume performance as soon as practicable under the circumstances.

Section 7.02. Notice of Default, Manager Termination Event or Event of Default; Delivery of Manager Reports. The Indenture Trustee shall not be required to take notice of or be deemed to have notice or knowledge of any default, Default, Manager Termination Event, Event of Default event or information, or be required to act upon any default, Default, Manager Termination Event, Event of Default, event or information (including the sending of any notice) unless a Responsible Officer of the Indenture Trustee is specifically notified in writing at the address set forth in Section 12.04 or until a Responsible Officer of the Indenture Trustee shall have acquired actual knowledge of a default, Default, a Manager Termination Event, an Event of Default, an event or information and shall have no duty to take any action to determine whether any such default, Default, Manager Termination Event, Event of Default, or event has occurred. In the absence of receipt of such notice or actual knowledge, the Indenture Trustee may conclusively assume that there is no such default, Default, Event of Default, Manager Termination Event or event. If written notice of the existence of a default, a Default, an Event of Default, a Manager Termination Event, an event or information has been delivered to a Responsible Officer of the Indenture Trustee or a Responsible Officer of the Indenture Trustee has actual knowledge thereof, the Indenture Trustee shall promptly provide paper or electronic notice thereof to the Issuer, the Transition Manager, the Rating Agency and each Noteholder, but in any event, no later than five days after such knowledge or notice occurs.

(a) In the event the Manager does not make available to the Rating Agency all reports of the Manager and all reports to the Noteholders, upon request of the Rating Agency, the Indenture Trustee shall make available promptly after such request, copies of such Manager reports as are in Indenture Trustee's possession to the Rating Agency and the Noteholders.

Section 7.03. Rights of Indenture Trustee. The Indenture Trustee may rely and shall be protected in acting or refraining from acting upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Indenture Trustee need not investigate any fact or matter stated in any document. The Indenture Trustee need not investigate or re-calculate, evaluate, certify, verify or independently determine the accuracy of any numerical information, report, certificate, information, statement, representation or warranty or any fact or matter stated in any such document and may conclusively rely as to the truth of the statements and the accuracy of the information therein.

(a) Before the Indenture Trustee takes any action or refrains from taking any action under this Indenture or any other Transaction Document, it may require an Officer's Certificate of the Issuer or (solely in connection with legal matters) an Opinion of Counsel, the costs of which (including the Indenture Trustee's reasonable attorney's fees and expenses) shall be paid by the party requesting that the Indenture Trustee act or refrain from acting. The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel.

(b) The Indenture Trustee shall not be personally liable for any action it takes or omits to take or any action or inaction it believes in good faith to be authorized or within its rights or powers.

(c) The Indenture Trustee shall not have any obligation to investigate any matter or exercise any powers vested under this Indenture and shall not be bound to make any investigation into the facts of matters stated in any reports, certificates, payment instructions, opinion, notice, order or other paper or document unless requested in writing by 25% or more of the Noteholders, and such Noteholders have provided to the Indenture Trustee indemnity satisfactory to it.

(d) The Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee, and the Indenture Trustee shall not be responsible for any misconduct or negligence on the part of any such agent, attorney, custodian or nominee appointed by it hereunder with due care.

The Indenture Trustee may consult with counsel, accountants and other experts and the advice or opinion of counsel, accountants and other experts with respect to legal and other matters relating to any Transaction Document shall be full and complete authorization and protection from liability with respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with such advice or opinion of counsel.

(e) The Indenture Trustee shall not be required to give any bond or surety with respect to the execution of this Indenture or the powers granted hereunder.

(f) The Indenture Trustee shall not be liable for any action or inaction of the Issuer, the Manager, the Custodian or any other party (or agent thereof) to this Indenture or any Transaction Document and may assume compliance by such parties with their obligations under this Indenture or any other Transaction Document, unless a Responsible Officer of the Indenture Trustee shall have received written notice to the contrary at the Corporate Trust Office of the Indenture Trustee.

(g) The Indenture Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Indenture or to institute, conduct or defend any litigation hereunder or in relation hereto at the request, order or direction of any of the Noteholders, pursuant to the provisions of this Indenture, unless such Noteholders shall have offered to the Indenture Trustee security or indemnity satisfactory to the Indenture Trustee against the costs, expenses and liabilities (including the fees and expenses of the Indenture Trustee's counsel and agents) which may be incurred therein or thereby.

(h) The Indenture Trustee shall have no duty (i) to maintain or monitor any insurance or (ii) to see to the payment or discharge of any tax, assessment, or other governmental charge or any lien or encumbrance of any kind owing with respect to, assessed or levied against, any part of the Trust Estate.

(i) Delivery of any reports, information and documents to the Indenture Trustee provided for herein or any other Transaction Document is for informational purposes only (unless otherwise expressly stated), and the Indenture Trustee's receipt of such or otherwise publicly available shall not constitute actual or constructive knowledge or notice of any information contained therein or determinable from information contained therein, including the Manager's or the Issuer's compliance with any of its representations, warranties or covenants hereunder (as to which the Indenture Trustee is entitled to rely exclusively on Officer's Certificates). The Indenture Trustee shall not have actual notice of any default or any other matter unless a Responsible Officer of the Indenture Trustee receives actual written notice of such default or other matter.

(j) Knowledge of the Indenture Trustee shall not be attributed or imputed to Wells Fargo's other roles in the transaction and knowledge of the Custodian shall not be attributed or imputed to the Indenture Trustee (other than where the roles are performed by the same group or division within Wells Fargo or otherwise share the same Responsible Officers), or any affiliate, line of business, or other division of Wells Fargo (and vice versa).

(k) The right of the Indenture Trustee to perform any permissive or discretionary act enumerated in this Indenture or any related document shall not be construed as a duty.

Section 7.04. Not Responsible for Recitals, Issuance of Notes or Application of Moneys as Directed. The recitals contained herein and in the Notes, except the certificates of authentication on the Notes, shall be taken as the statements of the Issuer, and the Indenture Trustee assumes no responsibility for their correctness. The Indenture Trustee makes no representations with respect to the Trust Estate or as to the validity or sufficiency of the Trust Estate or this Indenture or any other Transaction Document or of the Notes. The Indenture Trustee shall not be accountable for the use or application by the Issuer of the proceeds of the Notes. Subject to Section 7.01(b), the Indenture Trustee shall not be liable to any Person for any money paid to the Issuer upon an Issuer Order, Manager instruction or order or direction provided in a Quarterly Manager Report contemplated by this Indenture or any other Transaction Document.

Section 7.05. May Hold Notes. The Indenture Trustee or any agent of the Issuer, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Issuer or the Sponsor or any Affiliate of the Issuer or the Sponsor with the same rights it would have if it were not Indenture Trustee or other agent.

Section 7.06. Money Held in Trust. The Indenture Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Issuer and except to the extent of income or other gain on investments which are obligations of the Indenture Trustee hereunder.

Section 7.07. Compensation and Reimbursement. The Issuer agrees:

(i) to pay the Indenture Trustee, in accordance with and subject to the Priority of Payments, the Indenture Trustee Fee. The Indenture Trustee's compensation shall not be limited by any law with respect to compensation of a trustee of an

express trust and the payments to the Indenture Trustee provided by Article V hereto shall constitute payments due with respect to the applicable fee agreement or letter;

(ii) in accordance with and subject to the Priority of Payments, to reimburse the Indenture Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by the Indenture Trustee in accordance with any provision of this Indenture (including, but not limited to, the reasonable compensation, expenses and disbursements of its agents and counsel and allocable costs of in house counsel); *provided*, *however*, in no event shall the Issuer pay or reimburse the Indenture Trustee or the agents or counsel, including in house counsel of either, for any expenses, disbursements and advances incurred or made by the Indenture Trustee in connection with any negligent action or negligent inaction or willful misconduct on the part of the Indenture Trustee;

(iii) to indemnify the Indenture Trustee and its officers, directors, employees and agents for, and to hold them harmless against, any fee, loss, liability, damage, cost or expense (including reasonable attorneys' fees and expenses and court costs) incurred without negligence or bad faith on the part of the Indenture Trustee, to the extent such matters have been determined by a court of competent jurisdiction, arising out of, or in connection with, the acceptance or administration of this trust, including those incurred in connection with any action, claim or suit brought to enforce the indemnification or other obligations of the relevant transaction parties; *provided*, *however*, that:

(A) with respect to any such claim the Indenture Trustee shall have given the Issuer, the Depositor and the Manager written notice thereof promptly after the Indenture Trustee shall have actual knowledge thereof, *provided*, that failure to notify shall not relieve the parties of their obligations hereunder;

(B) notwithstanding anything to the contrary in this Section 7.07(a)(iii), none of the Issuer, the Depositor or the Manager shall be liable for settlement of any such claim by the Indenture Trustee entered into without the prior consent of the Issuer, the Depositor or the Manager, as the case may be, which consent shall not be unreasonably withheld or delayed; and

(C) the Indenture Trustee, its officers, directors, employees and agents, as a group, shall be entitled to counsel separate from the Issuer, the Depositor and the Manager; to the extent the Issuer's, the Depositor's and the Manager's interests are not adverse to the interests of the Indenture Trustee, its officers, directors, employees or agents, the Indenture Trustee may agree to be represented by the same counsel as the Issuer, the Depositor and the Manager.

Such payment obligations and indemnification shall survive the resignation or removal of the Indenture Trustee as well as the discharge, termination or assignment hereof. The Indenture Trustee's expenses are intended as expenses of administration.

Anything in this Indenture to the contrary notwithstanding, in no event shall the Indenture Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Indenture Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(b) The Indenture Trustee shall, on each Payment Date, in accordance with the Priority of Payments set forth in Section 5.05, deduct payment of its fees and expenses hereunder from moneys in the Collection Account.

(c) The Issuer agrees to assume and to pay, and to indemnify, defend and hold harmless the Indenture Trustee and the Noteholders from any taxes which may at any time be asserted with respect to, and as of the date of, the Grant of the Trust Estate to the Indenture Trustee, including, without limitation, any sales, gross receipts, general corporation, personal property, privilege or license taxes (but with respect to the Noteholders only, not including any federal, State or other taxes arising out of the creation or the issuance of the Notes or payments with respect thereto) and costs (including court costs), expenses and reasonable counsel fees and expenses in defending against the same.

Section 7.08. Eligibility; Disqualification. The Indenture Trustee shall always have a combined capital and surplus as stated in Section 7.09, and shall always be a bank or trust company with corporate trust powers organized under the laws of the United States or any State thereof which is a member of the Federal Reserve System and shall have a long-term rating of at least "A-" by S&P and a short term rating of at least "A-1" by S&P.

Section 7.09. Indenture Trustee's Capital and Surplus. The Indenture Trustee and/or its parent shall at all times have a combined capital and surplus of at least $100,000,000. If the Indenture Trustee publishes annual reports of condition of the type described in Section 310(a)(2) of the Trust Indenture Act of 1939, as amended, its combined capital and surplus for purposes of this Section 7.09 shall be as set forth in the latest such report.

Section 7.10. Resignation and Removal; Appointment of Successor. No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee pursuant to this Section 7.10 shall become effective until the acceptance of appointment by the successor Indenture Trustee under Section 7.11.

(a) The Indenture Trustee may resign at any time by giving written notice thereof to the Issuer and the Manager. If an instrument of acceptance by a successor Indenture Trustee shall not have been delivered to the Indenture Trustee within 30 days after the giving of such notice of resignation, the resigning Indenture Trustee may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

(b) The Indenture Trustee may be removed at any time by the Super-Majority Noteholders upon 30 days' prior written notice, delivered to the Indenture Trustee, with copies to the Manager and the Issuer.

(c) (d) If at any time the Indenture Trustee shall cease to be eligible under Section 7.08 or 7.09 or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or a receiver of the Indenture Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Indenture Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, with 30 days' prior written notice, the Issuer with the prior written consent of the Super-Majority Noteholders, by an Issuer Order, may remove the Indenture Trustee.

(i) If the Indenture Trustee shall be removed pursuant to Sections 7.10(c) or (d) and no successor Indenture Trustee shall have been appointed pursuant to Section 7.10(e) and accepted such appointment within 30 days of the date of removal, the removed Indenture Trustee may petition any court of competent jurisdiction for appointment of a successor Indenture Trustee acceptable to the Issuer.

(e) If the Indenture Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Indenture Trustee for any cause, the Issuer, with the prior written consent of the Majority Noteholders, by an Issuer Order shall promptly appoint a successor Indenture Trustee.

(f) The Issuer shall give to the Rating Agency and the Noteholders notice of each resignation and each removal of the Indenture Trustee and each appointment of a successor Indenture Trustee. Each notice shall include the name of the successor Indenture Trustee and the address of its Corporate Trust Office.

(g) The provisions of this Section 7.10 shall apply to any co-trustee or separate trustee appointed by the Issuer and the Indenture Trustee pursuant to Section 7.13.

Section 7.11. Acceptance of Appointment by Successor. Every successor Indenture Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer and the retiring Indenture Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Indenture Trustee shall become effective and such successor Indenture Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Indenture Trustee. Notwithstanding the foregoing, on request of the Issuer or the successor Indenture Trustee, such retiring Indenture Trustee shall, upon payment of its fees, expenses and other charges, execute and deliver an instrument transferring to such successor Indenture Trustee all the rights, powers and trusts of the retiring Indenture Trustee and shall duly assign, transfer and deliver to such successor Indenture Trustee all property and money held by such retiring Indenture Trustee hereunder. Upon request of any such successor Indenture Trustee, the Issuer shall execute and deliver any and all instruments for more fully and certainly vesting in and confirming to such successor Indenture Trustee all such rights, powers and trusts.

(a) No successor Indenture Trustee shall accept its appointment unless at the time of such acceptance such successor Indenture Trustee shall be qualified and eligible under Sections 7.08 and 7.09.

(b) Notwithstanding the replacement of the Indenture Trustee, the obligations of the Issuer pursuant to Section 7.07(a)(iii) and (c) and the Indenture Trustee's protections under this Article VII shall continue for the benefit of the retiring Indenture Trustee.

Section 7.12. Merger, Conversion, Consolidation or Succession to Business of Indenture Trustee. Any corporation or national banking association into which the Indenture Trustee may be merged or converted or with which it may be consolidated, or any corporation, bank, trust company or national banking association resulting from any merger, conversion or consolidation to which the Indenture Trustee shall be a party, or any corporation, bank, trust company or national banking association succeeding to all or substantially all of the corporate trust business of the Indenture Trustee, shall be the successor of the Indenture Trustee hereunder if such corporation, bank, trust company or national banking association shall be otherwise qualified and eligible under Section 7.08 and 7.09, without the execution or filing of any paper or any further act on the part of any of the parties hereto. The Indenture Trustee shall provide the Rating Agency written notice of any such transaction. In case any Notes have been authenticated, but not

delivered, by the Indenture Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Indenture Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Indenture Trustee had authenticated such Notes.

Section 7.13. Co-trustees and Separate Indenture Trustees. At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any of the Trust Estate may at the time be located, for enforcement actions, and where a conflict of interest exists, the Indenture Trustee shall have power to appoint and, upon the written request of the Indenture Trustee, the Issuer shall for such purpose join with the Indenture Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Indenture Trustee either to act as co-trustee, jointly with the Indenture Trustee, of all or any part of the Trust Estate, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section 7.13. If the Issuer does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default has occurred and is continuing, the Indenture Trustee alone shall have power to make such appointment. Any Person so appointed shall assume the obligations of the Indenture Trustee hereunder in full.

(a) Should any written instrument from the Issuer be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Issuer.

(b) Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms:

(i) The Notes shall be authenticated and delivered and all rights, powers, duties and obligations hereunder with respect to the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Indenture Trustee hereunder, shall be exercised solely by the Indenture Trustee.

(ii) The rights, powers, duties and obligations hereby conferred or imposed upon the Indenture Trustee with respect to any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Indenture Trustee and such co-trustee or separate trustee jointly, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Indenture Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed solely by such co-trustee or separate trustee.

(iii) The Indenture Trustee at any time, by an instrument in writing executed by it, may accept the resignation of, or remove, any co-trustee or separate trustee appointed under this Section 7.13. Upon the written request of the Indenture Trustee, the Issuer shall join with the Indenture Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section 7.13.

(iv) No co-trustee or separate trustee hereunder shall be financially or otherwise liable by reason of any act or omission of the Indenture Trustee, or any other such trustee hereunder, and the Indenture Trustee shall not be financially or otherwise liable by reason of any act or omission of any co-trustee or other such separate trustee hereunder.

(v) Any notice, request or other writing delivered to the Indenture Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

(vi) Any separate trustee or co-trustee may, at any time, constitute the Indenture Trustee, its agent or attorney-in-fact, with full power and authority, to the extent not prohibited by law, to do any lawful act under or with respect to this Indenture on its behalf and in its name. The Indenture Trustee shall not be responsible for any action or inaction of any such separate trustee or co-trustee. The Indenture Trustee shall not have any responsibility or liability relating to the appointment of any separate or co-trustee. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estate, properties, rights, remedies and trusts shall vest in and be exercised by the Indenture Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 7.14. Books and Records. The Indenture Trustee agrees to provide to the Noteholders the right during normal business hours upon two days' prior notice in writing to inspect its books and records insofar as the books and records relate to the functions and duties of the Indenture Trustee pursuant to this Indenture.

Section 7.15. Control. Upon the Indenture Trustee being adequately indemnified in writing to its satisfaction, the Majority Noteholders shall have the right to direct the Indenture Trustee with respect to any action or inaction by the Indenture Trustee hereunder, the exercise of any trust or power conferred on the Indenture Trustee, or the conduct of any proceeding for any remedy available to the Indenture Trustee with respect to the Notes or the Trust Estate *provided* that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture or expose the Indenture Trustee to financial or other liability (for which it has not been adequately indemnified) or be unduly prejudicial to the Noteholders not approving such direction including, but not limited to and without intending to narrow the scope of this limitation, direction to the Indenture Trustee to act or omit to act, directly or indirectly, to amend, hypothecate, subordinate, terminate or discharge any Lien benefiting the Noteholders in the Trust Estate;

(b) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee which is not inconsistent with such direction; and

(c) except as expressly provided otherwise herein (but only with the prior consent of or at the direction of the Majority Noteholders), the Indenture Trustee shall have the authority to take any enforcement action which it reasonably deems to be necessary to enforce the provisions of this Indenture.

Section 7.16. Suits for Enforcement. If an Event of Default of which a Responsible Officer of the Indenture Trustee shall have actual knowledge, shall occur and be continuing, the Indenture Trustee may, in its discretion and shall, at the direction of the Majority Noteholders (provided that the Indenture Trustee is adequately indemnified in writing to its satisfaction), proceed to protect and enforce its rights and the rights of any Noteholders under this Indenture by a suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Indenture or in aid of the execution of any power granted in this Indenture or for the enforcement of any other legal, equitable or other remedy as the Indenture Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Indenture Trustee or any Noteholders, but in no event shall the Indenture Trustee be liable for any failure to act in the absence of direction the Majority Noteholders.

Section 7.17. Compliance with Applicable Anti-Terrorism and Anti-Money Laundering Regulations. In order to comply with laws, rules and regulations applicable to banking institutions, including those relating to the funding of terrorist activities and money laundering, the Indenture Trustee is required to obtain, verify and record certain information relating to individuals and entities which maintain a business relationship with Indenture Trustee. Accordingly, each of the parties agrees to provide to Indenture Trustee upon its request from time to time such identifying information and documentation as may be available for such party in order to enable Indenture Trustee to comply with applicable law.

Section 7.01. Tax Loss Insurance Policies. (a) If the Indenture Trustee has received written notice that (i) a Managing Member has failed to pay any Tax Loss Indemnity in connection with a Covered Tax Position (as defined in the Tax Loss Insurance Policy) with respect to the related Project Company when due and (ii) the Managing Member of the affected Project Company has failed to make a demand under the Tax Loss Insurance Policy with respect to such Tax Loss Indemnity or to report such Tax Loss Indemnity to the required Tax Loss Insurer, the Indenture Trustee shall provide written notice thereof to the Noteholders.

(a) The Issuer hereby irrevocably appoints the Indenture Trustee as its agent and attorney-in-fact (such appointment being coupled with an interest) to take any action and execute any instrument, document, certificate or agreement in the name of the Issuer, as the managing member of the applicable Managing Member, that the Indenture Trustee may deem necessary or advisable to enforce all rights of the Managing Members under the Tax Loss Insurance Policies, including, without limitation (i) report any unpaid Tax Loss Indemnity in connection with a Covered Tax Position (as defined in the Tax Loss Insurance Policy) with respect to the related Project Company and make a demand on the Tax Loss Insurers for any payment under the terms of a Tax Loss Insurance Policies and (ii) to enforce payment of such demand if not paid by the applicable Tax Loss Insurer.

(a) The Noteholders, by their acceptance of such Notes, acknowledge and agree that the Indenture Trustee shall have no obligation to take any action pursuant to Section 7.18(b) or otherwise with respect to the Tax Loss Insurance Policies unless the Indenture Trustee shall have been (i) directed to do so by the Majority Noteholders of the Controlling Class, (ii) provided with adequate indemnity against all liabilities in connection therewith, including payment of the reasonable out-of-pocket costs of the Indenture Trustee incurred in connection with such action and (iii) provided with all documents and information that the Indenture Trustee may deem necessary in order to take such action.

(b) Nothing in this Section 7.18 shall be deemed to create any duty on the Indenture Trustee to monitor the compliance of the Issuer or any Managing Member as an insured under the Tax Loss Insurance Policies with the obligations of such Managing Member or the related Project Company under the Tax Loss Insurance Policies.

ARTICLE VIII

[RESERVED]

ARTICLE IX

EVENT OF DEFAULT

Section 9.01. *Events of Default*. The occurrence of any of the following events shall constitute an "*Event of Default*" hereunder:

(a) a default in the payment of any Note Interest (which, for the avoidance of doubt, does not include Post-ARD Additional Note Interest) on a Payment Date, which default shall not have been cured after three Business Days;

(b) a default in the payment of the Aggregate Outstanding Note Balance at the Rated Final Maturity;

(c) either (A) a court having jurisdiction in respect of the Issuer enters a decree or order for (1) relief in respect of the Issuer, all Managing Members or all Project Companies under any Applicable Law relating to bankruptcy, restructuring, insolvency, receivership, winding-up, liquidation, reorganization, examination, relief of debtors or other similar law now or hereafter in effect; (2) appointment of a receiver, receiver and manager, liquidator, examiner, assignee, custodian, trustee, sequestrator or similar official of the Issuer, all Managing Members or all Project Companies; or (3) the winding up or liquidation of the affairs of such Issuer and, in each case, such decree or order shall remain unstayed or such writ or other process shall not have been stayed or dismissed within sixty (60) days from entry thereof; or (B) the Issuer, all Managing Members or all Project Companies, (1) commences a voluntary case under any Applicable Law relating to bankruptcy, restructuring, insolvency, receivership, winding-up, liquidation, reorganization, examination, relief of debtors or other similar law now or hereafter in effect, or consents to the entry of an order for relief in any involuntary case under any such law; (2) consents to the appointment of or taking possession by a receiver, receiver and manager, liquidator, examiner, assignee, custodian, trustee, sequestrator or similar official of the Issuer, all Managing Members or all Project Companies or for all or substantially all of the property and assets of the Issuer, all Managing Members or all Project Companies; or (3) effects any general assignment for the benefit of creditors, admits in writing its inability to pay its debts generally as they come due, voluntarily suspends payment of its obligations or becomes insolvent;

(d) the failure of the Issuer to observe or perform in any material respect any covenant or obligation of the Issuer set forth in this Indenture (other than the failure to make any required payment with respect to the Notes), which has not been cured within 30 days from the date of receipt by the Issuer of written notice from the Indenture Trustee (to the extent a Responsible Officer of the Indenture Trustee has received written notice or has actual knowledge thereof) of such breach or default, or the failure of the Issuer to deposit into the Collection Account all amounts held or received by the Issuer required to be deposited therein within three (3) Business Days of the required deposit date;

(e) any representation, warranty or statement of the Issuer (other than representations and warranties as to whether a Solar Asset is an Eligible Solar Asset) contained in the Transaction Documents or any report, document or certificate delivered by the Issuer pursuant to the foregoing agreements shall prove to be incorrect in any material respect as of the time when the same shall have been made and, within 30 days after written notice thereof shall have been given to the Indenture Trustee and the Issuer by the Manager, the Indenture Trustee (to the extent a Responsible Officer of the Indenture Trustee has received written notice or has actual knowledge thereof) or by the Majority Noteholders, the circumstance or condition in respect of which such representation, warranty or statement was incorrect shall not have been eliminated or otherwise cured (which cure may be effected by payment of an indemnity claim) or waived by the Indenture Trustee, acting at the direction of the Majority Noteholders;

(f) the failure for any reason of the Indenture Trustee to have a first priority perfected security interest in the Trust Estate in favor of the Indenture Trustee (subject to Permitted Liens) which is not stayed, released or otherwise cured within ten days of receipt of notice or knowledge thereof;

(g) the Issuer, any Project Company or any Managing Member becomes subject to registration as an "investment company" under the 1940 Act;

(h) the Issuer, any Project Company or any Managing Member becomes taxable as an association (or publicly traded partnership taxable as a corporation) for U.S. federal or state income tax purposes;

(i) the failure to pay the Liquidated Damages Amount by SunStrong Acquisition, the Depositor or the Performance Guarantor for a Defective Solar Asset in accordance with the Contribution Agreement or Performance Guaranty as applicable; or

(j) there shall remain in force, undischarged, unsatisfied, and unstayed for more than 30 consecutive days, any final non-appealable judgment in the amount of $100,000 or more against the Issuer not covered by insurance.

In the case of any event described in the foregoing subparagraphs, after the applicable grace period set forth in such subparagraphs, if any, the Indenture Trustee shall give written notice to the Noteholders, the Rating Agency, the Manager, the Transition Manager and the Issuer that an Event of Default has occurred as of the date of such notice. The Issuer is required to give the Indenture Trustee written notice of the occurrence of any Event of Default promptly after actual knowledge thereof.

Section 9.02. Actions of Indenture Trustee. If an Event of Default shall have occurred and be continuing hereunder, the Indenture Trustee shall, at the direction of the Super-Majority Noteholders, do one of the following:

(a) declare the entire unpaid principal amount of the Notes, all interest accrued and unpaid thereon and all other amounts payable under this Indenture and the other Transaction Documents to be immediately due and payable;

(b) either on its own or through an agent, take possession of and sell the Trust Estate pursuant to Section 9.15, *provided*, *however*, that neither the Indenture Trustee nor any collateral agent may sell or otherwise liquidate the Trust Estate unless either (i) the proceeds of such sale or liquidation are sufficient to discharge in full the amounts then due and unpaid upon the Notes for principal and accrued interest and the fees and all other amounts required to be paid pursuant to the Priority of Payments or (ii) the Holders of 100% of the Aggregate Outstanding Note Balance consent thereto;

(c) institute proceedings for collection of amounts due on the Notes or under this Indenture by automatic acceleration or otherwise, or if no such acceleration or collection efforts have been made, or if such acceleration or collection efforts have been made, but have been annulled or rescinded, the Indenture Trustee may elect to take possession of the Trust Estate and collect or cause the collection of the proceeds thereof and apply such proceeds in accordance with the applicable provisions of this Indenture;

(d) enforce any judgment obtained and collect any amounts adjudged from the Issuer;

(e) institute any proceedings for the complete or partial foreclosure of the Lien created by the Indenture with respect to the Trust Estate; and

(f) protect the rights of the Indenture Trustee and the Noteholders by taking any appropriate action including exercising any remedy of a secured party under the UCC or any other applicable law.

Notwithstanding the foregoing, upon the occurrence of an Event of Default of the type described in clause (c) of the definition thereof, the entire Aggregate Outstanding Note Balance, all interest accrued and unpaid thereon and all other amounts payable under this Indenture and the other Transaction Documents shall automatically become immediately due and payable.

Section 9.03. Indenture Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, composition or other judicial proceeding relative to the Issuer or any other obligor upon the Notes or the property of the Issuer or of such other obligor or their creditors, the Indenture Trustee (irrespective of whether the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand on the Issuer for the payment of overdue principal or any interest or other amounts) shall, at the written direction of the Majority Noteholders, by intervention in such proceeding or otherwise:

(a) file and prove a claim for the whole amount owing and unpaid with respect to the Notes issued hereunder and file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee, its agents and counsel) and of the Noteholders allowed in such proceeding; and

(b) collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, or sequestrator (or other similar official) in any such proceeding is hereby authorized by each Noteholder to make such payments to the Indenture Trustee and, in the event that the Indenture Trustee shall consent to the making of such payments directly to the Noteholders, to pay to the Indenture Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee, its agents and counsel, and any other amounts due the Indenture Trustee under Section 7.07.

Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize and consent to or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment, or composition affecting any of the Notes or the rights of any Noteholder thereof, or to authorize the Indenture Trustee to vote with respect to the claim of any Noteholder in any such proceeding.

Section 9.04. Indenture Trustee May Enforce Claim Without Possession of Notes. All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Indenture Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Indenture Trustee shall be brought in its own name as trustee for the benefit of the Noteholders, and any recovery of judgment shall be applied first, to the payment of the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee, its agents and counsel and any other amounts due the Indenture Trustee under Section 7.07 (*provided* that, any indemnification by the Issuer under Section 7.07 shall be paid only in the priority set forth in Section 5.05) and second, for the ratable benefit of the Noteholders for all amounts due to such Noteholders.

Section 9.05. Knowledge of Indenture Trustee. Any references herein to the knowledge, discovery or learning of the Indenture Trustee shall mean and refer to actual knowledge of a Responsible Officer of the Indenture Trustee.

Section 9.06. Limitation on Suits. No Holder of any Note shall have any right to institute any Proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder unless:

(a) such Holder has previously given written notice to the Indenture Trustee of a continuing Event of Default;

(b) the Majority Noteholders shall have made written request to the Indenture Trustee to institute Proceedings with respect to such Event of Default in its own name as Indenture Trustee hereunder;

(c) such Holder or Holders have offered to the Indenture Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Indenture Trustee for 30 days after its receipt of such notice, request and offer of security or indemnity has failed to institute any such Proceedings; and

(e) no direction inconsistent with such written request has been given to the Indenture Trustee during such 30-day period by the Majority Noteholders;

it being understood and intended that no one or more Holders of Notes shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Notes, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided.

Section 9.07. Unconditional Right of Noteholders to Receive Principal and Interest. The Holders of the Notes shall have the right, which is absolute and unconditional, subject to the express terms of this Indenture, to receive payment of principal and interest on such Notes, subject to the respective relative priorities provided for in this Indenture, as such principal and interest becomes due and payable from the Trust Estate and to institute Proceedings for the enforcement of any such payment, and such right shall not be impaired except as expressly permitted herein without the consent of such Holders.

Section 9.08. Restoration of Rights and Remedies. If the Indenture Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Indenture Trustee or to such Noteholder, then, and in every case, the Issuer, the Indenture Trustee and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Indenture Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

Section 9.09. Rights and Remedies Cumulative. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 2.09, no right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 9.10. Delay or Omission; Not Waiver. No delay or omission of the Indenture Trustee or of any Holder of any Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or any acquiescence therein. Every right and remedy given by this Article IX or by law to the Indenture

Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Indenture Trustee or by the Noteholders, as the case may be.

Section 9.11. Control by Noteholders. The Majority Noteholders shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee or exercising any trust or power conferred on the Indenture Trustee; *provided* that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture including, without limitation, any provision hereof which expressly provides for approval by a greater percentage of the aggregate principal amount of all Outstanding Notes;

(b) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee which is not inconsistent with such direction; *provided, however*, that, subject to Section 7.01, the Indenture Trustee need not take any action which a Responsible Officer or Officers of the Indenture Trustee in good faith determines might involve it in personal liability (unless the Indenture Trustee is furnished with the reasonable indemnity referred to in Section 9.11(c)); and

(c) the Indenture Trustee has been furnished reasonable indemnity against costs, expenses and liabilities which it might incur in connection therewith.

Section 9.12. Waiver of Certain Events by Less Than All Noteholders. The Super-Majority Noteholders may, on behalf of the Holders of all the Notes, waive any past Default, Event of Default or Manager Termination Event, and its consequences, except:

(a) a Default in the payment of the (x) principal of the Notes at Rated Final Maturity or (y) interest on the Notes, or a Default caused by the Issuer becoming subject to registration as an "investment company" under the 1940 Act, or

(b) with respect to a covenant or provision hereof which under Article X cannot be modified or amended without the consent of the Holder of each Outstanding Note affected.

Upon any such waiver, such Default, Event of Default or Manager Termination Event shall cease to exist, and any Default, Event of Default or Manager Termination Event or other consequence arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default, Event of Default or Manager Termination Event or impair any right consequent thereon.

Section 9.13. Undertaking for Costs. All parties to this Indenture agree, and each Noteholder and each Note Owner by its acceptance of a Note, shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 9.13 shall not apply to any suit instituted by the Indenture Trustee or to any suit instituted by any Noteholder for the enforcement of the payment of the principal of or interest on any Note on or after the Rated Final Maturity expressed in such Note.

Section 9.14. Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not, at any time, insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 9.15. Sale of Trust Estate. The power to effect any sale of any portion of the Trust Estate pursuant to this Article IX shall not be exhausted by any one or more sales as to any portion of the Trust Estate remaining unsold, but shall continue unimpaired until the entire Trust Estate securing the Notes shall have been sold or all amounts payable on the Notes and under this Indenture with respect thereto shall have been paid. The Indenture Trustee, acting on its own or through an agent, may from time to time postpone any sale by public announcement made at the time and place of such sale.

(a) The Indenture Trustee shall not, in any private sale, sell to a third party the Trust Estate, or any portion thereof unless the Super-Majority Noteholders direct the Indenture Trustee, in writing, to make such sale or unless either (i) the proceeds of such sale or liquidation are sufficient to discharge in full the amounts then due and unpaid upon the Notes for principal and accrued interest and the fees and all other amounts required to be paid pursuant the Priority of Payments or (ii) the Holders of 100% of the principal amount of the Notes then Outstanding consent thereto.

(b) The Indenture Trustee or any Noteholder may bid for and acquire any portion of the Trust Estate in connection with a public or private sale thereof, and in lieu of paying cash therefor, any Noteholder may make settlement for the purchase price by crediting against amounts owing on the Notes of such Holder or other amounts owing to such Holder secured by this Indenture, that portion of the net proceeds of such sale to which such Holder would be entitled, after deducting the reasonable costs, charges and expenses incurred by the Indenture Trustee or the Noteholders in connection with such sale. The Notes need not be produced in order to complete any such sale, or in order for the net proceeds of such sale to be credited against the Notes. The Indenture Trustee or the Noteholders may hold, lease, operate, manage or otherwise deal with any property so acquired in any manner permitted by law.

(c) The Indenture Trustee shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Trust Estate in connection with a sale thereof. In addition, the Indenture Trustee is hereby irrevocably appointed the agent and attorney-in-fact of the Issuer to transfer and convey its interest in any portion of the Trust Estate in connection with a sale thereof, and to take all action necessary to effect such sale. No purchaser or transferee at such a sale shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any monies.

(d) The method, manner, time, place and terms of any sale of all or any portion of the Trust Estate shall be commercially reasonable.

(e) This Section 9.15 is subject to Section 7.01(i).

Section 9.16. Action on Notes. The Indenture Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the Lien of this Indenture nor any rights or remedies of the Indenture Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Indenture Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Trust Estate or upon any of the assets of the Issuer.

ARTICLE X

SUPPLEMENTAL INDENTURES

Section 10.01. Supplemental Indentures Without Noteholder Approval. Provided that (i) the Issuer shall have provided prior written notice to the Rating Agency of such modification, (ii) the Indenture Trustee shall have received a Tax Opinion, and (iii) if requested by the Indenture Trustee, the Indenture Trustee shall (x) have received an opinion that (a) such modification is authorized or permitted under the terms of this Indenture and will not have a material adverse effect on any Noteholder, and (b) that all conditions precedent to the execution of such modification have been satisfied or (y) have received an officer's certificate of the Manager that such modification is authorized or permitted under the terms of this Indenture and will not have a material adverse effect on any Noteholder and the Indenture Trustee shall have received Rating Agency Confirmation with respect to such action (provided that the Issuer shall not be required to obtain Rating Agency Confirmation or the consent of any person with respect to any modification described in clauses (i) or (ii) below), the Issuer and the Indenture Trustee, when authorized and directed by an Issuer Order, at any time and from time to time, may without the consent of the Noteholders, enter into one or more amendments or indentures supplemental hereto, in form satisfactory to the Indenture Trustee for any of the following purposes:

(i) to cure any ambiguity, to correct any manifest error or any error which is of a formal, minor or technical nature, or to correct or supplement any provision in this Indenture which may be inconsistent with any other provision in this Indenture or any other Transaction Document;

(ii) to conform any provision of the Indenture to the description contained in this Offering Circular;

(iii) to evidence the succession of the Indenture Trustee, the Custodian or the Manager;

(iv) to add to the covenants of the Issuer or the Indenture Trustee, for the benefit of the Noteholders or to surrender any right or power herein conferred upon the Issuer; or

(v) to effect any matter specified in Section 10.06.

(b) Promptly after the execution by the Issuer and the Indenture Trustee of any amendment or supplemental indenture pursuant to this Section 10.01, the Indenture Trustee shall make available to the Noteholders and the Rating Agency a copy of such supplemental indenture. Any failure of the Indenture Trustee to mail such copy shall not, however, in any way impair or affect the validity of any such amendment or supplemental indenture.

Section 10.02. Supplemental Indentures with Consent of Noteholders. With the prior written consent of each Noteholder affected thereby, prior written notice to the Rating Agency and receipt by the Indenture Trustee of a Tax Opinion, the Issuer and the Indenture Trustee, when authorized and directed by an Issuer Order, at any time and from time to time, may enter into an amendment or a supplemental indenture for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Noteholders under this Indenture for the following purposes:

(i) to change the Rated Final Maturity of the principal of any Note, or the due date of any payment of interest on any Note, or reduce the principal amount thereof, or the interest rate thereon, change the place of payment where, or the coin or currency in which any Note or any interest thereon is payable, or impair the right to institute suit for the enforcement of the payment of interest due on any Note on or after the due date thereof or for the enforcement of the payment of the entire remaining unpaid principal amount of any Note on or after the Rated Final Maturity thereof or change any provision of this Indenture regarding the release of the Trust Estate from the Lien of this Indenture or the amounts payable upon any Voluntary Prepayment of the Notes;

(ii) to reduce the percentage of the Outstanding Note Balance of the Notes, the consent of the Noteholders of which is required to approve any such supplemental indenture; or the consent of the Noteholders of which is required for any waiver of compliance with provisions of this Indenture or Events of Default or Manager Termination Events under this Indenture or under the Management Agreement and their consequences provided for in this Indenture or for any other purpose hereunder;

(iii) to modify any of the provisions of this Section 10.02;

(iv) to modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

(v) to permit the creation of any other Lien with respect to any part of the Trust Estate or terminate the Lien of this Indenture on any property at any time subject hereto or, except with respect to any action which would not have a material adverse effect on any Noteholder (as evidenced by an Opinion of Counsel to such effect), deprive the Noteholder of the security afforded by the Lien of this Indenture.

(b) With the written consent of the Majority Noteholders, and receipt by the Indenture Trustee of a Tax Opinion, the Issuer and the Indenture Trustee, when authorized and directed by an Issuer Order, at any time and from time to time, may enter into one or more amendments or indentures supplemental hereto, in form and substance satisfactory to the Indenture Trustee (acting at the direction of the Majority Noteholders) for the purpose of modifying, eliminating or adding to the provisions of this Indenture; provided, that such supplemental indentures shall not have any of the effects described in paragraphs (i) through (v) of Section 10.02(a).

(c) Promptly after the execution by the Issuer and the Indenture Trustee of any amendment or supplemental indenture pursuant to this Section 10.02, the Indenture Trustee shall make available to the Noteholders and the Rating Agency a copy of such supplemental indenture. Any failure of the Indenture Trustee to mail such copy shall not, however, in any way impair or affect the validity of any such supplemental indenture.

(d) Whenever the Issuer or the Indenture Trustee solicits a consent to any amendment or supplement to the Indenture, the Issuer shall fix a record date in advance of the solicitation of such consent for the purpose of determining the Noteholders entitled to consent to such amendment or supplement. Only those Noteholders at such record date shall be entitled to consent to such amendment or supplement whether or not such Noteholders continue to be Holders after such record date.

Section 10.03. Execution of Amendments and Supplemental Indentures. In executing, or accepting the additional trusts created by, any amendment or supplemental indenture permitted by this Article X or the modifications thereby of the trusts created by this Indenture, the Indenture Trustee shall be entitled to receive, and (subject to Section 7.01) shall be fully protected in relying upon, an Opinion of Counsel (i) stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and (ii) in accordance with Section 3.06. The Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Indenture Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 10.04. Effect of Amendments and Supplemental Indentures. Upon the execution of any amendment or supplemental indenture under this Article X, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Notes which have theretofore been or thereafter are authenticated and delivered hereunder shall be bound thereby.

Section 10.05. Reference in Notes to Amendments and Supplemental Indentures. Notes authenticated and delivered after the execution of any amendment or supplemental indenture pursuant to this Article X may, and if required by the Issuer shall, bear a notation as to any matter provided for in such supplemental indenture. If the Issuer shall so determine, new Notes so modified as to conform to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Indenture Trustee in exchange for Outstanding Notes.

Section 10.06. Indenture Trustee to Act on Instructions. Notwithstanding any provision herein to the contrary (other than Section 10.02), in the event the Indenture Trustee is uncertain as to the intention or application of any provision of this Indenture or any other agreement to which it is a party, or such intention or application is ambiguous as to its purpose or application, or is, or appears to be, in conflict with any other applicable provision thereof, or if this Indenture or any other agreement to which it is a party permits or does not prohibit any determination by the Indenture Trustee, or is silent or incomplete as to the course of action which the Indenture Trustee is required or is permitted or may be permitted to take with respect to a particular set of facts or circumstances, the Indenture Trustee shall, at the expense of the Issuer, be entitled to request and rely upon the following: (a) written instructions of the Issuer directing the Indenture Trustee to take certain actions or refrain from taking certain actions, which written instructions shall contain a certification that the taking of such actions or refraining from taking certain actions is in the best interest of the Noteholders and (b) prior written consent of the Majority Noteholders. In such case, the Indenture Trustee shall have no liability to the Issuer or the Noteholders for, and the Issuer shall hold harmless the Indenture Trustee from, any liability, costs or expenses arising from or relating to any action taken by the Indenture Trustee acting upon such instructions, and the Indenture Trustee shall have no responsibility to the Noteholders with respect to any such liability, costs or expenses. The Issuer shall promptly provide a copy of such written instructions to the Rating Agency.

ARTICLE XI

[RESERVED]

ARTICLE XII

MISCELLANEOUS

Section 12.01. Compliance Certificates and Opinions; Furnishing of Information. Upon any application or request by the Issuer to the Indenture Trustee to take any action under any provision of this Indenture (except with respect to ordinary course actions under this Indenture and except as otherwise specifically provided in this Indenture), the Issuer, at the request of the Indenture Trustee, shall furnish to the Indenture Trustee a certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of certificates and Opinions of Counsel are specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or Opinion of Counsel need be furnished.

Section 12.02. Form of Documents Delivered to Indenture Trustee. If several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

(a) Any certificate or opinion of an Authorized Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by outside counsel, unless such Authorized Officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion or any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an Authorized Officer of any relevant Person, stating that the information with respect to such factual matters is in the possession of such Person, unless such officer or counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous. Any Opinion of Counsel may be based on the written opinion of other counsel, in which event such Opinion of Counsel shall be accompanied by a copy of such other counsel's opinion and shall include a statement to the effect that such counsel believes that such counsel and the Indenture Trustee may reasonably rely upon the opinion of such other counsel.

(b) Where any Person is required to make, give or execute two or more applications, requests, consents, notices, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

(c) Wherever in this Indenture, in connection with any application or certificate or report to the Indenture Trustee, it is provided that the Issuer or the Manager shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's or the Manager's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such notice or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such notice or report. The foregoing shall not, however, be construed to affect the Indenture Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Section 7.01(b)(ii).

(d) Wherever in this Indenture it is provided that the absence of the occurrence and continuation of a Default, an Event of Default or a Manager Termination Event is a condition precedent to the taking of any action by the Indenture Trustee at the request or direction of the Issuer, then notwithstanding that the satisfaction of such condition is a condition precedent to the Issuer's or the Indenture Trustee's right to make such request or direction, the Indenture Trustee shall be protected in acting in accordance with such request or direction if a Responsible Officer of the Indenture Trustee does not have actual knowledge of the occurrence and continuation of such Default, Event of Default or Manager Termination Event.

Section 12.03. Acts of Noteholders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "*Act*" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 7.01) conclusive in favor of the Indenture Trustee and the Issuer, if made in the manner provided in this Section 12.03.

(a) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Whenever such execution is by an officer of a corporation or a member of a limited liability company or a partnership on behalf of such corporation, limited liability company or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority.

(b) The ownership of Notes shall be proved by the Note Register.

(c) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Notes shall bind the Holder of every Note issued upon the registration or transfer thereof or in exchange therefor or in lieu thereof, with respect to anything done, omitted or suffered to be done by the Indenture Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Notes.

Section 12.04. Notices, Etc. Any request, demand, authorization, direction, notice, consent, waiver or act of Noteholders or other documents provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(a) the Indenture Trustee by any Noteholder or by the Issuer, shall be in writing and shall be delivered personally or mailed by first-class registered or certified mail, postage prepaid, or by telephonic facsimile transmission and overnight delivery service, postage prepaid, and received by, a Responsible Officer of the Indenture Trustee at its Corporate Trust Office listed below; or

(b) any other Person shall be in writing and shall be delivered personally or by electronic or telephonic facsimile transmission and prepaid overnight delivery service at the address listed below or at any other address subsequently furnished in writing to the Indenture Trustee by the applicable Person.

To the Indenture Trustee:	Wells Fargo Bank, National Association 600 S. 4th Street MAC N9300-061 Minneapolis, MN 55479 Attention: Corporate Trust Services – Asset Backed Administration Phone: (612) 667-8058 Fax: (612) 667-3464

To the Issuer:

SunStrong 2018-1, LLC
2900 Esperanza Crossing, 3rd Floor
Austin, Texas 78758
Attention: Christopher Couture
Telephone: (512) 735-0100
Facsimile: (512) 857-1155
Email: christopher.couture@sunpower.com

With a copy to:
Hannon Armstrong Sustainable Infrastructure Capital, Inc.
1906 Towne Centre Blvd., Ste. 370
Annapolis, Maryland 21401
Attention: General Counsel
Email: Generalcounsel@hannonarmstrong.com

To KBRA:

Kroll Bond Rating Agency, Inc.
845 Third Avenue, 4th Floor
New York, NY 10022
Attention: ABS Surveillance
Email: abssurveillance@kbra.com

Notices delivered to the Rating Agency shall be by electronic delivery to the email address set forth above where information is available in electronic format. In addition, upon the written request of any beneficial owner of a Note, the Indenture Trustee shall provide to such beneficial owner copies of such notices, reports or other information delivered, in one or more of the means requested, by the Indenture Trustee hereunder to other Persons as such beneficial owner may reasonably request.

Section 12.05. Notices and Reports to Noteholders; Waiver of Notices. Where this Indenture provides for notice to Noteholders of any event or the mailing of any report to the Noteholders, such notice or report shall be written and shall be sufficiently given (unless otherwise herein expressly provided) if mailed, first-class, postage-prepaid, to each Noteholder affected by such event or to whom such report is required to be mailed or sent via electronic mail, at the address or electronic mail address of such Noteholder as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice or the mailing of such report. In any case where a notice or report to Noteholders is mailed in the manner provided above, neither the failure to mail such notice or report, nor any defect in any notice or report so mailed, to any particular Noteholder shall affect the sufficiency of such notice or report with respect to other Noteholders, and any notice or report which is mailed in the manner herein provided shall be conclusively presumed to have been duly given or provided.

(a) Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Indenture Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

(b) If, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to the Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

(c) The Indenture Trustee shall promptly upon written request furnish to each Noteholder each Quarterly Manager Report, Monthly Manager Report and, unless directed to do so under any other provision of this Indenture or any other Transaction Document in which case no request shall be necessary), a copy of all reports, financial statements and notices received by the Indenture Trustee pursuant to this Indenture and the other Transaction Documents, but only with the use of a password provided by the Indenture Trustee; *provided, however,* the Indenture Trustee shall have no obligation to provide such information described in this Section 12.05 until it has received the requisite information from the Issuer or the Manager and in addition, in the case of any Accountant's Report, the Independent Accountant who prepared such Accountant's Report has consented to such dissemination. The Indenture Trustee will make no representation or warranties as to the accuracy or completeness of such documents and will assume no responsibility therefor. The Indenture Trustee's internet website will initially be located at www.ctslink.com or at such other address as the Indenture Trustee shall notify the parties to the Indenture from time to time. In connection with providing access to the Indenture Trustee's website, the Indenture Trustee may require registration and the acceptance of a disclaimer. The Indenture Trustee shall not be liable for the dissemination of information in accordance with this Indenture.

Section 12.06. Rules by Indenture Trustee. The Indenture Trustee may make reasonable rules for any meeting of Noteholders.

Section 12.07. Issuer Obligation. Each of the Indenture Trustee and each Noteholder accepts that the enforceability against the Issuer under this Indenture and under the Notes shall be limited to the assets of the Issuer, whether tangible or intangible, real or person (including the Trust Estate) and the proceeds thereof. No recourse may be taken, directly or indirectly, against (a) any member, manager, officer, employee, trustee, agent or director of the Issuer or of any predecessor of the Issuer, (b) any member, manager, beneficiary, officer, employee, trustee, agent, director or successor or assign of a holder of a member or limited liability company interest in the Issuer, or (c) any incorporator, subscriber to capital stock, stockholder, officer, director, employee or agent of the Indenture Trustee or any predecessor or successor thereof, with respect to the Issuer's obligations with respect to the Notes or any of the statements, representations, covenants, warranties or obligations of the Issuer under this Indenture or any Note or other writing delivered in connection herewith or therewith.

Section 12.08. Enforcement of Benefits. The Indenture Trustee for the benefit of the Noteholders shall be entitled to enforce and, at the written direction of and with indemnity by the Super-Majority Noteholders, the Indenture Trustee shall enforce the covenants and agreements of the Manager contained in the Management Agreement, the Transition Manager contained in the Manager Transition Agreement, the Custodian contained in the Custodial Agreement, SunStrong Acquisition or the Depositor contained in the Contribution Agreement, the Performance Guarantor contained in the Performance Guaranty and each other Transaction Document.

Section 12.09. Effect of Headings and Table of Contents. The Section and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 12.10. Successors and Assigns. All covenants and agreements in this Indenture by the Issuer and the Indenture Trustee shall bind their respective successors and assigns, whether so expressed or not.

Section 12.11. Separability. If any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Indenture, a provision as similar in its terms and purpose to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

Section 12.12. Benefits of Indenture. Nothing in this Indenture or in the Notes, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any separate trustee or co-trustee appointed under Section 7.13 and the Noteholders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 12.13. Legal Holidays. If the date of any Payment Date or any other date on which principal of or interest on any Note is proposed to be paid or any date on which mailing of notices by the Indenture Trustee to any Person is required pursuant to any provision of this Indenture, shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment or mailing of such notice need not be made on such date, but may be made or mailed on the next succeeding Business Day with the same force and effect as if made or mailed on the nominal date of any such Payment Date or other date for the payment of principal of or interest on any Note, or as if mailed on the nominal date of such mailing, as the case may be, and in the case of payments, no interest shall accrue for the period from and after any such nominal date, *provided* such payment is made in full on such next succeeding Business Day.

Section 12.14. Governing Law; Jurisdiction; Waiver of Jury Trial. (a) This Indenture and each Note shall be construed in accordance with and governed by the substantive laws of the State of New York (including New York General Obligations Laws §§ 5-1401 and 5-1402, but otherwise without regard to conflicts of law provisions thereof, except with regard to the UCC) applicable to agreements made and to be performed therein.

(b) The Parties hereto agree to the non-exclusive jurisdiction of the state and federal courts in New York.

(c) TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO AND EACH NOTEHOLDER BY ACCEPTANCE OF A NOTE IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION PROCEEDING OR COUNTERCLAIM BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS INDENTURE, ANY OTHER DOCUMENT IN CONNECTION HEREWITH OR ANY MATTER ARISING HEREUNDER OR THEREUNDER.

Section 12.15. Counterparts. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same agreement. Delivery of an

executed counterpart of this Indenture by facsimile or other electronic transmission (i.e., "pdf" or "tif") shall be effective delivery of a manually executed counterpart hereof and deemed an original.

Section 12.16. Recording of Indenture. If this Indenture is subject to recording in any appropriate public recording offices, the Issuer shall effect such recording at its expense in compliance with an Opinion of Counsel to the effect that such recording is necessary either for the protection of the Noteholders or any other person secured hereunder or for the enforcement of any right or remedy granted to the Indenture Trustee under this Indenture or any other Transaction Document.

Section 12.17. Further Assurances. The Issuer agrees to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by the Indenture Trustee to effect more fully the purposes of this Indenture, including, without limitation, the execution of any financing statements or continuation statements relating to the Trust Estate for filing under the provisions of the UCC of any applicable jurisdiction.

Section 12.18. No Bankruptcy Petition Against the Issuer. The Indenture Trustee agrees (and each Noteholder by its acceptance of the Notes shall be deemed to agree) that, prior to the date that is one year and one day after the payment in full of all amounts payable with respect to the Notes, it will not institute against the Issuer, or join any other Person in instituting against the Issuer, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other proceedings under the laws of the United States or any State of the United States. This Section 12.18 shall survive the termination of this Indenture.

Section 12.19. [Reserved].

Section 12.20. Liquidated Damages Demands. The Indenture Trustee will promptly notify the Issuer and the Manager of any demand by a Noteholder (or a beneficial owner thereof) made in writing to a Responsible Officer of the Indenture Trustee that SunStrong Acquisition and the Depositor pay Liquidated Damages Amounts in respect of a Defective Solar Asset, whether on account of a breach of representation or warranty or otherwise. Other than forwarding Noteholder demands in accordance with this Section 12.20, the Indenture Trustee shall have no responsibility for compliance by the Issuer, the Manager or the Depositor with any reporting requirements under federal securities laws with respect to breaches of representations and warranties and shall not be required to determine whether or not such a breach has occurred or is material.

Section 12.21. Defective Solar Assets. Upon discovery by the Indenture Trustee (to the extent a Responsible Officer thereof has actual knowledge or has received written notice thereof) of (i) a Defective Solar Asset, or (ii) failure to deliver any document required to be included in the Custodian File, unless such failure has been waived, in writing, by the Indenture Trustee acting at the direction of the Majority Noteholders, the party discovering or having actual knowledge or receiving written notice, as applicable, of such breach or failure to deliver shall give prompt written notice to the Issuer and the Manager.

Section 12.22. Tax Treatment Disclosure. Any person (and each employee, representative, or other agent of such person) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to such person relating to such tax treatment and tax structure.

Section 12.23. Multiple Roles. The parties expressly acknowledge and consent to Wells Fargo Bank, National Association, acting in the multiple roles of Indenture Trustee and the Custodian. Wells Fargo Bank, National Association may, in such capacities, discharge its separate functions fully, without hindrance or regard to conflict of interest principles, or other breach of duties to the extent that any such conflict or breach arises from the performance by Wells Fargo Bank, National Association of express duties set forth in this Indenture in any of such capacities, all of which defenses, claims or assertions are hereby expressly waived by the other parties hereto except in the case of negligence (other than errors in judgment), bad faith or willful misconduct by Wells Fargo Bank, National Association.

Section 12.24. PATRIOT Act. The parties hereto acknowledge that in accordance with the Customer Identification Program (CIP) requirements established under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107 56 (signed into law October 26, 2001) and its implementing regulations (collectively, the Patriot Act), the Indenture Trustee in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Indenture Trustee. Each party hereby agrees that it shall provide the Indenture Trustee with such information as the Indenture Trustee may request from time to time in order to comply with any applicable requirements of the Patriot Act.

ARTICLE XIII

TERMINATION

Section 13.01. *Termination of Indenture*. This Indenture shall terminate on or after the Termination Date upon the payment to the Noteholders and the Indenture Trustee of all amounts required to be paid to them pursuant to this Indenture, and the conveyance and transfer of all right, title and interest in and to the property and funds in the Trust Estate to the Issuer. The Manager shall promptly notify the Indenture Trustee in writing of any prospective termination pursuant to this Article XIII.

(a) Notice of any prospective termination, specifying the Payment Date for payment of the final payment and requesting the surrender of the Notes for cancellation, shall be given promptly by the Indenture Trustee by letter to the Noteholders as of the applicable Record Date and the Rating Agency upon the Indenture Trustee receiving written notice of such event from the Issuer or the Manager. The Issuer or the Manager shall give such notice to the Indenture Trustee not later than the 5th day of the month of the final Payment Date stating (i) the Payment Date upon which final payment of the Notes shall be made, (ii) the amount of any such final payment, and (iii) the location for presentation and surrender of the Notes. Surrender of the Notes that are Definitive Notes shall be a condition of payment of such final payment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Indenture to be duly executed as of the day and year first above written.

SUNSTRONG 2018-1 ISSUER, LLC, as Issuer

By: /s/ Brad Harmon
Name: Brad Harmon
Title: Authorized Signatory

WELLS FARGO BANK NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ Chad Schafer
Name: Chad Schafer
Title: Vice President

Agreed and Acknowledged:

SUNSTRONG CAPITAL HOLDINGS, LLC, as Manager

By: /s/ Brad Harmon
Name: Brad Harmon
Title: Authorized Signatory

SCHEDULE I

SCHEDULE OF SOLAR ASSETS

[See attached]

SCHEDULE II

SCHEDULED HOST CUSTOMER PAYMENTS

(EXCLUDING REBATES AND PAST DUE AMOUNTS)

Payment Date	Amount ($)
2/20/2019	23,252,249.33
5/20/2019	17,570,397.25
8/20/2019	17,593,535.20
11/20/2019	17,614,822.07

SCHEDULE III

SCHEDULED OUTSTANDING NOTE BALANCE

Payment Date	Class A Scheduled Outstanding Note Balance ($)
Closing Date	**2** 400,000,000
3 2/20/2019	**4** 394,244,369
5 5/20/2019	**6** 392,873,203
7 8/20/2019	**8** 391,589,326
9 11/20/2019	**10** 390,163,091
11 2/20/2020	**12** 388,403,958
13 5/20/2020	**14** 386,573,099
15 8/20/2020	**16** 384,789,911
17 11/20/2020	**18** 382,791,042
19 2/20/2021	**20** 380,763,625
21 5/20/2021	**22** 379,097,831
23 8/20/2021	**24** 376,847,762
25 11/20/2021	**26** 374,584,208
27 2/20/2022	**28** 372,256,601
29 5/20/2022	**30** 369,111,520
31 8/20/2022	**32** 366,012,070
33 11/20/2022	**34** 362,629,725
35 2/20/2023	**36** 359,154,045
37 5/20/2023	**38** 355,289,459
39 8/20/2023	**40** 351,407,784
41 11/20/2023	**42** 347,051,298
43 2/20/2024	**44** 342,445,972
45 5/20/2024	**46** 337,768,610
47 8/20/2024	**48** 333,066,655
49 11/20/2024	**50** 328,260,034
51 2/20/2025	**52** 323,388,196
53 5/20/2025	**54** 318,452,125
55 8/20/2025	**56** 313,489,226
57 11/20/2025	**58** 308,438,408
59 2/20/2026	**60** 303,319,772
61 5/20/2026	**62** 298,134,292

63 8/20/2026	**64** 292,920,221
65 11/20/2026	**66** 287,615,202
67 2/20/2027	**68** 282,239,734
69 5/20/2027	**70** 276,794,731
8/20/1971	**72** 271,319,305
11/20/1973	**74** 265,749,732
2/20/1975	**76** 260,106,879
5/20/1977	**78** 254,391,719
8/20/1979	**80** 248,644,249
11/20/1981	**82** 242,799,391
2/20/1983	**84** 0

SCHEDULE IV

SCHEDULED MANAGING MEMBER DISTRIBUTIONS

Year	Scheduled Managing Member Distributions ($)
2018	8,217,758
2019	43,689,708
2020	45,562,107
2021	46,208,250
2022	51,333,511
2023	56,273,833
2024	59,712,674
2025	59,834,753
2026	59,855,474
2027	59,870,449
2028	59,890,460
2029	59,908,578
2030	59,924,710

2031	59,939,097
2032	59,931,028
2033	58,124,301
2034	48,985,852
2035	39,184,626
2036	24,892,832
2037	9,843,761
2038	491,901
2039	10,519
2040	8,033
2041	3,781
2042	412
Total	**971,698,410**

Schedule V

Scheduled Tax Equity Investor Distributions

Year	**Scheduled Tax Equity Investor Distributions ($)**
2018	4,335,176
2019	16,258,554
2020	13,568,464
2021	12,993,288
2022	8,014,512
2023	3,360,076

2024	17,022
2025	0
2026	0
2027	0
2028	0
2029	0
2030	0
2031	0
2032	0
2033	0
2034	0
2035	0
2036	0
2037	0
2038	0
2039	0
2040	0
2041	0
2042	0
Total	**58,547,092**

SCHEDULE VI

SUPPLEMENTAL RESERVE ACCOUNT AMOUNT INPUTS

Date	Amount ($)
2/20/2019	824,571.00
5/20/2019	820,738.92
8/20/2019	576,788.54
11/20/2019	473,229.65
2/20/2020	373,930.75
5/20/2020	372,337.29
8/20/2020	361,457.03
11/20/2020	434,188.17
2/20/2021	322,024.55
5/20/2021	309,153.35
8/20/2021	150,919.17

EXHIBIT A

FORM OF NOTE

Note Number: [__]

UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“*DTC*”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY GLOBAL NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO HEREIN.

THIS GLOBAL NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND NEITHER THIS GLOBAL NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR OTHERWISE

TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS GLOBAL NOTE OR ANY INTEREST HEREIN IS HEREBY NOTIFIED THAT THE SELLER OF THIS GLOBAL NOTE OR INTEREST HEREIN MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS GLOBAL NOTE OR ANY INTEREST HEREIN AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE AND ANY INTEREST HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN MINIMUM DENOMINATIONS OF $100,000 AND IN INTEGRAL MULTIPLES OF $1,000 IN EXCESS THEREOF, AND ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S, OR (III) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE AND EVIDENCED BY AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE INDENTURE TRUSTEE), IN EACH OF CASES (I) THROUGH (III) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS GLOBAL NOTE OR ANY INTEREST HEREIN FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

[*FOR REGULATION S TEMPORARY GLOBAL NOTE, ADD THE FOLLOWING:*

THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE SECURITIES ACT WHICH IS EXCHANGEABLE FOR A REGULATION S PERMANENT GLOBAL NOTE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH HEREIN AND IN THE INDENTURE REFERRED TO HEREIN.]

THE PURCHASER UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN THE NOTES FROM THE SECURITIES DEPOSITORY.

SECTIONS 2.07 AND 2.08 OF THE INDENTURE CONTAIN FURTHER RESTRICTIONS ON THE TRANSFER AND RESALE OF THIS NOTE. EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE ACCEPTED THIS NOTE SUBJECT TO THE FOREGOING RESTRICTIONS ON TRANSFERABILITY.

EACH NOTEHOLDER OR NOTE OWNER, BY ITS ACCEPTANCE OF THIS NOTE (OR INTEREST THEREIN), COVENANTS AND AGREES THAT SUCH NOTEHOLDER OR NOTE OWNER, AS THE CASE MAY BE, SHALL NOT, PRIOR TO THE DATE THAT IS ONE YEAR AND ONE DAY AFTER THE TERMINATION OF THE INDENTURE, ACQUIESCE, PETITION OR OTHERWISE INVOKE OR CAUSE THE ISSUER TO INVOKE THE PROCESS OF ANY COURT OR GOVERNMENTAL AUTHORITY FOR THE PURPOSE OF COMMENCING OR SUSTAINING A CASE AGAINST THE ISSUER UNDER ANY FEDERAL OR STATE BANKRUPTCY, INSOLVENCY, REORGANIZATION OR SIMILAR LAW OR APPOINTING A RECEIVER, LIQUIDATOR, ASSIGNEE, INDENTURE TRUSTEE, CUSTODIAN, SEQUESTRATOR OR OTHER SIMILAR OFFICIAL OF THE ISSUER OR ANY SUBSTANTIAL PART OF ITS PROPERTY, OR ORDERING THE WINDING UP OR LIQUIDATION OF THE AFFAIRS OF THE ISSUER. THE PRINCIPAL OF THIS NOTE IS PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS SECURITY MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE INDENTURE TRUSTEE.

SUNSTRONG 2018-1 ISSUER, LLC SOLAR ASSET BACKED NOTES, SERIES 2018-1

GLOBAL NOTE

Original Issue date	Rated Final Maturity	Issue Price
[_____]	November 2048	[_____]

REGISTERED OWNER: CEDE & CO.

INITIAL PRINCIPAL BALANCE: $400,000,000

CUSIP No. [] []

ISIN No. [] []

THIS CERTIFIES THAT SunStrong 2018-1 Issuer, LLC, a Delaware limited liability company (hereinafter called the "*Issuer*"), which term includes any successor entity under the Indenture, dated as of November 28, 2018 (the "*Indenture*"), between the Issuer and Wells Fargo Bank, National Association, as indenture trustee (together with any successor thereto, hereinafter called the "*Indenture Trustee*"), for value received, hereby promises to pay to the Registered Owner named above or registered assigns, subject to the provisions hereof and of the Indenture, (A) interest based on the Interest Accrual Period at the applicable Note Rate defined in the Indenture, on each Payment Date beginning in February 2019 (or, if such day is not a Business Day, the next succeeding Business Day), and (B) principal on each Payment Date in the manner and subject to the Priority of Payments as set forth in the Indenture; provided, however, that the Notes are subject to prepayment as set forth in the Indenture. This note (this "*Note*") is one of a duly authorized series of Notes of the Issuer designated as its SunStrong 2018-1 Issuer, LLC, 5.68% Solar Asset Backed Notes, Series 2018-1, (the "*Notes*"). The Indenture authorizes the issuance of $400,000,000 in Outstanding Note Balance of Notes. The Indenture provides that the Notes will be entitled to receive payments in reduction of the Outstanding Note Balance, in the amounts, from the sources, and at the times more specifically as set forth in the Indenture. The Notes are secured by the Trust Estate (as defined in the Indenture).

Reference is hereby made to the Indenture and all indentures supplemental thereto for a statement of the respective rights thereunder of the Issuer, the Indenture Trustee and the Holders of the Notes and the terms upon which the Notes are to be authenticated and delivered. All terms used in this Note which are not defined herein shall have the meanings assigned to them in the Indenture.

THE OBLIGATION OF THE ISSUER TO REPAY THE NOTES IS A LIMITED, NONRECOURSE OBLIGATION SECURED ONLY BY THE TRUST ESTATE. All payments of principal of and interest on the Notes shall be made only from the Trust Estate, and each Noteholder and each Note Owner hereof, by its acceptance of this Note, agrees that it shall be entitled to payments solely from such Trust Estate pursuant to the terms of the Indenture. The actual Outstanding Note Balance on this Note may be less than the principal balance indicated on the face hereof. The actual Outstanding Note Balance on this Note at any time may be obtained from the Indenture Trustee.

With respect to payment of principal of and interest on the Notes, the Indenture provides the following:

(a) Until fully paid, principal payments on the Notes will be made on each Payment Date in an amount, at the time, and in the manner provided in the Indenture; *provided*, however, that the Notes are subject to prepayment as set forth in the Indenture. The Outstanding Note Balance of each Note shall be payable no later than the Rated Final Maturity thereof unless the Outstanding Note Balance of the Note becomes due and payable at an earlier date pursuant to the Indenture, and in each case such payment shall be made in an amount and in the manner provided in the Indenture.

(b) The Notes shall bear interest on the Outstanding Note Balance of the Notes and accrued but unpaid interest thereon, at the applicable Note Rate. The Note Interest shall be payable on each Payment Date to the extent that the Collection Account then contains sufficient amounts to pay such Note Interest pursuant to Section 5.05 of the Indenture. Note Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

All payments of interest and principal on the Notes on the applicable Payment Date shall be paid to the Person in whose name such Note is registered at the close of business on the Record Date for such Payment Date in the manner provided in the Indenture. All reductions in the Outstanding Note Balance of a Note (or one or more Predecessor Notes) effected by full or partial payments of installments of principal shall be binding upon all past, then current, and future Holders of such Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note.

The Rated Final Maturity of the Notes is the Payment Date in November 2048 unless the Notes are earlier prepaid in whole or accelerated pursuant to the Indenture. The Indenture Trustee shall pay to each Noteholder of record on the preceding Record Date either (i) by wire transfer, in immediately available funds to the account of such Noteholder at a bank or other entity having appropriate facilities therefor, if such Noteholder shall have provided to the Indenture Trustee appropriate written instructions at least five Business Days prior to the related Payment Date (which instructions may remain in effect for subsequent Payment Dates unless revoked by the Noteholder), or (ii) if not, by check mailed to such Noteholder at the address of such Noteholder appearing in the Note Register, the amounts to be paid to such Noteholder pursuant to such Noteholder's Notes; provided, that so long as the Notes are registered in the name of the Securities Depository such payments shall be made to the nominee thereof in immediately available funds.

THE NOTES SHALL BE SUBJECT TO VOLUNTARY PREPAYMENT AT THE OPTION OF THE ISSUER IN THE MANNER AND SUBJECT TO THE PROVISIONS OF THE INDENTURE. Whenever by the terms of the Indenture, the Indenture Trustee is required to prepay the Notes, and subject to and in accordance with the terms of Article VI of the Indenture, the Indenture Trustee shall give notice of the prepayment in the manner prescribed by the Indenture.

Subject to certain restrictions contained in the Indenture, (i) the Notes are issuable in the minimum denomination of $100,000 and in integral multiples of $1,000 in excess thereof (*provided*, that one Note may be issued in an additional amount equal to any remaining portion of the Initial Outstanding Note Balance) and (ii) the Notes may be exchanged for a like aggregate principal amount of Notes of authorized denominations of the same maturity.

The final payment on any Definitive Note shall be made only upon presentation and surrender of the Note at the Corporate Trust Office of the Indenture Trustee.

The Noteholders shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

The Notes may be exchanged, and their transfer may be registered, by the Noteholders in person or by their attorneys duly authorized in writing at the Corporate Trust Office of the Indenture Trustee only in the manner, subject to the limitations provided in the Indenture, and upon surrender and cancellation of the Notes. Upon exchange or registration of such transfer, a new registered Note or Notes evidencing the same outstanding principal amount will be executed in exchange therefor.

All amounts collected as payments on the Trust Estate or otherwise shall be applied in the order of priority specified in the Indenture.

Each Person who has or who acquires any Ownership Interest in a Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of the Indenture. A Noteholder may not sell, offer for sale, assign, pledge, hypothecate or otherwise transfer or encumber all or any part of its interest in the Notes except pursuant to an effective registration statement covering such transaction under the Securities Act of 1933, as amended, and effective qualification or registration under all applicable State securities laws and regulations or under an exemption from registration under said Securities Act and said State securities laws and regulations.

[*Add the following for Rule 144A Global Note*:

Interests in this Note may be exchanged for an interest in the corresponding Regulation S Temporary Global Note or Regulation S Global Note, in each case subject to the restrictions specified in the Indenture.]

[*Add the following for Regulation S Temporary Global Note*:

Interests in this Note may be exchanged for an interest in the corresponding Rule 144A Global Note, subject to the restrictions specified in the Indenture.

On or after the 40th day after the later of the Closing Date and the commencement of the offering of the Notes, interests in this Regulation S Temporary Global Note may be exchanged (free of charge) for interests in a Regulation S Permanent Global Note. The Regulation S Permanent Global Note shall be so issued and delivered in exchange for only that portion of this Regulation S Temporary Global Note in respect of which there shall have been presented to DTC by Euroclear or Clearstream a certification to the effect that it has received from or in respect of a person entitled to an interest (as shown by its records) a certification that the beneficial interests in such Regulation S Temporary Global Note are owned by persons who are not U.S. persons (as defined in Regulation S).]

[*Add the following for Regulation S Permanent Global Note*:

Interests in this Note may be exchanged for an interest in the corresponding Rule 144A Global Note, subject to the restrictions specified in the Indenture.]

In addition, each Person who has or who acquires any Ownership Interest in a Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of Section 12.18 of the Indenture. Prior to the date that is one year and one day after the payment in full of all amounts payable with respect to the Notes, each Person who has or acquires an Ownership Interest in a Note agrees that such Person will not institute against the Issuer, or join any other Person in instituting against the Issuer, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other

proceedings under the laws of the United States or any State of the United States. This covenant shall survive the termination of the Indenture.

Before the due presentment for registration of transfer of this Note, the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may treat the person in whose name this Note is registered (i) on any Record Date for purposes of making payments, and (ii) on any other date for any other purpose, as the owner hereof, whether or not this Note be overdue, and neither the Issuer, the Indenture Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture permits the amendment thereof for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture or of modifying in any manner the rights of the Noteholders under the Indenture at any time by the Issuer and the Indenture Trustee (and, in some cases, only with the consent of the Noteholder affected thereby) and compliance with certain other conditions. Any such consent by the Holder, at the time of the giving thereof, of this Note (or any one or more Predecessor Notes) shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

The Notes and all obligations with respect thereto, including obligations under the Indenture, will be limited recourse obligations of the Issuer payable solely from the Trust Estate. Neither the Issuer, the Depositor, the Manager, the Transition Manager, the Custodian, the Note Registrar, the Indenture Trustee in its individual capacity or in its capacity as Indenture Trustee, nor any of their respective Affiliates, agents, partners, beneficiaries, officers, directors, stockholders, stockholders of partners, employees or successors or assigns, shall be personally liable for any amounts payable, or performance due, under the Notes or the Indenture. Without limiting the foregoing, each Holder of any Note by its acceptance thereof, and the Indenture Trustee, shall be deemed to have agreed (i) that it shall look only to the Trust Estate to satisfy the Issuer's obligations under or with respect to a Note or the Indenture, including but not limited to liabilities under Article V of the Indenture and liabilities arising (whether at common law or equity) from breaches by the Issuer of any obligations, covenants and agreements herein or, to the extent enforceable, for any violation by the Issuer of applicable State or federal law or regulation, *provided* that, the Issuer shall not be relieved of liability hereunder with respect to any misrepresentation in the Indenture or any Transaction Document, or fraud, of the Issuer, and (ii) to waive any rights it may have to obtain a deficiency or other monetary judgment against either the Issuer or any of its principals, directors, officers, beneficial owners, employees or agents (whether disclosed or undisclosed) or their respective assets (other than the Trust Estate). The foregoing provisions of this paragraph shall not (i) prevent recourse to the Trust Estate or any Person (other than the Issuer) for the sums due or to become due under any security, instrument or agreement which is part of the Trust Estate, (ii) constitute a waiver, release or discharge of any indebtedness or obligation evidenced by the Notes or secured by the Indenture, but the same shall continue until paid or discharged, or (iii) prevent the Indenture Trustee from exercising its rights with respect to the Grant, pursuant to the Indenture, of the Issuer's rights under the Transaction Documents. It is further understood that the foregoing provisions of this paragraph shall not limit the right of any Person to name the Indenture Trustee in its capacity as Indenture Trustee under the Indenture or the Issuer as a party defendant in any action or suit or in the exercise of any remedy under the Notes or the Indenture, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced. It is expressly understood that all such liability is hereby expressly waived and released to the extent provided herein as a condition of, and as a consideration for, the execution of the Indenture and the issuance of the Notes.

The remedies of the Holder of this Note as provided herein, in the Indenture or in the other Transaction Documents, shall be cumulative and concurrent and may be pursued solely against the assets of the Trust Estate. No failure on the part of the Noteholder in exercising any right or remedy hereunder shall operate as a waiver or release thereof, nor shall any single or partial exercise of any such right or remedy preclude any other further exercise thereof or the exercise of any other right or remedy hereunder.

The Notes are issuable only in registered form in denominations as provided in the Indenture and subject to certain limitations therein set forth. At the option of the Noteholder, Notes may be exchanged for Notes of like terms, in any authorized denominations and of like aggregate principal amount, upon surrender of the Notes to be exchanged at the Corporate Trust Office of the Indenture Trustee, subject to the terms and conditions of the Indenture.

Reference is hereby made to the Indenture, a copy of which is on file with the Indenture Trustee, for the provisions, among others, with respect to (i) the nature and extent of the rights, duties and obligations of the Indenture Trustee, the Issuer and the Noteholders; (ii) the terms upon which the Notes are executed and delivered; (iii) the collection and disposition of payments or proceeds in respect of the Transferred Property; (iv) a description of the Trust Estate; (v) the modification or amendment of the Indenture; (vi) other matters; and (vii) the definition of capitalized terms used in this Note that are not defined herein; to all of which the Noteholders and Note Owners assent by the acceptance of the Notes.

THIS NOTE IS ISSUED PURSUANT TO THE INDENTURE AND IT AND THE INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS (INCLUDING, WITHOUT LIMITATION, §5-1401 AND §5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT OTHERWISE WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS).

REFERENCE IS HEREBY MADE TO THE PROVISIONS OF THE INDENTURE AND SUCH PROVISIONS ARE HEREBY INCORPORATED BY REFERENCE AS IF FULLY SET FORTH HEREIN.

Unless the certificate of authentication hereon has been executed by the Indenture Trustee by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed as of the date set forth below.

SUNSTRONG 2018-1 ISSUER, LLC, as Issuer

By _
Name:
Title:

INDENTURE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

Dated:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Indenture Trustee

By _
Name: _
Title: _

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF ASSIGNEE)

_____
_____

_____
(Please Print or Typewrite Name and Address of Assignee)

_____
the within Note, and all rights thereunder, and hereby does irrevocably constitute and appoint

_____
Attorney to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Date:_____

Signature Guaranteed:

_____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever. The signature should be guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Indenture Trustee.

EXHIBIT B-1

FORM OF TRANSFER CERTIFICATE FOR EXCHANGE OR TRANSFER
FROM RULE 144A GLOBAL NOTE
TO REGULATION S GLOBAL NOTE

[DATE]

Wells Fargo Bank, National Association
600 S. 4th Street, MAC N9300-061
Minneapolis, MN 55479
Attn: Corporate Trust Services – Asset Backed Administration

Re: SunStrong 2018-1 Issuer, LLC

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of November 28, 2018 (the "*Indenture*"), by and among SunStrong 2018-1 Issuer, LLC (the "*Issuer*") and Wells Fargo Bank, National Association, as indenture trustee (in such capacity, the "*Indenture Trustee*"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to US $[__] aggregate Outstanding Note Balance of the Notes (the "*Notes*") which in the form of the Rule 144A Global Note (CUSIP No. [_____]) in the name of [insert name of transferor] (the "*Transferor*"). The Transferor has requested a transfer of such beneficial interest for an interest in the Regulation S Global Note (CUSIP No. _____) to be held with [Euroclear] [Clearstream]* (Common Code No. _____) through the Securities Depository.

In connection with such request and in respect of such Notes, the Transferor does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and [(i) with respect to transfers made]** pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended (the "*Securities Act*"), and accordingly the Transferor does hereby certify that:

(1) the offer of the Notes was not made to a person in the United States,

(2) [at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States] [the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the transferor nor any person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States], ***

(3) [the transferee is not a U.S. Person within the meaning of Rule 902(k) of Regulation S nor a Person acting for the account or benefit of a U.S. Person,]****

(4) no directed selling efforts have been made in contravention of the requirements of Rule 903 or Rule 904 of Regulation S, as applicable,

(5) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act, and

(6) upon completion of the transaction, the beneficial interest being transferred as described above will be held with the Securities Depository through [Euroclear] [Clearstream]. *****

[or (ii) with respect to transfers made in reliance on Rule 144 under the Securities Act, the Transferor does hereby certify that the Notes being transferred are eligible for resale by the Transferor pursuant to Rule 144(b)(1) under the Securities Act.]******

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer, the Indenture Trustee and the Manager.

[Insert Name of Transferor]

By:_____
Name:
Title:
Dated:

EXHIBIT B-2
FORM OF TRANSFER CERTIFICATE FOR EXCHANGE OR TRANSFER
FROM REGULATION S GLOBAL NOTE
TO RULE 144A GLOBAL NOTE

[DATE]

Wells Fargo Bank, National Association
600 S. 4th Street, MAC N9300-061
Minneapolis, MN 55479
Attn: Corporate Trust Services – Asset Backed Administration

Re: SunStrong 2018-1 Issuer, LLC

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of November 28, 2018 (the "*Indenture*"), by and among SunStrong 2018-1 Issuer, LLC (the "*Issuer*") and Wells Fargo Bank, National Association, as indenture trustee (in such capacity, the "*Indenture Trustee*"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to US $[__] aggregate Outstanding Note Balance of the Notes (the "*Notes*") which are held in the form of the Regulation S Global Note (CUSIP No. [_____]) with [Euroclear] [Clearstream]* (Common Code No. _____) through the Securities Depository in the name of [insert name of transferor] (the *"Transferor").* The Transferor has requested a transfer of such beneficial interest in the Notes for an interest in the Regulation 144A Global Note (CUSIP No. _____).

In connection with such request, and in respect of such Notes, the Transferor does hereby certify that such Notes are being transferred in accordance with (i) the transfer restrictions set forth in the Indenture, and (ii) (A) Rule 144A under the Securities Act to a transferee that the Transferor reasonably believes is purchasing the Notes for its own account with respect to which the transferee exercises sole investment discretion and the transferee and any such account is a "qualified institutional buyer" (*"QIB"*) within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction or (B) to a QIB pursuant to another applicable exemption from the registration requirements under the Securities Act; provided that an Opinion of Counsel confirming the applicability of the exemption claimed shall have been delivered to the Issuer and the Indenture Trustee in a form reasonably acceptable to them.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer, the Indenture Trustee and the Manager.

[Insert Name of Transferor]

By:_____ Name:Title:

Dated:

EXHIBIT B-3

FORM OF TRANSFER CERTIFICATE FOR TRANSFER
FROM DEFINITIVE NOTE
TO DEFINITIVE NOTE

[DATE]

Wells Fargo Bank, National Association
600 S. 4th Street, MAC N9300-061
Minneapolis, MN 55479
Attn: Corporate Trust Services – Asset Backed Administration

Re: SunStrong 2018-1 Issuer, LLC

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of November 28, 2018 (the "*Indenture*"), by and among SunStrong 2018-1 Issuer, LLC (the "*Issuer*") and Wells Fargo Bank, National Association, as indenture trustee (in such capacity, the "*Indenture Trustee*"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to US $[__] aggregate Outstanding Note Balance of the Notes (the "*Notes*") which are held as Definitive Notes (CUSIP No. [_____]) in the name of [insert name of transferor] (the "*Transferor*"). The Transferor has requested a transfer of such beneficial interest in the Notes to [insert name of transferee] (the "*Transferee*").

In connection with such request, and in respect of such Notes, the Transferor does hereby certify that such Notes are being transferred in accordance with (i) the transfer restrictions set forth in the Indenture, and (ii) Rule 144A under the Securities Act to a transferee that the Transferor reasonably believes is purchasing the Notes for its own account with respect to which the transferee exercises sole investment discretion and the transferee and any such account is a "qualified institutional buyer" ("*QIB*") within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction, or (iii) pursuant to another applicable exemption from the registration requirements under the Securities Act; provided that an Opinion of Counsel confirming the applicability of the exemption claimed shall have been delivered to the Issuer and the Indenture Trustee in a form reasonably acceptable to them.

[*If transfer is pursuant to Regulation S, add the following:*

The Transferor hereby certifies that:

(1) the offer of the Notes was not made to a person in the United States,

(2) [at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States] [the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the transferor nor any person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States]*,

(3) the transferee is not a U.S. Person within the meaning of Rule 902(k) of Regulation S nor a Person acting for the account or benefit of a U.S. Person,

(4) no directed selling efforts have been made in contravention of the requirements of Rule 903 or Rule 904 of Regulation S, as applicable,

(5) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.]

[signature page follows]

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer, the Indenture Trustee and the Manager.

[Insert Name of Transferor]

By:_____
Name:
Title:
Dated:

EXHIBIT C

SUNSTRONG 2018-1 ISSUER, LLC

NOTICE OF VOLUNTARY PREPAYMENT

[DATE]

Wells Fargo Bank, National Association
600 S. 4th Street, MAC N9300-061
Minneapolis, MN 55479
Attn: Corporate Trust Services – Asset Backed Administration

SunStrong 2018-1 Issuer, LLC
[ ]

Ladies and Gentlemen:

Pursuant to Section 6.01 of the Indenture dated as of November 28, 2018 (the "*Indenture*"), between SunStrong 2018-1 Issuer, LLC (the "*Issuer*") and Wells Fargo Bank, National Association (the "*Indenture Trustee*"), the Indenture Trustee is hereby directed to prepay in [whole][part] the Issuer's Solar Asset Backed Notes, Series 2018-1 on [_____ __, 20__] (the "*Voluntary Prepayment Date*").

On or prior to the Voluntary Prepayment Date, the Issuer shall deposit into the Collection Account (i) the outstanding principal of the Notes to be prepaid, (ii) all accrued and unpaid interest thereon (including any Post-ARD Additional Note Interest), (iii) all amounts owed on the Voluntary Prepayment Date to the Indenture Trustee, the Manager, the Sub-Manager, the Transition Manager, the Custodian and any other parties to the Transaction Documents, and (iv) the Make Whole Amount, if applicable (the "*Prepayment Amount*").

On the Voluntary Prepayment Date, *provided* that the Indenture Trustee has received the Prepayment Amount, in the case of any Voluntary Prepayment in whole, no later than 11:00 a.m. Eastern time on such Voluntary Prepayment Date, or in the case of any Voluntary Prepayment in part, no later than 12:00 p.m. Eastern time on the Business Day prior to such specified Voluntary Prepayment Date, the Indenture Trustee is directed to (x) withdraw the Prepayment Amount from the Collection Account and disburse such amounts in accordance with the Priority of Payments and (y) to the extent the Outstanding Note Balance is prepaid, release any remaining assets in the Trust Estate to, or at the direction of, the Issuer.

You are hereby instructed to provide all notices of prepayment required by Section 6.02 of the Indenture. All terms used but not defined herein have the meanings assigned to such terms in the Indenture.

[signature page follows]

IN WITNESS WHEREOF, the undersigned has executed this Notice of Voluntary Prepayment on the ___ day of _____, _____.

SUNSTRONG 2018-1 ISSUER, LLC, as Issuer

By _
Name: _
Title: _

ANNEX A

STANDARD DEFINITIONS

[See attached]

Exhibit 10.[__]

[***] Text Omitted and Filed Separately with the Securities Exchange Commission

Confidential Treatment Request Under

17 C.F.R Section 240.24b-2

Amendment No. 1 to
MASTER SUPPLY AGREEMENT

This Amendment No. 1 to Master Supply Agreement (this "**Amendment**") is entered as of **December 18, 2018** (the "**Effective Date**") by and between Enphase Energy, Inc. ("**Enphase**"), and SunPower Corporation ("**Company**" **or "SunPower"**). Capitalized terms used herein without definition shall have the same meanings given them in the Agreement (as defined below).

Recitals

Enphase and Company have entered into a Master Supply Agreement dated as of June 12, 2018 (the "**Agreement**"). In accordance with the terms of Agreement Section 9.11, Enphase and Company have agreed to amend the Agreement as set forth below.

Agreement

NOW, THEREFORE, in consideration of the foregoing Recitals and intending to be legally bound, the parties hereto agree as follows:

1. **Amendment**.

1.1 The parties agree to supplement Exhibit B (Pricing) of the Agreement to include additional accessory Products that are listed in Exhibit B-1 attached to this Amendment No. 1. The parties further agree that solely for the accessory Products listed in Exhibit B-1, shipping terms shall be set as DDP (incoterms 2010) to Long Beach, California, and payment terms for such accessory Product Orders shall be net 21 days. [***]. In the event of any conflict between this Amendment and the Agreement, the Agreement shall control.

2. **Limitation**. The amendment set forth in this Amendment shall be limited precisely as written and shall not be deemed (a) to be a waiver or modification of any other term or condition of the Agreement or of any other instrument or agreement referred to therein or to prejudice any right or remedy which the parties may now have or may have in the future under or in connection with the Agreement or any instrument or agreement referred to therein; or (b) to be a consent to any future amendment or modification or waiver to any instrument or agreement the execution and delivery of which is consented to hereby, or to any waiver of any of the provisions thereof. Except as expressly amended hereby, the Agreement shall continue in full force and effect.

3. **Counterparts**. This Amendment may be signed originally or by facsimile or other means of electronic transmission in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this Amendment.

4. **Integration**. This Amendment and any documents executed in connection herewith or pursuant hereto contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, understandings, offers and negotiations, oral or written, with respect thereto and no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any, involving this Amendment.

5. **Governing Law.** This Amendment shall be governed by and shall be construed and enforced in accordance with the laws of the state of California.

In Witness Whereof, the parties have duly authorized and caused this Amendment to be executed as of the date first written above.

ENPHASE ENERGY, INC.	**SUNPOWER CORPORATION**
By: /s/ Badri Kothandaraman	By: /s/ Norman Taffe
Name: Badri Kothandaraman	Name: Norman Tafee
Title: President and CEO	Title: EVP, North America Residential

EXHIBIT B-1

Accessory Product and Price List

SPWR Part#	Enphase MPN	Enphase Description	2018 Price / Unit FOB	Enphase UoM	Packaging	SP	2019 Price / Unit	Inco terms	Payment Terms
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]

***** Confidential Treatment Requested *****

LOAN AGREEMENT

between

SUNSTRONG 2018-1 MEZZANINE, LLC
(Borrower)

and

SUNSTRONG CAPITAL LENDER LLC
(Lender)

Closing Date: November 28, 2018

LIST OF SCHEDULES AND EXHIBITS

LOAN AGREEMENT

THIS LOAN AGREEMENT (as amended, modified or supplemented from time to time, together with all exhibits, schedules, annexes and other attachments hereto, this "Agreement") is entered into as of November 28, 2018, between SunStrong 2018-1 Mezzanine, LLC, a Delaware limited liability company (the "Borrower"), and SunStrong Capital Lender LLC, a Maryland limited liability company (together with its successors and assigns, the "Lender"). Capitalized terms have the meanings set forth in Article 1 of this Agreement.

RECITALS

WHEREAS, immediately prior to the Closing Date, (a) Borrower directly owns and controls 70% of the economic and voting interests of Securitization Depositor, (b) Pledgor directly owns and controls 100% of the economic and voting interest of the Borrower and 30% of the economic and voting interest of Securitization Depositor; (c) Securitization Depositor directly owns and controls 100% of the economic and voting interests of Securitization Issuer, (d) Securitization Issuer directly owns and controls 100% of the economic and voting interests of SunPower Residential III Holdings, LLC, (e) Mezzanine 1A Borrower directly owns and controls 100% of each Portfolio Pledgor, and (f) each Portfolio Pledgor (other than SunPower Residential III, LLC) directly owns and controls 100% of the economic and voting interests of the applicable Managing Member or other applicable Portfolio Entity that is a direct subsidiary of such Portfolio Pledgor in the Portfolio Chain.

WHEREAS, after giving effect to the Securitization Reorganization, (a) the ownership structure set forth in clauses (a) through (d) in the first recital shall remain in place, (b) the Securitization Issuer will directly own and control each Managing Member, and (c) Securitization Issuer will own, indirectly, through the applicable Managing Member and the applicable Person listed under the heading "Project Company" on Schedule 1 that is a Subsidiary of such Managing Member (each a "Project Company"), a number of photovoltaic systems, including photovoltaic panels, racks, wiring and other electrical devices, conduit, weatherproofing housings, hardware, inverter(s), remote monitoring system, connectors, disconnect and overcurrent devices (each a "Project", and collectively the "Projects") which are installed on the rooftops or ground-mounted on the property of host customers (each a "Host Customer" and, collectively, the "Host Customers"), subject to a lease agreement by such Host Customer in favor of such Project Company (each a "Lease" and, collectively, the "Leases") and have production supported by a Production Guarantee by Provider in favor of such Host Customer (each a "Production Guarantee" and, collectively, the "Production Guarantees").

WHEREAS, each Project Company acquired Projects and Leases from SunPower Capital pursuant to a Purchase Agreement.

WHEREAS, (i) on August 10, 2018, SunStrong Capital Acquisition, LLC, a Delaware limited liability company ("Mezzanine 1A Borrower"), and Lender entered into that certain Loan Agreement (the "Mezzanine 1 Loan Agreement"), pursuant to which Lender made available to the Mezzanine 1A Borrower a single advance, (ii) on November 5, 2018, the Mezzanine 1A Borrower and Lender amended the Mezzanine 1 Loan Agreement by entering into that certain Consent, Waiver and Amendment Agreement, and (iii) on the date hereof, Mezzanine 1A Borrower and Lender have amended and restated the Mezzanine 1 Loan Agreement by entering into that certain Amended and Restated Loan Agreement, dated as of the date hereof ("Mezzanine 1A Loan Agreement").

WHEREAS, on the date hereof, Securitization Issuer has issued notes in favor of various investors pursuant to the ABS Transaction.

NOW, THEREFORE, in consideration of the foregoing and the agreements, covenants and promises set forth herein and in the other Loan Documents and in reliance upon the representations and warranties set forth herein and therein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 **TERMS DEFINED**. As used herein, unless the context otherwise requires:

"**Abandoned Project**" has the meaning ascribed to such term in Section 8.2.4.

"**ABS Entity**" means Pledgor, the Borrower, Securitization Depositor and Securitization Issuer.

"**ABS Transaction**" means the asset-backed securitization transaction pursuant to which Securitization Issuer issues or incurs Debt, (a) that is sold to Qualified Institutional Buyers in reliance on Rule 144A under the Securities Act and outside of the United States of America to Non-U.S. Persons in transactions in reliance on Regulation S under the Securities Act, and (b) that is secured by certain cash flows and proceeds from the applicable Projects.

"**ABS Transaction Documents**" means the "Transaction Documents" entered into in connection with the ABS Transaction.

"**Account Withdrawal Documents**" means, collectively, any Account Withdrawal Request and the Account Withdrawal Instruction related thereto, properly completed by Borrower and delivered to Lender for approval and, in the case of the applicable Account Withdrawal Instruction, signature, for further delivery to the Depositary in accordance with the applicable provisions of this Agreement and the Depositary Agreement.

"**Account Withdrawal Instruction**" has the meaning given in the Depositary Agreement.

"**Account Withdrawal Request**" means a certificate in the form of Exhibit G, signed by a duly authorized representative of Borrower and delivered to Lender.

"**Accounts**" means the Revenue Account, the PeGu Reserve Account and the Repayment Account, including any sub accounts within such accounts.

"**Advance**" has the meaning ascribed to such term in Section 2.1.

"**Affiliate**" of a specified Person means any other Person that (a) directly, or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such Person, or (b) only with respect to matters relating to PUHCA, is an "affiliate" as defined in Section 1262(1) of PUHCA and 18 C.F.R. § 366.1. When used with respect to Borrower, Pledgor and any Portfolio Entity, as applicable, "Affiliate" shall include the Borrower, Pledgor, the Sponsor and each Project Company, and any Affiliate thereof, as applicable but shall exclude Hannon Armstrong Capital or any Affiliate thereof (other than, for the avoidance of doubt, any Loan Party).

"**Agreement**" has the meaning ascribed to such term in the first paragraph hereof.

"**Annual Operating Budget**" has the meaning ascribed to such term in Section 8.1.13(c).

"**Anti-Terrorism Laws**" has the meaning ascribed to such term in Section 7.25.1.

"**Applicable Law**" means all laws, rules, regulations and binding governmental guidelines applicable to the Person, conduct, transaction, agreement or matter in question, including all applicable statutory law and equitable principles, and all provisions of constitutions, treaties, statutes, rules, regulations, orders and decrees of Governmental Authorities.

"**Applicable Permit**" means, at any time, any Permit (a) that is required under applicable Legal Judgments or any of the Operative Documents to have been obtained by or on behalf of any Loan Party to construct, test, operate, maintain, repair, lease, own or use any Project as contemplated by the Operative Documents, or for the Loan Parties to enter into any Operative Document or to consummate any transaction contemplated thereby, in each case in accordance with all applicable Legal Judgments, or (b) that is necessary so that none of the Loan Parties, the Lender nor any Affiliate of any of them (in the case of the Lender and its Affiliates, solely as it relates to the Lender's making of the Loan and performance of its obligations and exercise of its rights hereunder and under the other Loan Documents) may be deemed by any Governmental Authority to be subject to regulation under the FPA or PUHCA (except as provided in Section 7.15) or treated as a public utility.

"**Applicable Third Party Permit**" means, at any time, any Permit that is necessary to have been obtained by such time by any Person (other than a Loan Party, a Portfolio Entity, the Lender or the Depositary) that is a party to a Portfolio Document or a Loan Document in order to perform such Person's obligations thereunder (other than Permits necessary to conduct its business generally and maintain its existence and good standing), or in order to consummate any transaction contemplated thereby, in each case in accordance with all applicable Legal Judgments.

"**Back-Up Servicer**" shall mean (i) with respect to each Cold Back-Up Lease Servicing Agreement and Warm Back-Up Lease Servicing Agreement, Great America, and its successors and assigns and (ii) with respect to the Cold Back-Up Maintenance Services Agreement and the Warm Back-Up Maintenance Services Agreement, Omnidian, and its successors and assigns, each as Back-Up Servicer.

"**Back-Up Servicing Agreement**" shall mean, as applicable (a) each Cold Back-Up Lease Servicing Agreement, (b) the Cold Back-Up Maintenance Services Agreement, (c) any Warm Back-Up Lease Servicing Agreement, (d) any Warm Back-Up Maintenance Services Agreement and (e) each replacement for such agreement entered into with a replacement back-up servicer in accordance with the terms and conditions hereof and the Portfolio Documents and in form and substance reasonably acceptable to the Lender.

"**Backup Trigger Date**" means the date on which any of the following shall have occurred:

(a) any one of the Backup Triggers listed in subsections (i), (ii) or (iii) of the definition of "Backup Triggers" has occurred and is continuing for two (2) or more fiscal quarters;

(b) two or more of the Backup Triggers listed in subsections (i), (ii) or (iii) of the definition of "Backup Triggers" have simultaneously occurred in any fiscal quarter; or

(c) the Backup Trigger listed in subsection (iv) of the definition of "Backup Triggers" has occurred.

"**Backup Triggers**" means that (i) Sponsor, on a consolidated basis, has unrestricted cash or cash equivalents, as defined in the applicable financial statements, of less than $100,000,000, (ii) Sponsor has drawn on more than eighty-five percent (85%) of the available commitments in aggregate under its revolving credit facilities, (iii) more than three percent (3%) of the Host Customers of all Projects are more than ninety (90) days delinquent in making full payment due under their respective Lease Agreement (which shall be calculated by dividing (A) the total contract balance remaining of all Projects in which a payment is more than ninety (90) days past due, by (B) the total contract balance remaining of all Projects; where contract balance remaining is a measure of original gross contract minus payments received) and (iv) with respect to Sponsor, an event in which Total S.A. ceases to possess directly or indirectly, legally or beneficially more than fifty point one percent (50.1%) of the voting power represented by the issued and outstanding capital stock of Sponsor as provided under that certain Affiliation Agreement, dated April 28, 2011, by and between Sponsor and Total Gas & Power USA, SAS, as amended to date.

"**Bankruptcy Event**" shall be deemed to occur, with respect to any Person, if (a) that Person shall commence any case, proceeding or other voluntary action seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, arrangement, adjustment, winding-up, reorganization, dissolution, composition under the Bankruptcy Law or other relief with respect to it or its debts; (b) such Person shall apply for, or consent or acquiesce to, the appointment of, a receiver, administrator, administrative receiver, liquidator, sequestrator, trustee or other official with similar powers for itself or any substantial part of its assets; (c) such Person shall make a general assignment for the benefit of its creditors; (d) an involuntary case shall be commenced seeking liquidation or reorganization of such Person under the Bankruptcy Law, or seeking issuance of a warrant of attachment, execution or distraint, or any similar proceedings shall be commenced against such Person under any other Applicable Law and (i) such Person consents to the institution of the involuntary case against it, (ii) the petition commencing the involuntary case is not timely controverted, (iii) the petition commencing the involuntary case is not dismissed within 45 days of its filing, (iv) an interim trustee is appointed to take possession of all or a portion of the property, and/or to operate all or any part of the business of such Person and such appointment is not vacated within 45 days, or (v) an order for relief shall have been issued or entered therein; or (e) a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, administrator, administrative receiver, liquidator, sequestrator, trustee or other official having similar powers, over such Person or all or a part of its property shall have been entered; or (f) any other similar relief shall be granted against such Person under any applicable Bankruptcy Law, or such Person shall file a petition or consent or shall otherwise institute any similar proceeding under any other Applicable Law, or shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in any of the acts set forth above in this definition; or (g) such Person shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due.

"**Bankruptcy Exclusion Event**" shall mean, at any time, satisfaction of each of the following requirements: (a) a replacement Lease Servicing Agreement and/or replacement Maintenance Services Agreement (as applicable) in form and substance and with a counterparty reasonably satisfactory to the Lender or a Warm Back-Up Servicing Agreement shall have been executed and delivered to the Lender within thirty (30) days of termination of the relevant agreement, (b) each Investor, lender and holder under the Portfolio Documents shall have provided its prior written consent to each of such replacement agreements pursuant to the applicable Portfolio Documents, but solely to the extent and only if such consent is required thereunder, and (c) there is no material adverse effect on (i) the operating cash flows of the applicable Project Company or (ii) cash available for distribution to the Borrower, in either case of clause (i) or (ii), greater than 1% for any fiscal quarter of Borrower as a result of such replacement agreements or substitute operation, maintenance and management of the Projects.

"**Bankruptcy Law**" means Title 11, United States Code, and any other existing or future law (or any successor law or statute) of any jurisdiction, domestic (including state and federal) or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship, moratorium or similar law for the relief of debtors.

"**Base Case Model**" means those projections of operating results for the Borrower and the Portfolio Entities over a period commencing on the Closing Date and ending on the Maturity Date, (a) showing at a minimum Borrower's reasonable good faith estimates, as of the Closing Date, of revenues of the Borrower and of each Project Company, operating expenses and scheduled debt service, and (b) otherwise in form and substance satisfactory to the Lender, which projections are contained in the files in the folder numbered "2.14.2.8" entitled "Base Case Model 1A.1B" in the data room entitled "Project Moby" maintained by the Sponsor and uploaded on November 27, 2018, and as further updated from time to time pursuant to Section 8.1.8(b).

"**Blackout Services Provider**" shall mean each Person that is or listed under the heading "Blackout Services Providers" or becomes a "Blackout Services Provider" pursuant to Schedule 1.

"**Borrower**" has the meaning ascribed to such term in the first paragraph hereof.

"**Borrower Security Agreement**" means that certain Borrower Pledge and Security Agreement, dated as of the Closing Date, by the Borrower in favor of the Lender in the form of Exhibit C.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in the States of California, Maryland, Minnesota or New York are authorized by law to close.

"**Buy-Out**" has the meaning set forth in Section 8.1.23.

"**Buy-Out Reserve Funds**" has the meaning set forth in Section 8.1.23(a).

"**Change of Control**" means any of the following: (i) SunStrong Capital Holdings ceases to directly own and control 100% of the economic and voting interest of Mezzanine 1A Borrower; (ii) Mezzanine 1A Borrower ceases to directly own and control 100% of the economic and voting interest of Pledgor; (iii) Pledgor ceases to directly own and control (A) 30% of the economic and voting interest of Securitization Depositor or (B) 100% of the economic and voting interest of Borrower; (iv) Borrower ceases to own and control 70% of the economic and voting interest of Securitization Depositor; (v) Securitization Depositor ceases to own and control 100% of the economic and voting interest of Securitization Issuer; (vi) Securitization Issuer ceases to own and control 100% of the economic and voting interest of each Managing Member; (vii) any Managing Member ceases to own and control, directly or indirectly, as applicable, at least the percentage of voting and economic interests of each other Portfolio Entity in the Portfolio Chain of such Managing Member as was owned by such Managing Member as of the Closing Date; provided that, with respect to any Portfolio Entity that is the subject of Tax Equity Documents, after the Tax Equity Buy-Out Date, the applicable Portfolio Entity that is the "Manager" of such Portfolio Entity shall own and control 100% of the economic and voting interest of such subject Portfolio Entity; (viii) Sponsor ceases to own and control, directly or indirectly, at least 50.1% of the economic and voting interest of Provider or any Services Provider; or (ix) Sponsor ceases to directly own and control 51% of the economic and voting interest of SunStrong Capital Holdings; provided however, that any direct or indirect transfer of the economic and/or voting interest in Provider, any Services Provider or SunStrong Capital Holdings to a Person that meets the Servicer Experience Test shall be deemed to not be a Change of Control for purposes of clause (viii) or (ix).

"**Closing Data Tape**" means the data file including all Projects and Leases as of August 30, 2018 (a) showing Host Customer address and FICO, Monthly Lease Payment, Remaining Contract Term, Placed in Service Date, System Size, System Production and percentage of customer savings and (b) otherwise in form and substance satisfactory to the Lender, which is contained in file number "2.14.2.3.1.8" entitled "SunStrong_ABS_Datatape_20180830" in the data room entitled "Project Moby" maintained by the Sponsor and uploaded on November 12, 2018.

"**Closing Date**" means the date that the conditions precedent provided in Section 6.1 are satisfied or waived by the Lender.

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

"**Cold Back-Up Lease Servicing Agreement**" means (a) that certain Amended and Restated Backup and Successor Servicing Agreement between SunPower Capital and Great America dated as of August 7, 2017 and (b) that certain Backup and Successor Servicing Agreement between SunPower Capital Services, LLC and Great America dated as of June 20, 2018, or any replacement thereof that may be entered into pursuant to the terms of the Support and Indemnification Agreement.

"**Cold Back-Up Maintenance Services Agreement**" means that certain Maintenance Services Agreement between SunPower Corporation, Systems and Omnidian dated as of October 1, 2016, or any replacement thereof that may be entered into pursuant to the terms of the Support and Indemnification Agreement.

"**Cold Back-Up Servicing Agreement**" means, as applicable, (a) the Cold Back-Up Lease Servicing Agreement and (b) the Cold Backup Maintenance Services Agreement.

"**Collateral**" means all Property described in any Security Document as security for any Obligations, and all other Property that now or hereafter secures (or is intended to secure) any Obligations pursuant to the terms of any Security Documents.

"**Commitment**" has the meaning ascribed to such term in Section 2.1.

"**Competitor**" means any Person directly or indirectly engaged in owning, managing, operating, maintaining or developing solar photovoltaic systems for use in residential applications; provided, that a Person who is involved in owning, managing, developing, maintaining or operating such facilities solely as a result of such Person, directly or through an Affiliate, making passive investments in such facilities shall not be considered a "Competitor" hereunder so long as such Person certifies in a manner reasonably acceptable to Borrower that it has in place procedures to prevent any Affiliate of such Person that is not a passive

owner, manager, operator, maintenance provider or developer from acquiring Confidential Information relating to its investment in the Projects.

"**Confidential Information**" means (a) with respect to Borrower, all information received by the Lender from any Loan Party relating to the Loan Parties, the Portfolio Entities or their business, other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by such Loan Party, and (b) with respect to the Lender, all information received by any Loan Party and the Portfolio Entities from the Lender relating to the Lender or its business, including information relating to fees, other than any such information that is available to such Loan Party on a nonconfidential basis prior to disclosure by the Lender.

"**Consolidated**" means the consolidation of accounts in accordance with GAAP.

"**Contingent Obligation**" means, as to any Person, any obligation, agreement, understanding or arrangement (including purchase or repurchase agreements, reimbursement agreements with respect to letters of credit or acceptances, indemnity arrangements, grants of collateral to support the obligations of another Person, keep-well agreements and take-or-pay or through-put arrangements) of such Person guaranteeing or intended to guarantee any indebtedness, leases, dividends or other obligations of any other Person in any manner, whether directly or indirectly; provided, that the term "Contingent Obligation" shall not include endorsements of instruments for deposit or collection in the ordinary course of business.

"**Control**" means the possession, directly or indirectly (either alone or pursuant to an arrangement with one or more other Persons), of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "Controlling" and "Controlled" shall have meanings correlative thereto.

"**Debt**" of any Person means, without duplication, (a) all obligations (including Contingent Obligations) of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable and other accrued expenses arising in the ordinary course of business which in accordance with GAAP would not be shown on the liability side of the balance sheet of such Person, (d) all obligations of such Person under leases which are or should be, in accordance with GAAP, recorded as capital leases in respect of which such Person is liable, (e) all obligations of such Person to purchase securities (or other property) which arise out of or in connection with the sale of the same or substantially similar securities (or property), (f) all deferred obligations of such Person to reimburse any bank or other Person in respect of amounts paid or advanced under a letter of credit or other instrument, (g) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit, (h) all Debt (as described in the preceding clauses) of others secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (i) all Debt (as described in the preceding clauses) of others guaranteed directly or indirectly by such Person or as to which such Person has an obligation which is substantially the economic equivalent of a guaranty, and (j) all net obligations of such Person in respect of any swap contract.

"**Debt Service**" with respect to any particular period of time, means the required payments of principal, fees and interest due and payable during such period of time pursuant to the terms of the Loan Documents.

"**Default**" means an event or condition that, with the lapse of time or giving of notice, would constitute an Event of Default.

"**Default Rate**" means two percent per annum in excess of the applicable amount set forth in Section 4.1.1.

"**Depositary**" means Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States, not in its individual capacity but solely as depositary and securities intermediary under the Depositary Agreement.

"**Depositary Agreement**" means the Depositary Agreement, dated as of the Closing Date, among Borrower, Lender and Depositary in the form of Exhibit F.

"**Discharge Date**" means the date when all outstanding Obligations under this Agreement (other than unasserted contingent payment obligations that by their nature expressly survive the termination of this Agreement) have been paid in full in cash.

"**Embargoed Person**" has the meaning ascribed to such term in Section 8.2.24(b).

"**Environmental Claims**" means any and all liabilities, losses, administrative, regulatory or judicial actions, suits, demands, decrees, claims, liens, judgments, notices of noncompliance or violation, investigations, proceedings, removal or remedial actions or orders, or damages (foreseeable and unforeseeable, including consequential and punitive damages), penalties, fees, out-of-pocket costs, expenses, disbursements or attorneys' or consultants' fees, relating in any way to (a) a violation or alleged violation of any Hazardous Substances Law or Permit issued under any Hazardous Substances Law, (b) a Release or threatened Release of Hazardous Substances, or (c) any legal or administrative proceedings relating to any of the above.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**ERISA Affiliate**" means any Person (whether or not incorporated) which is under common control with a Loan Party within the meaning of Section 4001(a) of ERISA or that is treated as a single employer together with Borrower under Section 414 of the Code.

"**ERISA Plan**" means any employee benefit plan (a) maintained by any Loan Party or any ERISA Affiliate, or to which any of them contributed, contributes, or is obligated to contribute for its employees or former employees, and (b) covered by Title IV of ERISA or to which Section 412 of the Code applies.

"**Event of Default**" has the meaning ascribed to such term in Section 10.1 hereof.

"**Excess Cash Flow**" has the meaning ascribed to such term in Section 9.2.2(b)(5)

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time, and any successor statute.

"**Executive Order**" has the meaning ascribed to such term in Section 7.25.1 hereof.

"**FERC**" means the Federal Energy Regulatory Commission and its successors.

"**FPA**" means the Federal Power Act, as amended, and FERC's implementing regulations promulgated thereunder.

"**Fundamental Representations and Warranties**" has the meaning ascribed to such term in ARTICLE VII.

"**GAAP**" means generally accepted accounting principles in effect in the United States from time to time.

"**Governmental Authority**" means any federal, state, local, foreign or other agency, authority, body, commission, court, instrumentality, political subdivision, central bank, or other entity or officer exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions for any governmental, judicial, investigative, regulatory or self-regulatory authority.

"**Governmental Judgment**" means with respect to any Person, any judgment, order, decision, or decree, or any action of a similar nature, of or by a Governmental Authority having jurisdiction over such Person or any of its properties.

"**Great America**" means GreatAmerica Portfolio Services Group, LLC, an Iowa limited liability company.

"**Hannon Armstrong Capital**" means Hannon Armstrong Capital, LLC, a Maryland limited liability company.

"**Hazardous Substances**" means any and all substances or materials (i) defined as "hazardous substances," "pollutants," "contaminants," "hazardous waste," "hazardous materials," "regulated substances," "hazardous chemical substance or mixture," "imminently hazardous chemical substance or mixture," "pesticide," "herbicide," "fungicide," "rodenticide," "source material," "special nuclear material," "by-product material," "residual radioactive material," "toxic materials," "harmful physical agents," "chemicals known to cause cancer or reproductive toxicity," "hazardous waste constituents," "toxic substances," or similar terms, as such terms are defined under applicable Hazardous Substances Laws, or (ii) any other substances regulated for the protection of human health, welfare or the environment under applicable Hazardous Substances Laws, and in each case, also as the same are defined in or regulated under any regulations promulgated pursuant to such Hazardous Substances Laws, including without limitation any petroleum product (including byproducts or breakdown products of petroleum products), asbestos-containing material, polychlorinated biphenyls or urea formaldehyde foam insulation.

"**Hazardous Substances Law**" means all Applicable Law regulating, relating to, or imposing liability or standards of conduct concerning pollution or protection of human health or the environment or which otherwise govern Hazardous Substances, as are now or may at any time hereafter be in effect.

"**Host Customer**" or "**Host Customers**" has the meaning ascribed to such term in the Recitals.

"**Indemnitee**" has the meaning ascribed to such term in Section 8.1.11(a).

"**Insolvency Proceeding**" means any case or proceeding commenced by or against a Person under any state, federal or foreign law for, or any agreement of such Person for, (a) the entry of an order or filing of a petition for relief under any Bankruptcy Law; (b) the appointment of a receiver, trustee, liquidator, administrator, conservator or other custodian for such Person or any part of its Property; (c) a general assignment for the benefit of creditors of such Person; (d) application or petition for dissolution of such Person (except in connection with the winding up of any tax equity investment); or (e) the sale or transfer of all or any material part of the assets of such Person or the cessation of the business of such Person as a going concern.

"**Insurance Consultant**" means Traxler & Tong, Inc.

"**Intellectual Property**" means all intellectual property of a Person, including inventions, designs, patents, copyrights, trademarks, service marks, trade names, trade secrets, confidential or proprietary information, customer lists, know-how, software and databases; all embodiments or fixations thereof and all related documentation, applications, registrations and franchises; all licenses or other rights to use any of the foregoing; and all books and records relating to the foregoing.

"**Interest Shortfall Amount**" has the meaning ascribed to such term in Section 4.1.4.

"**Investor**" means each Person listed under the heading "Investor" on Schedule 1 and any of its permitted successors and assigns under the applicable Project Company LLC Agreement (other than, for the avoidance of doubt, the applicable Portfolio Entity if such Portfolio Entity acquires the Class A Interests (under and as such term is defined in the applicable Project Company LLC Agreement)).

"**IRS**" means the Internal Revenue Service of the United States of America.

"**IRS Audit or Assessment**" means the following: (i) the initial notice that the ITCs claimed by the Project Company or its partners (for tax purposes) are being investigated or challenged by the IRS; (ii) the Project Company or its partners (for tax purposes) granting to the IRS a waiver or consent extending any statute of limitation for the assessment of any taxes in respect to a disallowance or recapture of the ITC; or (iii) a 30-day or 90-day letter in respect of the ITCs.

"**ITC**" means any investment tax credits available under Section 38 or Section 46 of the Code for property described in Section 48(a)(3)(A)(i) of the Code that are or were claimed by a Project Company or its partners (for federal income tax purposes) in respect of Projects owned by such Project Company.

"**JV LLCA**" means that certain Amended and Restated Limited Liability Company Operating Agreement of SunStrong Capital Holdings, dated as of November 5, 2018, by and between HA SunStrong Capital LLC, a Delaware limited liability company and Sponsor, as amended by the First Amendment to Amended and Restated Limited Liability Company Operating Agreement of SunStrong Capital Holdings, dated as of November 28, 2018.

"**Knowledge**" or words of similar import mean with respect to the Borrower or any Portfolio Entity, the actual knowledge of the persons from time to time holding the following offices or positions of the Borrower or any Portfolio Entity: Chief Executive Officer or President; Chief Financial Officer; and Vice President or other officer whose responsibilities include the management and operation of the Projects owned, directly or indirectly, by Borrower or such Portfolio Entity, (and, in the case of Knowledge when used in any representation and warranty in this Agreement, after making such degree of inquiry with respect to the applicable matter as would be reasonable and appropriate for such office or position); *provided* that with respect to any Host Customer, Loan Parties' or Portfolio Entities' "Knowledge" shall be limited to the representations and warranties made by such Host Customer under its Lease and without any obligation by such Loan Party or Portfolio Entity (or its employees, agents or Affiliates) to undertake any further inquiry or due diligence.

"**Lease**" or "**Leases**" has the meaning ascribed to such term in the Recitals.

"**Lease Certificate**" means a duly executed and completed certificate delivered to the Lender in the form of Exhibit I hereto for each Project Company.

"**Lease Servicing Agreement**" means each applicable Lease Servicing Agreement set forth on Schedule 1.

"**Legal Judgments**" means, as to any Person, the Organizational Documents of such Person, any requirement under any Governmental Judgment in each case applicable to or binding upon such Person or any of its properties or to which such Person or any of its property is subject.

"**Lender**" has the meaning ascribed to such term in the first paragraph of this Agreement.

"**Lien**" means a Person's interest in property securing an obligation owed to, or a claim by, such Person, including any lien, security interest, pledge, hypothecation, assignment, trust, reservation, encroachment, easement, right-of-way, lease, or other title exception or encumbrance.

"**Loan**" means the loan from the Lender to the Borrower made pursuant to this Agreement and the other Loan Documents, evidenced by the Note, and secured by the Security Documents. For purposes of clarity, the Loan shall include any interest thereon that has been paid in kind by capitalization to principal as provided herein.

"**Loan Documents**" means together, this Agreement, the Notes, the Security Documents, the Support and Indemnification Agreement and any loan or security agreements or letter agreement or similar document, now or hereafter entered into by Lender, on the one hand, and Borrower or one or more Loan Parties, on the other hand, and each other agreement, certificate (including any

Lease Certificate), document or instrument executed and delivered by a Loan Party or any Portfolio Entity, in each case, in connection with the transactions expressly contemplated by this Agreement, together with all exhibits, schedules, annexes and other attachments thereto, or which is stated therein to be a "Loan Document."

"**Loan Parties**" means the Borrower and the Pledgor.

"**Maintenance Services Agreement**" means each applicable Maintenance Services Agreement set forth on Schedule 1.

"**Major Project Documents**" means (a) each document, agreement or instrument listed on Schedule 1, (b) each Back-Up Servicing Agreement, (c) any guaranty agreements related to the foregoing executed by Persons in favor of any Portfolio Entity and (d) any replacements of the foregoing entered into in accordance with Section 8.2.12.

"**Major Project Participants**" means, without duplication, the Loan Parties, SunStrong Capital Holdings, Mezzanine 1A Borrower, the Portfolio Entities, the Provider, the Services Provider, the Sponsor, any other Person which provides any guaranty of any agreement which is a Major Project Document, and any counterparty to a replacement Major Project Document, including, for the avoidance of doubt, any replacement maintenance service provider appointed in accordance with the terms and conditions herein and in the applicable Back-Up Servicing Agreement.

"**Managing Member**" means each entity that is listed under the heading "Managing Member" on Schedule 1.

"**Mandatory Prepayment**" has the meaning set forth in Section 5.1.4.

"**Material Adverse Effect**" means the effect of any event or circumstance that, taken alone or in conjunction with other events or circumstances, has a material adverse effect (a)(i) on the business, operations, Properties, prospects or condition (financial or otherwise) of the Borrower or the Portfolio Entities, taken as a whole, (ii) on the value of the Collateral (directly or indirectly), taken as a whole; (iii) on the enforceability of any Loan Document; or (iv) on the validity or priority of Lender's Liens on any Collateral; (b) on the ability of a Loan Party to perform its obligations under the Loan Documents, including repayment of any Obligations; (c) on the ability of the Portfolio Entities (other than Minor Portfolio Entities) that are part of the same Portfolio Chain, taken as a whole, to perform their obligations under the Portfolio Documents, to which they are a respective party, including repayment of any obligations in respect of Debt thereunder or (d) on the ability of the Lender to enforce or collect on the Obligations or to realize upon the Collateral (taken as a whole).

"**Maturity Date**" means August 10, 2043.

"**Mezzanine 1 Loan Agreement**" has the meaning ascribed to such term in the recitals.

"**Mezzanine 1A Borrower**" has the meaning ascribed to such term in the recitals.

"**Mezzanine 1A Loan Agreement**" has the meaning ascribed to such term in the recitals.

"**Mezzanine 1A Loan Documents**" means the "Loan Documents" under and as such term is defined in the Mezzanine 1A Loan Agreement.

"**Minor Portfolio Entities**" means SWPR EW 2013-1, LLC, SPWR MS 2013-1, LLC, SunPower Access I, LLC and SunPower Residential III, LLC.

"**Moody's**" means Moody's Investor Service, or any successor entity.

"**Multiemployer Plan**" means a "multiemployer plan" (as such term is defined in Section 3(37) or 4001(a)(3) of ERISA) to which any Loan Party or any ERISA Affiliate contributes or is obligated to contribute for its employees or under which any Loan Party or any ERISA Affiliate has any material obligations.

"**Note**" means, individually and collectively, the promissory notes issued in connection with the Loan to the order of Lender, together with all extensions, renewals, modifications, increases, replacements and substitutions thereof in the form of Exhibit A attached hereto.

"**O&M Costs**" means, for any period, fees and expenses paid to (a) a Services Provider as payment of the "Maintenance Services Fee" (as such term is defined in each Maintenance Services Agreement), or any other maintenance fees paid to a maintenance provider to the Projects pursuant to a replacement maintenance agreement entered into in accordance with Section 8.2.12, (b) a Services Provider as payment of the "Lease Services Fee" (as such term is defined in each Lease Servicing Agreement), or any other lease servicing fees paid to a lease servicer for the Projects pursuant to a replacement lease servicing agreement entered into in accordance with Section 8.2.12, (c) any third party service provider as payment for "accounting expenses" included in the Annual Operating Budget and (d) counterparties pursuant to Other Contracts.

"**Obligations**" means all (a) principal of and premium, if any, on the Loan (including any interest that has been capitalized and added to the principal of the Loan pursuant to the terms hereof), (b) interest, expenses, fees, indemnification obligations, extraordinary expenses, and other amounts payable by any Loan Party under Loan Documents and (c) other debts, obligations and liabilities of any kind owing by any Loan Party pursuant to the Loan Documents, whether now existing or hereafter arising, whether evidenced by a note or other writing, whether allowed in any Insolvency Proceeding, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, and whether direct or indirect, absolute or contingent, due or to become due, primary or secondary, or joint or several.

"**OFAC**" means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

"**Omnidian**" means Omnidian, Inc., a Delaware corporation (formally known as PeGu, Inc.).

"**Operative Documents**" means, collectively, the Loan Documents, the Portfolio Documents and the Major Project Documents.

"**Organizational Documents**" means, collectively, with respect to a corporation, the Articles of Incorporation, Certificate of Incorporation or other similar such document and the By-Laws each as amended from time to time, for such corporation, and with respect to a limited liability company, the Articles of Organization, Certificate of Organization or other similar such document, and the Operating Agreement or other similar such agreement among the members, each as amended from time to time, for such limited liability company.

"**Original Closing Date**" has the meaning ascribed to such term in the Mezzanine 1A Loan Agreement.

"**Original Co-Owner**" means an "original co-owner" as defined in and under Section 64(d) of the California Revenue and Taxation Code.

"**Original Reorganization**" means those certain assignments and transfers prior to the Closing Date by SunPower Capital of (a) certain of the Portfolio Pledgors owned by SunPower Capital to Borrower, (b) certain of the Portfolio Entities (other than Portfolio Pledgors) directly owned by SunPower Capital to the Portfolio Pledgors formed by Borrower, in each case, pursuant to the Original Reorganization Documents and (c) certain Projects and associated Leases and other assets owned directly by SunPower Capital to SunPower Residential III,LLC.

"**Original Reorganization Documents**" means each of (a) that certain Master Agreement to Transfer Ownership Interests, dated as of August 10, 2018, by and among SunPower Capital, Borrower, SCA Holdings III, LLC, SCA Holdings IV, LLC, SCA Holdings V, LLC, SCA Holdings VI, LLC, SCA Holdings VII, LLC, SCA Holdings VIII, LLC, SCA Holdings IX, LLC and SunPower Residential II, LLC, (b) that certain Assignment, Assumption and Transfer Agreement, effective as of July 24, 2018, by and between SunPower Capital and SunPower Residential III, LLC and (c) the USB V Transfer Agreement (as such term is defined in the Mezzanine 1 Loan Agreement).

"**Other Contracts**" means (a) contracts and agreements of a Project Company that do not entail the payment by a Project Company of more than $150,000 (individually or in the aggregate) per year (which amount shall be adjusted annually on the anniversary of the Closing Date commencing in 2019 by the percentage increase in the Consumer Price Index (Midwest Urban; All items; 1982 84=100) published by the Bureau of Labor Statistics, U.S. Department of Labor from the prior year) so long as such contracts or agreements are entered into in the ordinary course of business of such Project Company and are substantially related to the ownership, operation or maintenance of the Projects owned by such Project Company, and (b) the settlement of Lease obligations of such Project Company in the ordinary course of business.

"**Payment Date**" has the meaning ascribed to such term in Section 4.1.3.

"**PBGC**" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"**PeGu Funding Amount**" means, at any time, the PeGu Reserve Required Amount for such time.

"**PeGu Payments**" has the meaning ascribed to such term in Section 9.3.3(a).

"**PeGu Reserve Account**" has the meaning ascribed to such term in Section 1.1 of the Depositary Agreement.

"**PeGu Reserve Required Amount**" means, at any time, the amount set forth for such time on Schedule 1(b).

"**Performance Guarantees**" means any performance guarantees given by Provider in respect of Leases together with any successor agreement that imposes on the obligor obligations similar to those imposed on Provider under the performance guarantees in place on the Closing Date.

"**Permit**" means any approval, consent, waiver, exemption, variance, franchise, order, permit, authorization, right or license of or from a Governmental Authority.

"**Permitted Debt**" means (a) Debt incurred under the Loan Documents, (b) Debt under the ABS Transaction Documents, (c) Debt under the Mezzanine 1A Loan Documents, (d) trade or other similar Debt incurred in the ordinary course of business (but not for borrowed money), either not more than 90 days past due or being contested in good faith, (e) the following contingent liabilities, to the extent otherwise constituting Debt: (i) the acquisition of goods, supplies or merchandise in the normal course of business or normal trade credit, (ii) the endorsement of negotiable instruments received in the normal course of its business, and (iii) contingent liabilities incurred with respect to any Applicable Permit or Operative Document, (f) Debt of a Project Company (other than SunPower Residential II, LLC) permitted under the applicable Project Company LLC Agreement so long as such is subordinated to the payment full the Obligations on terms and conditions satisfactory to Lender and that is not secured by any Lien ("Subordinated Debt"), and (g) to the extent constituting Debt, obligations of any Portfolio Entity under the Project Company LLC Agreement of the Project Company in the same Portfolio Chain as such Portfolio Entity.

"**Permitted Investments**" means "Permitted Investments" as such term is defined in the Depositary Agreement.

"**Permitted Liens**" means (a) the rights and interests of the Lender as provided in the Loan Documents; (b) Liens created by the ABS Entities under the ABS Transaction Documents; (c) statutory Liens for any current tax, assessment or other governmental charge not yet due and payable, and Liens for taxes, assessments or governmental charges being contested in accordance with the requirements of Section 8.1.16; (d) materialmen's, mechanics', workers', repairmen's, employees' or other like Liens, arising in the ordinary course of business or in connection with the construction, operation or maintenance of each Project, either for amounts not yet due or for amounts being contested in good faith and by appropriate proceedings, so long as (i) such proceedings shall not involve any substantial danger of the sale, forfeiture or loss of more than 5% of the Projects owned by any Project Company, title thereto or any interest therein and shall not interfere in any material respect with the use or disposition of more than 5% of the Projects owned by any Project Company, (ii) a bond or other security reasonably acceptable to Lender has been posted or provided in such manner and amount as to assure Lender that any amounts determined to be due will be promptly paid in full when such contest is determined, or (iii) appropriate cash reserves have been made in accordance with GAAP; (e) Liens arising out of judgments or awards so long as an appeal or proceeding for review is being prosecuted in good faith and for the payment of which appropriate reserves have been made in accordance with GAAP, bonds or other security reasonably acceptable to Lender have been provided or are fully covered by insurance; (f) an Investor's rights to purchase the membership interests of the applicable Project Company or Desert Sunburst, LLC pursuant to the applicable Project Company LLC Agreement; (g) a Host Customer's rights to purchase a Project pursuant to the terms of the applicable Lease, and (h) equity encumbrances on the Project Companies comprised of restrictions on transfer of ownership imposed by applicable securities law or any Portfolio Documents.

"**Person**" means any individual, corporation, partnership, joint venture, association, trust, government or political subdivision or an agency or instrumentality thereof, or other entity or organization.

"**PIK Certificate**" means a certificate, substantially in the form of Exhibit B attached hereto, delivered by a Responsible Person of the Borrower with respect to any PIK Requirement pursuant to Section 4.1.4.

"**PIK Requirement**" has the meaning ascribed to such term in Section 4.1.4.

"**Placed In Service**" means that all of the following events have occurred with respect to a Project: (a) a Project has been installed and tested and shown capable of operating in a reliable and continuous manner for its intended purpose and (b) all licenses and Permits required to operate the Project (including authority form the local utility to commence parallel operation) and to put the Project to its intended use of leasing the Project to a Host Customer have been obtained.

"**Pledgor**" means SunStrong 2018-1 Holdings, LLC, a Delaware limited liability company.

"**Pledgor Security Agreement**" means that certain Pledge and Security Agreement, dated as of the Closing Date, by the Pledgor in favor of the Lender in the form of Exhibit E.

"**Portfolio Chain**" means, with respect to each Managing Member, the collective reference to such Managing Member and each other Person that is a Subsidiary of such Managing Member.

"**Portfolio Documents**" means, collectively, (i) the Tax Equity Documents and (ii) any ABS Transaction Documents.

"**Portfolio Entity**" means, individually and collectively, each ABS Entity, each Managing Member, each Project Company and each other Person that is listed under the heading "Portfolio Entity" on Schedule 1 or who may become a Portfolio Entity pursuant to the terms of this Agreement.

"**Portfolio Entity Account**" means each Deposit account or Securities account (each as defined in the UCC) owned by a Portfolio Entity and listed under the heading "Portfolio Entity Account" on Schedule 1.

"**Portfolio Pledgor**" has the meaning set forth in the Mezzanine 1 Loan Agreement.

"**Production Guarantee**" or "**Production Guarantees**" has the meaning ascribed to such term in the Recitals.

"**Project**" or "**Projects**" has the meaning ascribed to such term in the recitals hereof.

"**Project Company**" has the meaning ascribed to such term in the Recitals.

"**Project Company LLC Agreement**" means each limited liability company agreement or operating agreement listed under the heading "Project Company LLC Agreement" on Schedule 1.

"**Project Company LLC Agreement Guaranty**" means each guaranty listed under the heading "Project Company LLC Agreement Guaranty" on Schedule 1.

"**Property**" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"**Provider**" means SunPower Corporation, Systems, a Delaware corporation.

"**Prudent Industry Practices**" means those practices, methods, equipment, specifications and standards of safety and performance, as the same may change from time to time, as are commonly used by solar photovoltaic projects and of a type and size similar to each Project as good, safe and prudent engineering practices in connection with the design, construction, operation, maintenance, repair and use of electrical and other equipment, facilities and improvements of such electrical station, with commensurate standards of safety, performance, dependability, efficiency and economy. "Prudent Industry Practices" are not intended to be limited to optimum practices, methods or acts to the exclusion of all others and does not necessarily mean one particular practice, method, equipment specification or standard in all cases, but is instead intended to encompass a broad range of acceptable practices, methods, equipment specifications and standards.

"**PUHCA**" means the Public Utility Holding Company Act of 2005 (42 U.S.C. §§ 16451-16463), and FERC's implementing regulations promulgated thereunder at 18 C.F.R. Part 366.

"**Purchase Agreement**" means, with respect to each Project Company, the agreement listed under the heading "Purchase Agreement" on Schedule 1 and pursuant to which such Project Company is a party.

"**PURPA**" means the Public Utility Regulatory Policies Act of 1978, as amended and FERC's implementing regulations promulgated thereunder at 18 C.F. R. Part 292.

"QF" means a "qualifying facility" within the meaning of PURPA.

"**Related Parties**" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates; provided that no Loan Party nor any Portfolio Entity will be treated as a Related Party of the Lender.

"**Release**" means disposing, discharging, injecting, spilling, leaking, leaching, dumping, pumping, pouring, emitting, escaping or emptying into the environment.

"**Reportable Event**" means any of the events set forth in Section 4043(b) or (c) of ERISA for which notice to the PBGC has not been waived.

"**Responsible Person**" shall mean, as to any Person, the chief executive officer or, with respect to financial matters, the chief financial officer of such Person, any other individual designated as a "Responsible Person" from time to time by such Person's board of directors or, in the event any such officer is unavailable at any time he or she is required to take any action hereunder, any officer authorized to act on such officer's behalf as demonstrated by a certificate of corporate resolution (or equivalent); provided that the Lender is notified in writing of the identity of such Responsible Person; provided, further that, with respect to any Person that is managed by a sole member, managing member or general partner or other Person and does not have officers or other natural persons that would otherwise constitute a "Responsible Person," any Responsible Person of the sole member, managing member or general partner of such Person shall be deemed to be a Responsible Person of such Person.

"**Repayment Account**" has the meaning ascribed to such term in Section 1.1 of the Depositary Agreement.

"**Restricted Payment**" has the meaning ascribed to such term in Section 8.2.6.

"**Revenue Account**" has the meaning ascribed to such term in Section 1.1 of the Depositary Agreement.

"**Revenues**" means all cash distributions to Borrower other than the proceeds of the ABS Transaction and releases of reserves (and interest accruing thereon) and amounts received in connection with the termination of interest rate swap agreements, in each case as reflected on the funds flow in connection with the Closing Date.

"**S&P**" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or any successor entity.

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

"**Securitization Depositor**" means SunStrong 2018-1 Depositor, LLC, a Delaware limited liability company.

"**Securitization Issuer**" means SunStrong 2018-1 Issuer, LLC, a Delaware limited liability company.

"**Securitization Reorganization**" means (a) the merger of the Portfolio Pledgors with and into the Managing Members and (b) those certain assignments and transfers prior to the Closing Date by Mezzanine 1A Borrower of the equity interests of the Managing Members to Securitization Issuer (other than the equity interests of SunPower Residential III, LLC, which shall be transferred to SunPower Residential III Holdings, LLC) pursuant to the Securitization Reorganization Documents.

"**Securitization Reorganization Documents**" means that certain Master Agreement to Transfer Ownership Interests, dated as of November 28, 2018, by and among Mezzanine 1A Borrower, Pledgor, Borrower, Securitization Depositor, Securitization Issuer and SunPower Residential III Holdings, LLC, as acknowledged and agreed by SCA Holdings II, LLC, SCA Holdings III, LLC, SCA Holdings IV, LLC, SCA Holdings V, LLC, SCA Holdings VI, LLC, SCA Holdings VII, LLC, SCA Holdings VIII, LLC, SCA Holdings IX, LLC, Meridian Solar Program, LLC, Naidirem Holdings, LLC, Malina Holdings, LLC, SunFront I, LLC, Sahara Solar Investment, LLC, SunPower Residential III, LLC and SunPower Access Holding, LLC, and the merger documents described therein.

"**Security Documents**" means the Borrower Security Agreement, the Pledgor Security Agreement, the Depositary Agreement, any financing statement or similar document and all other documents, instruments and agreements now or hereafter securing (or given with the intent to secure) any Obligations.

"**Servicer Experience Test**" means any replacement Services Provider under a Maintenance Services Agreement or Lease Servicing Agreement which satisfies each of the following requirements: (i) such Maintenance Services Agreement or Lease Servicing Agreement includes provisions which provide the applicable Loan Party the right to terminate such agreement for convenience in accordance with its terms and (ii) such replacement Services Provider is a United States Person (or an Affiliate organized in the United States of a United States Person) that (a) has owned and operated for a period of at least three (3) years, and at the time of such proposed transfer continues to own and operate, residential solar power generation facilities with an aggregate electricity output of at least two hundred fifty (250) megawatts in the United States and is recognized nationally or internationally in the solar industry as having substantial experience managing, developing and operating residential solar photovoltaic energy facilities; provided that, any Person who, directly or through its Affiliates, succeeds to, or acquires all or substantially all of Sponsor's solar residential development business and, immediately following such transaction, employs substantially the same Persons to perform the services to be provided under the applicable Maintenance Services Agreement or Lease Servicing Agreement as the predecessor Services Provider employed immediately prior to such transaction shall be deemed to meet the requirements of this clause (a), (b) has (i) (or is an Affiliate of a Person that has) (x) a tangible net worth of $500,000,000 or higher determined in accordance with GAAP or (y) a credit rating of "BBB" or higher by S&P and "Baa2" or higher by Moody's and (ii) provided to the Lender at least five (5) Business Days prior to such succession or acquisition such information as is necessary to ensure compliance with Section 8.2.23 and 8.2.24 and as may be requested by the Lender with respect to Section 6.1.22 as if Section 6.1.22 were required to be satisfied as a condition to such succession or acquisition, and (c) such replacement Services Provider is not a Blackout Services Provider.

"**Servicer Termination Event**" shall mean:

(a) failure by the Services Provider to make any payment, transfer or deposit required to be made under terms of the Maintenance Services Agreement or the Lease Servicing Agreement, as applicable, within ten (10) Business Days of the date required or any applicable cure period;

(b) an event of default (howsoever described) or right or cause to remove the applicable Services Provider arises and continues past any applicable cure period under the Maintenance Services Agreement or the Lease Servicing Agreement, respectively;

(c) an event described in Section 10.1.2 occurs with respect to any Services Provider;

(d) any (i) representation or warranty made by the Services Provider in the applicable Maintenance Services Agreement or Lease Servicing Agreement, or any financial statement or certificate, report or other writing furnished pursuant thereto, or (ii) certificate, report, any financial statement or other writing made or prepared by, under the control of or on behalf of the Services Provider shall prove to have been untrue or misleading in any material respect as of the date made; provided, however, that if any

such misstatement is capable of being remedied and has not caused a Material Adverse Effect, the applicable Services Provider may correct such misstatement by curing such misstatement (or the effect thereof) and delivering a written correction of such misstatement, in a form and substance reasonably satisfactory to the Lender, within thirty (30) days of (x) obtaining Knowledge of such misstatement or (y) receipt of written notice from a Loan Party of such default;

(e) a Services Provider ceases to respectively be in the business of providing services comparable to those contemplated by Maintenance Service Agreement or the Lease Servicing Agreement, as applicable;

(f) at all times that the Sponsor or an Affiliate (including SunPower Capital) is a Services Provider, an Event of Default shall have occurred and is continuing; or

(g) termination of the Maintenance Services Agreement or Lease Servicing Agreement by a Portfolio Entity other than at its normal expiry date in accordance with its terms.

"**Services Provider**" means each party to Lease Servicing Agreement or Maintenance Services Agreement other than a Project Company.

"**Solvent**" means, with respect to any Person, that as of the date of determination both (i) (a) the sum of such Person's debt (including contingent liabilities) does not exceed all of its property, at a fair valuation; (b) the Person is able to pay the probable liabilities on such Person's then existing debts as they become absolute and matured (taking into account the timing and amounts of cash to be received by such Person and the amounts to be payable on or in respect of obligations of such Person); (c) such Person's capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction; and (d) such Person does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due (taking into account the timing and amounts of cash to be received by such Person and the amounts to be payable on or in respect of obligations of such Person); and (ii) such Person is "solvent" within the meaning given that term and similar terms under Applicable Laws relating to fraudulent transfers and conveyances. 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 (discounted to present value at rates believed to be reasonable by such Person acting in good faith).

"**Specified Equity Remedy**" means the exercise of any remedy under or in connection with the Loan Documents whereby the Lender asserts or obtains ownership of, voting control over or the ability to direct the management or policies of the Borrower or any Portfolio Entity, whether via control over equity interests of any such Person, appointment or direction of officers for any such Person, direction of a Services Provider for any such Person or otherwise.

"**Sponsor**" means SunPower Corporation, a Delaware corporation

"**Subject Claim**" has the meaning ascribed to such term in Section 8.1.11(a)(i).

"**Subsidiaries**" means with respect to any Person, a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower.

"**Subordinated Debt**" has the meaning ascribed to such term in the definition of Permitted Debt.

"**SunPower Affiliate**" means the Sponsor and any Affiliate of the Sponsor other than any Loan Party or any Portfolio Entity.

"**SunPower Capital**" means SunPower Capital, LLC, a Delaware limited liability company.

"**SunStrong Capital Holdings**" means SunStrong Capital Holdings, LLC, a Delaware limited liability company.

"**Support and Indemnification Agreement**" means the Amended and Restated Support and Indemnification Agreement, dated as of the Closing Date, between Sponsor and Hannon Armstrong Capital.

"**System Transition Readiness Plan**" has the meaning ascribed to such term in Section 8.1.20.

"**Tax Equity Buy-Out Date**" means the date that an Investor no longer holds any equity interests in the applicable Project Company or Desert Sunburst, LLC, whether as a result of the exercise of a Portfolio Entity's call option in the applicable Project Company LLC Agreement or otherwise.

"**Tax Equity Document**" means (a) each Project Company LLC Agreement, (b) each Project Company LLC Agreement Guaranty and (c) each Purchase Agreement.

"**UCC**" means the Uniform Commercial Code as in effect in the State of California or, when the laws of any other jurisdiction govern the perfection or enforcement of any Lien, the Uniform Commercial Code of such jurisdiction.

"**Warm Back-Up Lease Servicing Agreement**" means an agreement to be entered into with a Back-Up Servicer pursuant to the Cold Back-Up Lease Servicing Agreement following the Backup Trigger Date for the performance of lease servicing upon the occurrence of certain contingencies set forth therein and other matters ancillary thereto.

"**Warm Back-Up Maintenance Services Agreement**" means an agreement to be entered into with a Back-Up Servicer pursuant to the Cold Back-Up Maintenance Services Agreement following the Backup Trigger Date for the performance system maintenance upon the occurrence of certain contingencies set forth therein and other matters ancillary thereto.

"**Warm Back-Up Servicing Agreement**" means, as applicable (a) the Warm Back-Up Lease Servicing Agreement and (b) the Warm Back-Up Maintenance Services Agreement.

Section 1.2 **RULES OF CONSTRUCTION**. Unless the context otherwise requires, (a) the singular of each term used in this Agreement includes the plural and the plural of each such term includes the singular, (b) the terms "Article" and "Section" refer to an article or section of this Agreement and the terms "Exhibit" and "Schedule" refer to an exhibit or schedule to this Agreement, (c) the symbol "$" refers to United States dollars or such coin or currency as at the time of payment is legal tender for the payment of public and private debts in the United States of America, (d) the words "will" and "shall" will be construed to have the same meaning and effect, (e) references to agreements or other contractual obligations shall, unless otherwise specified, be deemed to refer to such agreements or contractual obligations as amended, supplemented, restated or otherwise modified from time to time (subject to any applicable restrictions in the Loan Documents) and (f) with respect to any reference to a Project or Projects or Portfolio Documents, such reference shall refer to such Project, documents or agreements that relates to the applicable Project Company or other Portfolio Entity in the same Portfolio Chain as such Project Company.

Section 1.3 **ACCOUNTING TERMS; GAAP**. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time and as applied by the accounting entity to which they refer; provided, that if Borrower notifies the Lender that 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 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.

ARTICLE II
THE LOAN

Section 2.1 **THE LOAN**. On the Closing Date, Lender agrees to make a single advance (an "Advance") to Borrower in an aggregate principal amount up to, but not in excess of, eighty million three hundred eighty five thousand dollars ($80,385,000.00) (the "Commitment"); provided that the conditions set forth in Article VI have been satisfied or waived by the Lender in accordance with the terms of this Agreement as of such date. The Commitment shall be cancelled in accordance with Section 2.4.

Section 2.2 **NOTE**. The Loan made by the Lender shall initially be evidenced by a Note and shall be due and payable in accordance with this Agreement. The Loan and interest accruing thereon shall be evidenced by the accounts and records of the Lender, which accounts and records shall be conclusive, absent manifest error.

Section 2.3 **USE OF PROCEEDS**. The Borrower may use the proceeds of the Loan, which shall be a deemed advance or drawing under this Agreement, only for the purposes of prepaying the Loan under and as defined in the Mezzanine 1A Loan Agreement and as a distribution to SunStrong Capital Holdings and its equity owners in accordance with the Mezzanine 1A Loan Agreement and Section 4.2 of the JV LLCA.

Section 2.4 **REDUCTION AND CANCELLATION OF COMMITMENTS**. The Commitment of the Lender to advance the Loan shall permanently be cancelled (a) in an amount equal to the Advance of the Loan immediately upon the Advance of the Loan, and (b) with respect to any portion of the Commitment that has not been drawn by the Borrower pursuant to the Advance, immediately after the making of the Advance on the Closing Date. Any such reduction of the Commitment shall be permanent.

ARTICLE III
COLLATERAL AND GUARANTIES

Section 3.1 **COLLATERAL GENERALLY**. The Lender made the Loan to the Borrower subject to the Loan Parties granting the Lender a prior, first, and superior continuing, and continuous security interest in the Collateral (subject to Permitted Liens), which Collateral shall constitute security and collateral for all of the indebtedness of the Loan Parties to the Lender, including all of the indebtedness incurred pursuant to this Agreement and the other Loan Documents, and more fully evidenced by the Security Documents. The Lender has agreed to enter into this Agreement subject to, among other things, the Loan Parties' execution and delivery of the Security Documents.

ARTICLE IV
INTEREST, FEES AND CHARGES

Section 4.1 **INTEREST.**

4.1.1 The Loan shall bear interest on the unpaid principal amount thereof from the date made through repayment (whether by acceleration or otherwise) thereof payable on each Payment Date at a rate of interest equal to 12.0% per annum. In computing interest on the Loan, the Closing Date or the last Payment Date shall be included (as applicable), and the date of payment shall be excluded.

4.1.2 If an Event of Default has occurred and is continuing, if the Lender in its sole discretion so elects, Obligations, including any interest payments on the Loan and any fees or other amounts outstanding hereunder, shall bear interest (including post-petition interest in any proceeding under the Bankruptcy Code or other Applicable Laws) at a rate in lieu of the rate otherwise payable hereunder, equal to the Default Rate, payable on demand to the Lender. The Borrower acknowledges that the cost and expense to Lender due to an Event of Default are difficult to ascertain and that the Default Rate is fair and reasonable compensation for this.

4.1.3 Interest shall accrue from the date the applicable Obligation is incurred or payable, as applicable, until such Obligation is paid in full by Borrower. Subject to Section 4.1.4, interest accrued on the Loan shall be due and payable by the Borrower, (a) on the last Business Day of each February, May, August and November during the term hereof (each, a "Payment Date") beginning on February 28, 2019; (b) on any date of prepayment, with respect to the principal amount of the Loan being prepaid; and (c) on the Maturity Date. All computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed. Notwithstanding the forgoing, interest accrued at the Default Rate shall be due and payable on demand.

4.1.4 If, as of any Payment Date, Borrower does not have sufficient funds available to it to pay accrued and unpaid interest that is payable on such Payment Date (any such amount for which the Borrower does not have sufficient funds, an "Interest Shortfall Amount"), Borrower shall, pursuant to a PIK Certificate delivered by Borrower to the Lender at least five (5) Business Days prior to such Payment Date, notify Lender that such accrued and unpaid interest in an amount equal to the Interest Shortfall Amount applicable for such Payment Date shall be capitalized on such Payment Date and added to the outstanding principal amount of the Loan (each such capitalization, a "PIK Requirement"); provided that, at any time in which any Event of Default has occurred and is continuing, no accrued and unpaid interest shall be capitalized and added to the outstanding principal balance of the Loan pursuant to this Section 4.1.4.

Section 4.2 **FEES**.

4.2.1 Fees Generally. Borrower shall pay the third-party fees, costs, and expenses of the Lender reasonably incurred in connection with monitoring and maintaining the Loan and the Collateral, on a timely basis. These expenses include, but are not limited to, reasonable and documented attorneys' fees and all necessary recording and transfer fees, costs and expenses incurred after the Closing Date. In addition to the foregoing, the Borrower shall also pay the reasonable and documented third-party expenses and reasonable and documented legal fees of the Lender actually incurred in connection with the maintenance and administration of this Agreement and the other Loan Documents and all amendments or modifications thereto from time to time requested by Borrower, in each case, that are incurred after the Closing Date.

ARTICLE V
PAYMENTS

Section 5.1 **GENERAL PAYMENT PROVISIONS.**

5.1.1 General. All payments to be made by the Borrower shall be made free and clear of and without condition or deduction for any counterclaim, withholding, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Lender. All payments received by the Lender after 1:00 p.m. (Washington, D.C. time) shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue until such payment is deemed received. Payments received by Lender prior to 1:00 p.m. (Washington, D.C. time) shall be deemed received on that date and applied promptly. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be due, payable and made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be. The Lender will cooperate with the Borrower to avoid withholding by providing properly executed forms or filings reasonably requested by Borrower on a timely basis.

5.1.2 Payments Accompanied by Interest. All payments in respect of the principal amount of the Loan shall be accompanied by payment of accrued interest on the principal amount being repaid or prepaid, and all such payments (and, in any event, subject to Section 4.1.4, any payments in respect of the Loan on a date when interest is due and payable with respect to the Loan) shall be applied to the payment of interest then due and payable (or in the case of any Mandatory Prepayments or optional prepayments made in accordance with this Agreement, accrued and outstanding) before application to principal; provided that, in the case of any Mandatory Prepayment pursuant to Section 5.1.4(f) any accrued and outstanding interest in respect of the principal amount of the Loan required to be so prepaid shall be capitalized to principal of the Loan as of the date of such Mandatory Prepayment.

5.1.3 Repayment of Loan. The principal amount of the Loan shall be repaid as follows: (i) on each Payment Date, in accordance with Section 5.1.4(a), and (ii) any remaining amount as well as all other amounts due and payable under the Loan Documents shall be due and payable on the Maturity Date, in each case unless payment is sooner required or accelerated pursuant to this Agreement in which case all Obligations shall be due and payable on such sooner or accelerated date.

5.1.4 Mandatory Prepayments. The Borrower shall prepay the Loan together with any interest accrued and outstanding in respect thereof in accordance with Section 5.1.2 (each of the following, a "Mandatory Prepayment"):

(a) *Excess Cash Flow*. On each Payment Date, with all Excess Cash Flow as of such Payment Date.

(b) [*Reserved*]

(c) *Issuance of Debt*. On the date of receipt by Borrower or Project Company of any cash proceeds from incurrence of any Debt of Borrower or Project Company (other than Permitted Debt), in an aggregate amount equal to 100% of such proceeds; provided that the principal and interest prepayments required under this Section 5.1.4(c) shall be made solely from, and to the extent of funds available to the Borrower from the event giving rise to the applicable Mandatory Prepayment.

(d) *PeGu Reserve Excess Amounts*. On the last Payment Date of 2020 and each second calendar year thereafter, the amount required to be applied to the prepayment of the Loan pursuant to Section 9.3.3(b), if any.

(e) *Support and Indemnification Agreement Indemnities and Section 10.1.10*. On the date of receipt by Lender, all amounts paid by Sponsor pursuant to Section 3.1 or 3.3(a) of the Support and Indemnification Agreement and those amounts required to be paid in prepayment of the Loan pursuant to Section 10.1.10(a)(ii); provided that the principal and interest prepayments required under this Section 5.1.4(e) shall be made solely from, and to the extent of funds available to the Borrower from the event giving rise to the applicable Mandatory Prepayment.

ARTICLE VI
CONDITIONS PRECEDENT

Section 6.1 **CONDITIONS TO THE CLOSING**. The closing and effectiveness of this Agreement is subject to the determination by Lender that the following conditions precedent have been satisfied or waived by the Lender (the date such conditions precedent are so satisfied or waived being referred to as the "Closing Date"):

6.1.1 Resolutions. Delivery to Lender of a copy of one or more resolutions or other authorizations, in form and substance reasonably satisfactory to Lender, of each of the Sponsor, the Pledgor, and Borrower certified as of the Closing Date by a Responsible Person of such Person as being true, complete, in full force and effect on the Closing Date and not amended, modified, revoked or rescinded, authorizing, as applicable and among other things, the Securitization Reorganization and the obligations of Sponsor under the Support and Indemnification Agreement, and the execution, delivery and performance of this Agreement, the other Loan Documents and any instruments or agreements required hereunder or thereunder to which such Person is a party.

6.1.2 Incumbency. Delivery to Lender of a certificate, in form and substance reasonably satisfactory to Lender, from Sponsor, the Pledgor, and Borrower signed by the appropriate authorized officer or manager of each such Person and dated a date reasonably close to the Closing Date, as to the incumbency and specimen signature of each natural Person authorized to execute and deliver this Agreement, the other Loan Documents and any instruments or agreements required hereunder or thereunder to which such Person is a party, including those certificates to be delivered by such Person pursuant to this Article VI.

6.1.3 Organizational Documents. Delivery to Lender, in each case certified by a Responsible Person of Sponsor, the Pledgor or Borrower, as applicable, as being true, correct and complete on the Closing Date, of (a) copies of the certificate of formation, charter or other state certified constituent documents of each of Sponsor, the Pledgor, and Borrower, certified as of a date reasonably close to the Closing Date by the secretary of state of such Loan Party's or Sponsor's, as applicable, state of organization, and (b) copies of the bylaws, limited liability company operating agreement, partnership agreement or other comparable operating documents, if applicable, of each Loan Party and Sponsor.

6.1.4 Good Standing Certificates. Delivery to Lender of certificates (in so-called "long-form" if available) issued by the secretary of state of the state in which Sponsor, the Pledgor and Borrower is formed or incorporated, as applicable.

6.1.5 Third Party Approvals**.** Lender shall have received all information and copies of all documents and copies of any approval by any Person (including any Governmental Authority) required in connection with any transaction contemplated in any Loan Document each of which are listed on Schedule 6.1.5.

6.1.6 Loan Documents. Delivery to Lender of (a) originals of each Loan Document other than any expressly contemplated hereby to be executed and delivered after the Closing Date, all of which shall (i) have been duly authorized, executed and delivered by the parties thereto and in form and substance reasonably satisfactory to Lender, and (ii) be in full force and effect and accompanied by a certificate of Borrower certifying to the foregoing in accordance with Section 6.1.7, and (b) each document, certificate, or other deliverable required to be delivered under each Loan Document as of the Closing Date.

6.1.7 Certificate of Borrower. Delivery to Lender of a certificate, dated as of the Closing Date, duly executed by a Responsible Person of the Borrower, in substantially the form of Exhibit H.

6.1.8 Legal Opinions**.** Delivery to Lender of legal opinions with respect to the transactions contemplated hereby of counsel to Sponsor, the Pledgor and Borrower, in each case addressed to the Lender and in form and substance reasonably satisfactory to the Lender.

6.1.9 Insurance. Delivery to the Lender of evidence reasonably satisfactory to the Lender that the Portfolio Entities maintain and have in full force and effect insurance complying with terms of this Agreement and the other Loan Documents.

6.1.10 [Reserved].

6.1.11 Absence of Litigation. Except as set forth in Schedule 7.11, there are no actions, suits, investigations or proceedings by or before any Governmental Authority or arbitrator pending or, to Borrower's Knowledge, threatened in writing by or against Borrower or any other Major Project Participant or Investor related to any Project that could be reasonably expected to have a Material Adverse Effect.

6.1.12 Payment of Fees. All taxes, fees and other costs due and payable under Section 4.2 in connection with the execution, delivery recordation and filing of the documents and instruments referred to in this Section 6.1, and in connection with, and due and payable on or before the Closing Date shall have been paid in full or arrangements for the payment thereof specifically approved by the Lender shall have been made; provided that, for the avoidance of doubt, the foregoing shall not include any fees payable to the Lender in connection with the Closing Date or (b) the fees, costs and expenses of Lender's attorneys and consultants for all services rendered and billed prior to the Closing Date (other than any such fees accrued in connection with the Portfolio Documents, which shall be paid in accordance with the terms of the Portfolio Documents).

6.1.13 [Reserved].

6.1.14 Collateral Requirements. Delivery to Lender of evidence reasonably satisfactory to Lender that each Loan Party has 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 opinion of Lender, desirable in order to create in favor of Lender a valid and (upon such filing and recording) perfected first priority Lien in such Person's rights, title and interest in and to the Collateral. Such actions shall include delivery to Lender of:

(a) all pledged securities, including all certificates, agreements or instruments representing or evidencing such pledged securities, accompanied by instruments of transfer and membership interest powers undated and endorsed in blank to the extent such pledged interests are certificated;

(b) UCC financing statements in appropriate form for filing under the UCC and such other documents under applicable Legal Judgments in each jurisdiction as may be necessary or appropriate or, in the opinion of Lender, desirable to perfect the first priority Liens created, or purported to be created, by the Security Documents; (i) certified copies of UCC, tax and judgment lien searches, bankruptcy and pending lawsuit searches or equivalent reports or searches, each of a date no less recent than ten (10) Business Days before the Closing Date or as otherwise acceptable to Lender listing all effective financing statements, lien notices or comparable documents that name the Pledgor, Borrower or any Portfolio Entity as debtor and that are filed in state and county jurisdictions in which any such Person is organized or maintains its principal place of business and such other searches that Lender deems necessary or appropriate, none of which encumber the Collateral covered or intended to be covered by the Security Documents or the assets of the Portfolio Entities (other than Permitted Liens) showing that upon due filing or recordation (assuming such filing or recordation occurred on the date of such respective reports), as the case may be, the security interests created under the Security Documents, with respect to the Collateral, will be prior to all other financing statements or other security documents wherein the security interest is perfected by filing or recording in respect of the Collateral, and (ii) UCC termination statements duly executed (if required) by all applicable Persons for filing in all applicable jurisdictions as may be necessary to terminate any effective UCC financing statements or other security documents disclosed in such search (other than any such financing statements, fixture filings or other security documents in respect of Liens permitted to remain outstanding pursuant to the terms of this Agreement); and

(c) evidence reasonably satisfactory to Lender of payment or arrangements for payment by Borrower of all applicable recording taxes, stamp duties, registration fees or charges, filing costs and other similar expenses, if any, required to be paid in connection with the execution, delivery or filing of, or the perfection of any Loan Document or otherwise in connection with the Collateral.

6.1.15 No Material Adverse Effect**.** Since the date of the most recent audited financial statements of each Major Project Participant, no event, circumstance or condition shall have occurred and be continuing (and Lender shall have become aware of no such facts or conditions not previously known) that constitutes or could reasonably be expected to result in a material adverse effect on the business, costs, property, results of operation or financial condition of any Major Project Participant or the ability of such Person to perform its obligations under the Operative Documents.

6.1.16 Securitization Reorganization. The Lender shall have received evidence reasonably satisfactory to it that, prior to or substantially concurrently with the occurrence of the Closing Date, the Securitization Reorganization shall have occurred pursuant to the terms of the Securitization Reorganization Documents.

6.1.17 Mezzanine 1A Loan Agreement; ABS Transaction and Portfolio Loan Payoffs. Evidence that each of the following has occurred or shall occur substantially simultaneously with the Closing Date:

(a) evidence that each of the Portfolio Loans (as such term is defined in the Mezzanine 1 Loan Agreement) has been repaid in full and Liens granted in connection therewith have been released;

(b) the closing under the ABS Transaction shall have occurred; and

(c) the Amendment and Restatement Date, under and as defined in the Mezzanine 1A Loan Agreement, shall have occurred.

6.1.18 Representations and Warranties. Each representation and warranty of (a) each Loan Party and Sponsor under the Loan Documents and (b) Sponsor and its Affiliates under the Securitization Reorganization Documents, in each case, shall be true and correct as of the Closing Date (unless such representation and warranty refers to an earlier date, in which case such representation and warranty shall have been true and correct as of such earlier date) and Borrower shall have provided to Lender a certificate of a Responsible Person of Borrower that each representation and warranty of each Loan Party and Sponsor under the Loan Documents is true and correct as of the Closing Date (unless such representation and warranty refers to an earlier date, in which case such representation and warranty was true and correct as of such earlier date).

6.1.19 No Default. Each Loan Party and each Portfolio Entity shall be in compliance in all material respects with all the terms and provisions set forth in each Operative Document to which it is a party on its part to be observed or performed, and no Default or Event of Default exists or shall occur as a result of any of the transactions consummated as of the Closing Date.

6.1.20 Closing Data Tape. Delivery to the Lender of the Closing Data Tape, in form and substance satisfactory to the Lender.

6.1.21 Base Case Model. Delivery to the Lender of the Base Case Model, in form and substance satisfactory to the Lender.

6.1.22 Anti-Terrorism Compliance. At least five (5) Business Days prior to the Closing Date, Lender shall have received all documentation and other information required by Governmental Authorities under applicable "know your customer" and anti-money-laundering rules and regulations.

6.1.23 Solvency Certificate. Delivery to Lender of a certificate from a Responsible Person of each Loan Party certifying that such Loan Party is Solvent, both separately and on a consolidated basis, after giving effect to the transactions contemplated under this Agreement that will occur on the Closing Date.

6.1.24 Legality. No federal or state law or regulation, exists which would make the Loan, or the securing of the Loan by the Collateral, or any other aspect of the transactions contemplated herein, illegal, or which would subject the Lender or any of their Affiliates to any penalties, sanctions or fines.

6.1.25 [Reserved]

6.1.26 Insurance Consultant Report. Borrower shall have delivered or caused to be delivered to the Lender a bring-down of the final report of the Insurance Consultant that was delivered pursuant to the Mezzanine 1 Loan Agreement, which shall be dated reasonably near the Closing Date, with respect to the Borrower, all Project Companies and Projects, along with a reliance letter in favor of the Lender, which shall be dated reasonably near the Closing Date, in each case, in form and substance satisfactory to the Lender.

ARTICLE VII
REPRESENTATIONS AND WARRANTIES

Borrower (a) makes the representations and warranties in Sections 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.10, 7.11, 7.12, 7.14, 7.15, 7.16, 7.17, 7.18, 7.19, 7.20, 7.21, 7.22, 7.24, 7.25 and 7.26 (the "Fundamental Representations and Warranties") to and in favor of the Lender as of the Closing Date, and (b) makes the representations and warranties in this Article VII other than the Fundamental Representations and Warranties to and in favor of the Lender as of the Original Closing Date, all of which shall survive the execution and delivery of this Agreement and the Closing Date:

Section 7.1 **ORGANIZATION**. Each Loan Party is (a) duly organized, validly existing and in good standing under the laws of its respective jurisdiction of organization and (b) is duly qualified as a foreign entity, and is in good standing, in each jurisdiction in which such qualification is required by law. Each Loan Party and each Portfolio Entity has all requisite corporate or limited liability company, as applicable, power and authority to (i) own or hold under lease and operate the property it purports to own or hold under lease, (ii) carry on its business as now being conducted and as now proposed to be conducted in respect of the Projects, (iii) execute, deliver and perform each Operative Document to which it is a party and (iv) take each action as may be necessary to consummate the transactions contemplated hereunder and thereunder. The Pledgor is the sole member of Borrower. The provisions of the first recital accurately describe the ownership of the Portfolio Entities. The organizational structure of the Pledgor, Borrower, the ABS Entities and each other Portfolio Entity set forth on Schedule 1 is true, complete and correct as of the Closing Date.

Section 7.2 **AUTHORIZATION; NO CONFLICT**. The execution, delivery and performance by each Loan Party of the Operative Documents to which it is a party are within its corporate or limited liability company, as applicable, power, authority and legal right and have been duly authorized by all necessary action. Each Loan Party has duly executed and delivered each Operative Document to which it is a party and neither such Person's execution and delivery thereof nor its consummation of the transactions contemplated thereby nor its compliance with the terms thereof (a) does or will contravene the Organizational Documents, (b) does or will contravene any Legal Judgment applicable to or binding on it or any of its properties, (c) does or will contravene or result in any breach of or constitute any default under, or result in or require the creation of any Lien (other than Permitted Liens) upon any of its property under, any agreement or instrument to which it is a party or by which it or any of its properties may be bound or affected, (d) does or will violate or result in a default under any indenture, credit agreement, loan, lease or other agreement or instrument binding upon it or its properties or any Operative Document, or (e) does or will require the consent or approval of any Person, and with respect to any Governmental Authority, does or will require any registration with, or notice to, or any other action of, with or by any applicable Governmental Authority, in each case which has not already been obtained or made or which is not required until a later date and is reasonably expected to be obtained on or prior to such date or which, if failed to be obtained, could not reasonably be expected to have a Material Adverse Effect.

Section 7.3 **ENFORCEABILITY**. Each of the Operative Documents to which each Loan Party or Portfolio Entity is a party is a legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its respective terms and, to Borrower's Knowledge, each other Major Project Participant which is not a Loan Party or Portfolio Entity party thereto in accordance with its respective terms except as enforceability may be limited by applicable Bankruptcy Law or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity relating to enforceability (regardless of whether considered in a proceeding at law or in equity).

Section 7.4 **COMPLIANCE WITH LAW**. There are no violations by any Loan Party or Portfolio Entity, of any Legal Judgment (including Hazardous Substances Laws), except to the extent any such violation could not reasonably be expected to have a Material Adverse Effect. Except as otherwise have been delivered to Lender, no written notices of any material violation of any Legal Judgment (including Hazardous Substances Laws) relating to any Project have been issued, entered or received by any Loan Party or Portfolio Entity.

Section 7.5 **BROKERS.**

7.5.1 No Loan Party has any obligation to any Person in respect of any finder's, broker's or investment banking fee with respect to the Loan Documents or the transactions contemplated thereby or under any other agreement, document or instrument with any Person, other than fees payable under this Agreement.

7.5.2 No proceeds of the Loan will be used to acquire any equity security of a class that is registered pursuant to Section 12 of the Exchange Act.

Section 7.6 **ADVERSE CHANGE**. As of the Closing Date, there is no fact known to Borrower which has had or could reasonably be expected to have a Material Adverse Effect which has not been disclosed to Lender (as of such date) by or on behalf of Borrower on or prior to the Original Closing Date in connection with the transactions contemplated hereby.

Section 7.7 **INVESTMENT COMPANY ACT**. No Loan Party is an "investment company" or a company "controlled by" an "investment company," that is, in either case, required to be registered under the Investment Company Act of 1940, as amended.

Section 7.8 **ERISA**. Either (a) there are no ERISA Plans or Multiemployer Plans for any Loan Party or any ERISA Affiliate or (b) (i) each Loan Party and each ERISA Affiliate has fulfilled its obligations (if any) under the applicable minimum funding standards of ERISA and the Code for each ERISA Plan, (ii) each such ERISA Plan is in compliance in all respects with the

currently applicable provisions of ERISA, the Code and other Applicable Law, (iii) neither any Loan Party nor any ERISA Affiliate has any liability to the PBGC or an ERISA Plan or Multiemployer Plan under Title IV of ERISA (other than liability for premiums due in the ordinary course), (iv) each such ERISA Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination or opinion letter from the Internal Revenue Service, or the remedial amendment period with respect thereto has not yet expired, or an application for such letter is currently being processed by the Internal Revenue Service with respect thereto, and nothing has occurred which could reasonably be expected to cause the loss of such qualification, and (v) no Loan Party or any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 of ERISA, except, in each subclause under Section 7.8(b), as would not reasonably be expected to result in a Material Adverse Effect. None of any Loan Party's assets constitute assets of an employee benefit plan within the meaning of 29 C.F.R. Section 2510.3 101. To Borrower's Knowledge, no Loan Party maintains, nor has it within the last six (6) years of its existence maintained, any employee-benefit plans that were subject to Title IV of ERISA.

Section 7.9 **PERMITS.**

7.9.1 All Applicable Permits and, to the Knowledge of Borrower or any Portfolio Entity, Applicable Third Party Permits (other than any such Permits required to have been obtained by or on behalf of any Investor, the Lender or any other financing party that is not an Affiliate of Borrower) have been issued and are in full force and effect and not subject to current legal proceedings or to any unsatisfied condition that could reasonably be expected to result in adverse modification or revocation, all applicable appeal periods with respect thereto have expired, except as could not reasonably be expected to have a Material Adverse Effect. The applicable Loan Party and each Portfolio Entity is in compliance in all material respects with any Applicable Permit that has been issued and, to Borrower's or such Portfolio Entity's Knowledge, no other Person (other than any Investor, the Lender, financing party that is not an Affiliate of Borrower or Host Customer) is in material violation of any issued Applicable Third Party Permit under which such Person is the permittee.

7.9.2 The Permits which have been obtained by a Loan Party or Portfolio Entity are not subject to any restriction, unfulfilled condition, limitation or other unmet provision that could reasonably be expected to have a Material Adverse Effect.

Section 7.10 **HAZARDOUS SUBSTANCES**.

7.10.1 Except as set forth in Schedule 7.10 or as could not reasonably be expected to have a Material Adverse Effect: (a) no Loan Party or Portfolio Entity is or has in the past been in violation of any Hazardous Substances Law which violation could reasonably be expected (i) to result in a liability to, or Environmental Claims against, any Borrower, any Portfolio Entity or their properties and assets, (ii) to result in an inability of any Loan Party or Portfolio Entity to perform its obligations under the Operative Documents, or (iii) to interfere with the continuing operation of the Projects; (b) no Loan Party nor, to Borrower's Knowledge, any other Person has used, Released, threatened to Release, generated, manufactured, produced or stored any Hazardous Substances that could reasonably be expected to subject the Lender to liability, or any Loan Party to liability, under any Hazardous Substances Law; and (c) to Borrower's or any Portfolio Entity's Knowledge there neither is nor has been any condition, circumstance, action, activity or event that could reasonably be expected to be, or result in, a violation by any Loan Party of any Hazardous Substances Law, or to result in liability to Lender or liability to any Loan Party or Portfolio Entity under any Hazardous Substances Law or any other Environmental Claims against any Loan Party or the Lender.

7.10.2 Except as set forth on Schedule 7.10 or Schedule 7.11, (a) as of the Closing Date, there is no pending or, to Borrower's or any Portfolio Entity's Knowledge, threatened in writing, Environmental Claim by any Governmental Authority or any other Person to which Borrower or Project Company is or will be named as a party that could reasonably be expected to have a Material Adverse Effect, and (b) thereafter, there is no pending or, to Borrower's or any Portfolio Entity's Knowledge, threatened in writing, Environmental Claim which could reasonably be expected to have a Material Adverse Effect.

Section 7.11 **LITIGATION.**

7.11.1 As of the Closing Date, no action, litigation, suit, proceeding or investigation before or by any court, arbitrator or other Governmental Authority is pending or, to Borrower's or any Portfolio Entity's Knowledge, threatened in writing by or against Borrower, or any other Loan Party or Major Project Participant as relates to any Project, except as set forth on Schedule 7.11 or as could not reasonably be expected to have a Material Adverse Effect.

7.11.2 Neither Borrower nor any Portfolio Entity has Knowledge of any order, ruling, judgment or decree having been issued or proposed to be issued by any Governmental Authority that, as a result of the construction, development, ownership or operation of any Project by the applicable Portfolio Entity, or the entering into of any Operative Document or any transaction contemplated hereby or thereby, could reasonably be expected to cause or deem the Lender or the applicable Loan Party or Portfolio Entity or any Affiliate of any of them to be subject to, or not exempted from, regulation under PUHCA, or treated as an electric utility, electric corporation or public utility under the laws of the States in which the Projects are located as presently constituted and as construed by the courts of the States in which the Projects are located, respecting the rates or the financial and organizational regulation of electric utilities.

Section 7.12 **NO LABOR DISPUTES; FORCE MAJEURE**. Neither the business nor the properties of the Loan Parties or, to Borrower's or any Portfolio Entity's Knowledge, any other Major Project Participant are currently affected by any fire, explosion, accident, strike, "force majeure" (as defined in any Operative Document), lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy, or other casualty (whether or not covered by insurance), in each case, which could reasonably be expected to have a Material Adverse Effect.

Section 7.13 **OPERATIVE DOCUMENTS.**

7.13.1 Copies of the Portfolio Documents have been delivered to Lender by Borrower. All such Portfolio Documents are in full force and effect.

7.13.2 To Borrower's or any Portfolio Entity's Knowledge, except as disclosed to Lender in writing at or prior to the time the representation and warranty in this Section 7.13.2 is being made, the representations and warranties of the Major Project Participants and the other parties thereto contained in the Operative Documents (other than this Agreement) were true and correct in all material respects as of the date made.

Section 7.14 **TAXES.**

7.14.1 All federal, state, local and foreign tax returns, information statements and reports that are required to be filed by or with respect to the Loan Parties and the Portfolio Entities have been timely filed and material assessments, utility charges, fees and other governmental charges required to be paid by or with respect to the Loan Parties have been timely paid (other than those taxes, if any, that it is contesting in good faith and by appropriate proceedings in accordance with the requirements of Section 8.1.16). Neither Borrower nor any Portfolio Entity has Knowledge of any tax assessment proposed in writing against any Loan Party or Portfolio Entity which could reasonably be expected to have a Material Adverse Effect. In either case, to the extent such taxes, assessments, charges and fees are not due, the applicable Loan Party or Portfolio Entity has established cash reserves that are adequate for the payment thereof, consistent with GAAP.

7.14.2 No Loan Party intends to treat the Loan (including the incurrence thereof) as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4) or as equity.

Section 7.15 **GOVERNMENTAL REGULATION.**

7.15.1 Each Project is a QF. There is no pending challenge, protest, rehearing or appeal of any Project's status as a QF. No Loan Party is subject to, or is not exempt from, regulation under PUHCA. No Loan Party or Portfolio Entity is subject to, or is not exempt from, regulation as an "electric utility", an "electric corporation", a "public utility" or similar term under the laws of the States in which the Projects are located.

7.15.2 Neither the Lender nor any Affiliate of the Lender will, solely as a result of the Loan Parties' and the Portfolio Entities' ownership, leasing or operation of the Projects, the making of the Loan, or the entering into of any Operative Document in respect of the Projects or any transaction contemplated hereby or thereby, be subject to, or not exempt from, regulation under PUHCA or under state laws and regulations respecting the rates, financial and organizational regulation of electric utilities, except that the exercise by the Lender or Affiliates of the Lender of certain remedies, as provided for under the Loan Documents or the Mezzanine 1A Loan Documents, may cause the Lender and its Affiliates to be subject to regulation under the FPA or PUHCA.

Section 7.16 **REGULATION U, ETC**. None of the Loan Parties are engaged principally, or as one of their principal or important activities, in the business of extending credit for the purpose of "buying," "carrying" or "purchasing" any "margin stock" or "margin security" (each, as applicable, as defined in Regulations T, U or X of the Federal Reserve Board, each as now and from time to time hereafter in effect), and no part of the proceeds of the Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for the purpose of "buying," "carrying" or "purchasing" any such margin stock or for any other purpose that entails a violation of the provisions of Regulation T, U or X.

Section 7.17 **FINANCIAL STATEMENTS.**

7.17.1 In the case of each financial statement of any Loan Party or Portfolio Entity and accompanying information delivered by the Loan Parties under the Loan Documents, each such financial statement and information has been prepared in conformity with GAAP applied consistently throughout the relevant periods (except as otherwise approved and disclosed therein) and fairly presents, in all material respects, the financial position of the applicable Person, as the case may be, as of the respective dates thereof and the results of operations and cash flows of such Person, as the case may be, described therein for each of the periods then ended, subject, in the case of any such unaudited financial statements, to changes resulting from audit and normal year-end adjustments and the absence of footnote disclosure.

7.17.2 Except for the obligations under the Operative Documents to which it is a party, no Loan Party or Portfolio Entity has any Contingent Obligations, undisclosed liabilities, unmatured liabilities, contingent liability or liability for taxes, long-term lease or forward or long-term commitment (including any interest rate or foreign currency swap or exchange transaction or

other financial derivative) required to be shown under GAAP that are not reflected in the foregoing financial statements or the notes thereto and which in any such case are material in relation to the business, results of operations, properties, financial condition or prospects of the Loan Parties and the Portfolio Entities.

7.17.3 No Material Adverse Effect has occurred since September 30, 2017.

7.17.4 For clarity, the representations and warranties in this Section 7.17 are not applicable to any projections or other forward-looking statements delivered by any Loan Party.

Section 7.18 **NO DEFAULT**. No Default or Event of Default has occurred and is continuing.

Section 7.19 **ORGANIZATIONAL ID NUMBER**. The Loan Parties' organizational identification (if applicable) numbers are as follows: Pledgor: 7091445 and Borrower: 7091447.

Section 7.20 **LEASES AND PROJECTS**.

7.20.1 Each of the Projects was Placed In Service on or prior to the date such Project was required to be Placed In Service under any contractual obligation.

7.20.2 Each Lease and Production Guarantee in respect of a Project is in full force and effect, except as could not reasonably be expected to have a Material Adverse Effect.

7.20.3 Each Lease constitutes a "Serviced Contract" under and as defined in the applicable Cold Back-Up Lease Servicing Agreement, and is listed on Schedule A thereto as a "Serviced Contract". Great America is performing "Standby Backup Servicing Services", as such term is defined in the Cold Back-Up Lease Servicing Agreement, for each Lease.

7.20.4 Each Project is entitled to "Transition Event Services" under and as defined in Section 11 of Exhibit B to the Cold Back-Up Maintenance Services Agreement.

Section 7.21 **INTELLECTUAL PROPERTY.**

7.21.1 The Borrower and the Portfolio Entities own or have the right to use all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are necessary for the operation of their respective business, without Knowledge of any conflict with the rights of others, except as could not reasonably be expected to have a Material Adverse Effect.

7.21.2 To the Knowledge of Borrower or any Portfolio Entity, there is no violation by any of any Borrower or any Portfolio Entity right with respect to any license, patent, copyright, service mark, trademark, trade name or other right owned or used by Borrower or any Portfolio Entity, except for any such violation which could not reasonably be expected to have a Material Adverse Effect.

7.21.3 There exists no pending or, to the Borrower's or any Portfolio Entity's Knowledge, threatened claim or litigation against or affecting the Borrower or any Portfolio Entity contesting its right to sell or use any such product, process, method, substance, part or other material, except for any such claim or litigation which, if adversely determined, could not reasonably be expected to have a Material Adverse Effect.

7.21.4 Neither the Borrower nor any Portfolio Entity owns registered patents, copyrights or trademarks, or applications therefor.

Section 7.22 **COLLATERAL**. The respective liens and security interests granted to Lender pursuant to the Security Documents constitute a valid first priority security interest under the applicable UCC. The security interest granted to Lender pursuant to the Security Documents in the Collateral consisting of personal property has been perfected (i) with respect to any property that can be perfected by filing, upon the filing of financing statements in the appropriate secretary of state's office, (ii) with respect to any property that can be perfected by control, upon execution of the Depositary Agreement or other applicable control agreement, and (iii) with respect to any certificated securities or any property that can only be perfected by possession, upon Lender receiving possession thereof, and in each case such security interest will be, as to Collateral perfected under the UCC or otherwise as aforesaid, superior and prior to the rights of all third Persons now existing or hereafter arising whether by way of Lien of any type, assignment or otherwise, except Permitted Liens. All such action as is necessary to establish and perfect Lender's rights in and to existing Collateral has been taken to the extent Lender's security interest can be perfected by filing, including any recording, filing, registration, giving of notice or other similar action. Borrower has properly delivered or caused to be delivered, or provided control, to Lender all Collateral that permits perfection of the Lien and security interest described above by possession or control.

Section 7.23 **BASE CASE MODEL; CLOSING DATA TAPE**. The Base Case Model (a) is based on good faith estimates and assumptions believed to be reasonable at the time made, (b) includes historical data regarding the Projects and the

Leases that is true and correct in all material respects and (c) is consistent with the Closing Data Tape. The information contained in the Closing Data Tape is true, correct and complete in all material respects with respect to all Projects and Leases.

Section 7.24 **INSURANCE**. All insurance policies then required to be maintained by the Loan Parties and the Portfolio Entities and, to Borrower's or any Portfolio Entity's Knowledge, each other Major Project Participant pursuant to the terms of any Operative Document are in full force and effect, and all premiums then due and payable have been paid.

Section 7.25 **ANTI-TERRORISM LAW.**

7.25.1 Each Loan Party, each Portfolio Entity, Sponsor and each Affiliate that is a Subsidiary of Sponsor is in compliance in all materials respects with regulations administered by OFAC (31 C.F.R., Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, (ii) Executive Order 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) (Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) (the "Executive Order") and (iii) any Applicable Laws relating to terrorism or money laundering (collectively, "Anti-Terrorism Laws").

7.25.2 None of the Persons that Control Borrower, the Subsidiaries of such Controlling Persons and to Borrower's Knowledge, none of the Affiliates of such Controlling Person's and their Subsidiaries or, any brokers or other agents of any Loan Party or Portfolio Entity acting or benefiting in any capacity in connection with the Loan is any of the following: (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order; (ii) a Person owned 50% or more by, or acting for or on behalf of, any person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order; (iii) a Person with which Lender is prohibited from dealing by any Anti-Terrorism Law; or (iv) a Person that is named on the List of Specially Designated National and Blocked Persons.

Section 7.26 **SOLVENCY**. Each Loan Party and Portfolio Entity is Solvent, individually and taken as a whole, both before and after taking into account the transactions contemplated by the Loan Documents.

Section 7.27 **FULL DISCLOSURE**. The representations and warranties contained in this Agreement and in the other Loan Documents and all information heretofore furnished by the Loan Parties to the Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby is true, correct and complete in every material respect and contains no untrue statement of material fact or omits no material fact necessary to make the statements contained therein, taken as a whole, not misleading in any material respect. The Loan Parties have disclosed to the Lender in writing any and all facts (except facts of general public knowledge) Known to the Loan Parties and the Portfolio Entities which materially and adversely affect the repayment of the Loan, or the business or financial condition of the Loan Parties.

Section 7.28 **OWNERSHIP FOR CALIFORNIA PROPERTY TAX PURPOSES**.

(a) Prior to giving effect to the Original Reorganization and the Securitization Reorganization, (i) there has not been any Reassessment with respect to any Project or other event, condition or circumstance that could reasonably be expected to give rise to a Reassessment of any such Project, and (ii) except as set forth on Schedule 7.28, no Person is or has been an Original Co-Owner of such Project at any time.

(b) The execution and delivery of the Original Reorganization Documents and the Securitization Reorganization, the Mezzanine 1A Loan Agreement, this Agreement and the consummation of the transactions contemplated hereby and thereby, taken together with all transactions contemplated under the Loan Documents, do not result in a change of ownership requiring reassessment of the value of any Projects for any California state or local property tax purposes that would result in any California state or local property taxes being due and payable by any Loan Party or any Portfolio Entity, and none of the Loan Parties or any Portfolio Entity or Subsidiary or any other Person, except those set forth on Schedule 7.28, shall be considered an Original Co-Owner of any Projects.

Section 7.29 **[RESERVED]**.

Section 7.30 **FLIP DATES**. As of the Original Closing Date, the Borrower has no Knowledge of any indemnification obligations, cash sweeps, diversions or defaults under the Tax Equity Documents by the Borrower or its Affiliates that could reasonably be expected to (a) delay the flip date under any Project Company LLC Agreement or, (b) in the case of Project Company LLC Agreements that do not utilize a yield based flip mechanic, materially and adversely impact the distributions to the applicable Managing Member.

[RESERVED].

Section 7.31 **REBATE AMOUNTS**. As of the Original Closing Date, all rebate payments that relate to the self-generation of electricity or the use of technology incorporated into a Project (excluding any environmental attributes, investment tax credits or "net metering" payments) which have been earned and are owed to either Lux Residential Solar Fund, LLC, Sunrise 2, LLC or Helios Residential Solar Fund, LLC from public utilities, but not yet paid to such Portfolio Entities, are set forth on Schedule 7.32.

ARTICLE VIII
COVENANTS

Section 8.1 **AFFIRMATIVE COVENANTS**. Until all Obligations have been paid in full (other than indemnity obligations not yet due and payable) in cash:

8.1.1 Use of Revenues. Unless otherwise applied by Lender pursuant to any Loan Document, the Borrower shall, and shall cause each Portfolio Entity to, apply any Revenues in the order and manner provided for in Article IX.

8.1.2 Payment.

(a) *Loan Documents*. The Borrower shall, and shall cause each of its applicable Affiliates to, pay all sums due of such Person under the Loan Documents to which it is a party according to the terms hereof and thereof.

(b) *Other Obligations*. The Borrower shall, and shall cause Portfolio Entity and the Pledgor to, pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all of such Person's obligations under the Portfolio Documents and all of such Person's other obligations of whatever nature and howsoever arising, except such as may be contested in good faith or as to which a bona fide dispute may exist, provided that adequate cash reserves have been established for the payment thereof in the event such dispute were resolved unfavorably to the applicable Person and non-payment of such obligation pending the resolution of such contest or dispute could not reasonably be expected to result in a Material Adverse Effect.

8.1.3 Maintenance of Property. Other than property disposed of in accordance with Section 8.2.4, the Borrower shall, and shall cause each Portfolio Entity to, maintain good, legal and valid title to all of its other material properties and assets, in each case free and clear of all Liens other than Permitted Liens. The Borrower shall, and shall cause each Portfolio Entity to, generally keep all property useful and necessary in its business in all material respects in good working order and condition, ordinary wear and tear excepted.

8.1.4 Notices. The Borrower shall promptly, upon Borrower or a Portfolio Entity acquiring notice or giving notice (except as otherwise specified below), as the case may be, or obtaining Knowledge thereof, give notice (with copies of any underlying notices, papers, files or related documentation) to Lender, accompanied by a statement of a Responsible Person setting forth details of the occurrence referred to therein and stating what action (if any) Borrower (or the applicable Portfolio Entity) proposes to take with respect thereto, of:

(a) any litigation pending or, to Borrower's or any Portfolio Entity's Knowledge, threatened in writing against any Loan Party involving claims against (i) any Loan Party or (ii) any Portfolio Entity, in each case in excess of $75,000 for any one claim or $500,000 in the aggregate, or involving any injunctive, declaratory or other equitable relief, such notice to include, if requested in writing by Lender, copies of all papers filed in such litigation and to be given monthly if any such papers have been filed since the last notice given;

(b) any dispute or disputes for which written notice has been received by any Loan Party or Portfolio Entity which may exist between any such Loan Party, Portfolio Entity or any holder of an Applicable Third Party Permit and any Governmental Authority and which involve (i) claims against any Loan Party or any Portfolio Entity, in each case in excess of $75,000 for any one event or $500,000 in the aggregate, (ii) injunctive or declaratory relief, or (iii) revocation, modification, failure to renew or the like of any Applicable Permit or Applicable Third Party Permit;

(c) as soon as possible and in any event within five (5) Business Days after the occurrence thereof, any Default or Event of Default;

(d) any casualty, damage or loss, whether or not insured, through fire, theft, other hazard or casualty, or any act or omission of (i) Borrower or any Portfolio Entity, their employees, agents, contractors or representatives acting in connection with any Project in excess of $75,000, in each case, individually or $500,000, in the aggregate in any calendar year or (ii) to Borrower's or any Portfolio Entity's Knowledge, any other Major Project Participant if such casualty, damage or loss could reasonably be expected to have a Material Adverse Effect on the ability of such Person to perform its obligations under the Operative Documents to which it is a party;

(e) any cancellation, suspension or material change in the terms, coverage or amounts of any insurance (or any notification to a Portfolio Entity by an insurance provider with respect to any of the foregoing);

(f) any contractual obligations incurred by a Project Company in connection with any Project, not including any obligations incurred pursuant to the Portfolio Documents or Other Contracts;

(g) any intentional withholding of compensation to, or any right to withhold compensation claimed by, any Major Project Participant or pursuant to any Portfolio Document, other than withholding provided by the express terms of any such contracts;

(h) any (i) termination (other than expiration in accordance with its terms and any applicable Direct Agreement) of, or material default of which Borrower or any Portfolio Company has Knowledge or written notice thereof under, any Portfolio Document, and (ii) without duplication, any material dispute, relating to any Project, between any Loan Party or Portfolio Entity and any Major Project Participant;

(i) any (i) with respect to any Project, Portfolio Entity or the Borrower, material noncompliance with any Hazardous Substances Law or any material Release, or material threat of Release, of Hazardous Substances that Borrower or a Portfolio Entity Knows has resulted or could reasonably be expected to result in personal injury or material property damage or to have a Material Adverse Effect or is required to be reported to any Governmental Authority under any Hazardous Substances Law, (ii) pending or, to Borrower's or any Portfolio Entity's Knowledge, threatened in writing, Environmental Claim against any Loan Party or, to Borrower's or any Portfolio Entity's Knowledge, any of its Affiliates, contractors, lessees or any other Persons, arising in connection with their occupying or conducting operations of any Project which Borrower or a Portfolio Entity Knows, if adversely determined, could reasonably be expected to have a Material Adverse Effect, (iii) condition, circumstance, occurrence or event that Borrower or a Portfolio Entity Knows could result in a material liability under Hazardous Substances Laws or in the imposition of any Lien or any other restriction on the title, ownership or transferability of any Project due to such material liability, or (iv) any proposed action to be taken by the applicable Loan Party that could subject it to any material additional or different requirements or liabilities under Hazardous Substances Laws;

(j) any material written notices, reports or information delivered to or received by any Loan Party or Portfolio Entity from the parties to the Major Project Documents or the Tax Equity Documents, other than those delivered or received in the ordinary course of business and not including any information to be provided in the monthly report delivered under Section 8.1.8(g);

(k) any proceeding or legislation by any Governmental Authority to expropriate, condemn, confiscate, nationalize or otherwise acquire compulsorily any Loan Party, Portfolio Entity, all or any portion of the Collateral, or all or any material portion of any Loan Party's Portfolio Entity's business or assets (whether or not constituting an Event of Default);

(l) the occurrence of any event, condition, circumstance or change that has caused or evidences, individually or in the aggregate, a Material Adverse Effect;

(m) (i) within 10 days prior to the occurrence of a Reportable Event with respect to any ERISA Plan; (ii) promptly, but in no event later than 15 days, after the complete or partial withdrawal of any Loan Party or any ERISA Affiliate from a Multiemployer Plan; (iii) promptly, but in no event later than five days, after any Loan Party has Knowledge that the PBGC has instituted any proceedings to terminate any ERISA Plan or Multiemployer Plan or has taken action to appoint a trustee of any ERISA Plan under Section 4042 of ERISA; (iv) promptly, but in no event later than 10 days, after the occurrence of any event which could give rise to a Lien in favor of the IRS or the PBGC under any ERISA Plan; (v) promptly, but in no event later than 30 days, after any Loan Party has Knowledge that a Multiemployer Plan is in "critical" or "endangered" status within the meaning of Section 305 of ERISA, is insolvent or intends to terminate an ERISA Plan under Section 4041A of ERISA and (vi) promptly, but in no event later than 10 days prior to the date any Loan Party shall apply (or after any Loan Party has Knowledge that any ERISA Affiliate has applied) for a minimum funding waiver under Section 412 of the Code with respect to an ERISA Plan, a description thereof and copies of documents and materials related thereto;

(n) any insurance claims in excess of $75,000 individually or $500,000 in the aggregate; and

(o) any other information relating to any Loan Party or Portfolio Entity or any Project that Lender may reasonably request.

8.1.5 Financial Reporting.

(a) *Financial Statements*. Borrower shall deliver to Lender, in form and detail reasonably satisfactory to Lender, the following:

(i) As soon as practicable and in any event within 120 days after the close of each applicable fiscal year, (x) audited financial statements of Sponsor and, for so long as (1) the Tax Equity Documents to which a Project Company is subject remain in effect, and (2) such financial statements are required to be delivered pursuant to the ABS Transaction Documents and any replacement thereof, each Project Company (it being acknowledged that such requirement with respect to Sponsor may be satisfied by the delivery of the appropriate report on Form 10-K filed with the Securities and Exchange Commission) and (y) unaudited financial statements of Borrower, all prepared in accordance with GAAP consistently applied. Such financial statements shall include a statement of shareholders' or members' equity, a balance sheet as of the close of such year, an income and expense statement, statement of cash flows, and including, in each case, in comparative form the combined figures for the immediately preceding fiscal year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, and certified by an independent certified public accountant of nationally recognized standing selected by the Person whose financial statements are being prepared and, for Sponsor, by an independent certified public accountants of nationally recognized standing acceptable to Lender; and;

(ii) As soon as practicable and in any event within 60 days after the end of the first, second and third quarterly accounting periods of its fiscal year (except as provided below, commencing with the fiscal quarter ending September 30, 2018), unaudited quarterly financial statements of Sponsor, Borrower and, for so long as (x) the Tax Equity Documents to which a Project Company is subject remain in effect, and (y) such financial statements are required to be delivered pursuant to the ABS Transaction Documents and any replacement thereof, each Project Company as of the last day of such quarterly period and the related statements of income, cash flow, and shareholders' or members' equity (as applicable) for such quarterly period (it being acknowledged that such requirement with respect to Sponsor may be satisfied by the delivery of the appropriate report on Form 10-Q filed with the Securities and Exchange Commission) all prepared in accordance with GAAP consistently applied (subject to changes resulting from audit and normal year-end adjustments and the absence of footnote disclosures).

(b) *Certification*. Borrower shall cause to be delivered, along with any financial statements delivered pursuant to Section 8.1.5(a), a certificate signed by a Responsible Person of the Borrower, certifying, in its capacity as a Responsible Person of the Borrower and not individually, that (i) such Responsible Person has made a review of the transactions and financial condition of such Person during the relevant fiscal period and that such review has not disclosed the existence of any event or condition which constitutes a Default or Event of Default, or if any such event or condition existed or exists, the nature thereof and the corrective actions that such Person has taken or proposes to take with respect thereto, (ii) such Person is in compliance with all applicable material provisions of each Operative Document to which such Person is a party or, if such is not the case, stating the nature of such non-compliance and the corrective actions which such Person has taken or proposes to take with respect thereto, (iii) such financial statements are true and correct in all material respects with respect to Borrower, Managing Members or Project Companies, as applicable, and that no material adverse change in the consolidated assets, liabilities, operations, or financial condition of such Person has occurred since the date of the immediately preceding financial statements provided to Lender or, if a material adverse change has occurred, the nature of such change and (iv) as relevant, all information required pursuant to the Security Documents regarding perfection of Collateral (which shall be included in such certificate) or confirming that there has been no change in such information since the last prior date on which such information was provided.

8.1.6 Books, Records, Access. Borrower shall, and shall cause each Portfolio Entity to (a) maintain, or cause to be maintained, adequate books, accounts and records with respect to the Borrower, the Portfolio Entities and the Projects, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and the Portfolio Entities, and prepare all financial statements required hereunder, in each case in accordance with GAAP (subject, in the case of unaudited financial statements, to changes resulting from audit and normal year-end adjustments and the absence of footnote disclosure) and in compliance with the regulations of any Governmental Authority having jurisdiction thereof; and, (b) subject to requirements of Applicable Law, safety requirements and existing confidentiality restrictions imposed upon any Loan Party by any other Person, and without requiring the relinquishment or waiver of any applicable legal privilege, permit employees or agents of Lender at any reasonable times and upon reasonable prior notice to the applicable Loan Party or Portfolio Entity (i) to examine or audit all of such Person's books, accounts and records and make copies and memoranda thereof, (ii) to communicate with the Loan Parties' and Portfolio Entities' auditors outside the presence of the Loan Parties and Portfolio Entities, and (iii) to discuss the business, operations, properties and financial and other conditions of the Loan Parties and the Portfolio Entities with officers and employees of the Loan Parties and the Portfolio Entities and with their respective independent certified public accountants.

8.1.7 Compliance With Laws, Instruments, Applicable Permits, Etc. Borrower shall, and shall cause each Portfolio Entity to, promptly comply, or cause compliance, in all material respects with all Legal Judgments and Applicable Permits (including Legal Judgments and Applicable Permits relating to pollution control, environmental protection, employment practices, terms and conditions of employment, wages and hours, equal employment opportunity or employee benefit plans, ERISA Plans and employee safety, with respect to Borrower, Project Company or the Projects), and make such alterations to the Projects as may be required for such compliance; provided that, in no event shall any such non-compliance or lack of alterations that would impact no more than fifteen (15) Projects and could otherwise not reasonably be expected to result in a Material Adverse Effect constitute a breach of this Section 8.1.7.

8.1.8 Reports and Base Case Model Updates. Borrower shall:

(a) *Operating Report*. Deliver to Lender within 30 days of the end of each month, summary operating reports, substantially in the form of Exhibit D-1 attached hereto with respect to each Project Company, and substantially in the form of Exhibit D-2 attached hereto with respect to the Borrower and its Subsidiaries, taken as a whole, each of which shall include, as soon as practicable, but in any event commencing with the first summary operating report required to be delivered six months after the Original Closing Date (in which case each of Exhibit D-1 and Exhibit D-2 shall be revised accordingly in a manner reasonably satisfactory to the Lender), the calculations underlying such report in a Microsoft Excel spreadsheet format, information as to under-performance of any Project, payments in respect of the Production Guarantees, identification of any Projects with delinquent payments for periods of greater than each of 30 days, 60 days, 90 days, 120 days, 180 days and 240 days, and the percentages of the remaining contract balance for such Projects.

(b) *Updates to Base Case Model*. Deliver to Lender within 30 days of the end of each fiscal quarter, an update to the Base Case Model taking into account actual performance of Borrower and its Subsidiaries to date (including any flip dates under Tax Equity Documents to the extent that the applicable tracking models have been updated since the previous quarter), which shall include (i) projected Revenues, Debt Service, and O&M Costs, on an aggregate basis and for each Portfolio Chain; and (ii) to the extent applicable, a comparison of such figures to corresponding actual figures for the prior year. Such updated Base Case

Model shall be, and in connection with each delivery of the updated Base Case Model, Borrower hereby represents and warrants that the projections set forth in such Base Case Model are and will be based on good faith estimates and assumptions believed to be reasonable at the time made; however, it is expressly understood that any forward looking projections are subject to significant uncertainties and contingencies, many of which are beyond the control of the Borrower and its Subsidiaries and that no assurance can be given that such projections will be realized.

(c) *Insurance*. As soon as practicable notices of any material changes to the Borrower's or any Portfolio Entity's insurance coverage, together with any certificates in connection therewith (including, at least on an annual basis, any copies of any insurance certificates evidencing the policies of insurance required pursuant to Section 8.1.15 promptly after their receipt by the Borrower or any Portfolio Entity, as applicable).

(d) [Reserved].

(e) *Management Letters*. Promptly after the receipt thereof by Borrower or any Portfolio Entity, deliver to Lender a copy of any "management letter" received by it from its certified public accountants and the management's responses thereto.

(f) *Organizational Documents*. Promptly provide Lender copies of any Organizational Documents (delivered pursuant to Section 6.1.3) that have been amended or modified in accordance with the terms hereof and deliver a copy of any notice of default given or received by any Loan Party or Portfolio Entity under any Organizational Document within 10 days after such Person gives or receives such notice.

(g) *Reports*. Concurrently with its delivery to each Investor, provide to Lender a copy of each report, tracking model update and material correspondence as and when delivered to each Investor.

(h) *Capital Contributions*. Borrower shall provide evidence that capital contributions required to be made to each Project Company under each Project Company LLC Agreement on or prior to the Closing Date have been made on a timely basis.

(i) *Additional Information*. Provide to Lender promptly upon request such reports, statements, lists of property, accounts, budgets, forecasts and other information concerning any Loan Party, any Portfolio Entity and the Projects and, to the extent reasonably available, the Major Project Participants and at such times as Lender shall reasonably require.

8.1.9 Existence, Conduct of Business, Properties, Etc. Except as otherwise expressly permitted under this Agreement, the Borrower shall, and shall cause each Portfolio Entity to, (a) maintain and preserve their existence and all material rights, privileges and franchises necessary in the conduct of its business, (b) perform (to the extent not excused by force majeure events or the nonperformance of the other party and not subject to a good faith dispute) all of its material contractual obligations under the Portfolio Documents, (c) maintain all Applicable Permits and use commercially reasonable efforts to cause all Major Project Participants to maintain all Applicable Third Party Permits, except to the extent that any such failure to maintain could not reasonably be expected to have a Material Adverse Effect and (d) otherwise continue to engage in business of the same general type as now conducted by it.

8.1.10 [Reserved].

8.1.11 Indemnification.

(a) Borrower shall indemnify, defend and hold harmless the Lender, and its Related Parties (collectively, the "Indemnitees") from and against, and indemnify and reimburse the Indemnitees for the following:

(i) any and all claims, obligations, liabilities, losses, damages, injuries (to Person, property, or natural resources), penalties, stamp or other similar taxes, actions, suits, judgments, costs and expenses (including reasonable attorney's fees) of whatever kind or nature, whether or not well founded, meritorious or unmeritorious ("Liabilities"), payable to third parties, that have been incurred by, or demanded, asserted, claimed or awarded against any such Indemnitee directly arising out of or in connection with (A) any Operative Documents, (B) the performance by the parties hereto of their respective obligations hereunder or the consummation of the transactions contemplated hereby or thereby, and (C) the Loan or the use of the proceeds therefrom (collectively, "Subject Claims"), except, with respect to any Indemnitee, Subject Claims by Borrower against such Indemnitee with respect to which Borrower prevails in a final and non-appealable judgment by a court of competent jurisdiction; provided that Subject Claims shall not include any Liabilities for which a Portfolio Entity has an obligation, whether through indemnity or otherwise, under any Mezzanine 1A Loan Document;

(ii) any and all Subject Claims arising in connection with any Environmental Claims, whether foreseeable or unforeseeable, including all costs of removal, investigation, remediation and disposal of any Hazardous Substances, together with all reasonable costs required to be incurred in (A) determining whether any Project or any Person is in compliance with Hazardous Substances Law and (B) causing any Project or any Person to be in compliance, with all applicable Legal Judgments under Hazardous Substances Law, all reasonable costs associated with claims for damages to personnel or property,

reasonable and documented attorneys' and consultants' fees, investigation and laboratory fees, response costs and court costs (but Borrower shall have no obligation to indemnify and hold harmless any Indemnitees for any special, indirect, consequential or punitive damages pursuant to this Section 8.1.11(a)(ii)); and

(iii) any and all Subject Claims in any way relating to, or arising out of or in connection with any claims, suits or liabilities against any Loan Party or Portfolio Entity or any of their Affiliates to the extent related to any Project or the transactions contemplated by the Operative Documents.

(b) The foregoing indemnities shall not apply with respect to an Indemnitee, to the extent determined by final and non-appealable judgment of a court of competent jurisdiction to have arisen as a result of the gross negligence or willful misconduct of such Indemnitee or its Affiliated Indemnitees, but shall continue to apply to other Indemnitees.

(c) The provisions of this Section 8.1.11 shall survive the termination of this Agreement, the exercise of any remedies by the Lender under the Loan Documents (including any foreclosure upon all or any portion of the Collateral in accordance with the terms of the Loan Documents) and satisfaction or discharge of the Obligations under the Loan Documents, and shall be in addition to any other rights and remedies of any Indemnitee.

(d) In case any action, suit or proceeding shall be brought against any Indemnitee, such Indemnitee shall notify Borrower of the commencement thereof, and Borrower shall be entitled, at its expense, acting through counsel reasonably acceptable to such Indemnitee, to participate in, and, to the extent that Borrower desires, to assume and control the defense thereof. Such Indemnitee shall be entitled, at its expense, to participate in any action, suit or proceeding the defense of which has been assumed by Borrower. Notwithstanding the foregoing, Borrower shall not be entitled to assume and control the defenses of any such action, suit or proceedings against an Indemnitee if and to the extent that, in the reasonable opinion of such Indemnitee and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability upon such Indemnitee or a conflict of interest between such Indemnitee and Borrower or between such Indemnitee and another Indemnitee (unless such conflict of interest is waived by the affected Indemnitees), and in such event (other than with respect to disputes between such Indemnitee and another Indemnitee) Borrower shall pay the reasonable expenses of such Indemnitee in such defense.

(e) If Borrower has assumed the defense of any action, suit or proceeding pursuant to Section 8.1.11(d), Borrower shall promptly report to such Indemnitee on the status of such action, suit or proceeding as material developments shall occur and from time to time as requested by such Indemnitee. Borrower shall deliver to such Indemnitee a copy of each document filed or served on any party in such action, suit or proceeding, and each material document which Borrower possesses relating to such action, suit or proceeding.

(f) Notwithstanding Borrower's rights hereunder to control certain actions, suits or proceedings, if any Indemnitee reasonably determines that failure to compromise or settle any Subject Claim made against such Indemnitee is reasonably likely (based on written advice of legal counsel) to subject such Indemnitee to civil, criminal or administrative penalties, to result in the loss, suspension or impairment of a license or Permit held by such Indemnitee or to cause material damage to such Indemnitee's reputation, such Indemnitee shall be entitled to compromise or settle such Subject Claim (in consultation with Borrower) with respect to the Indemnitee(s) only.

(g) Any amounts payable by Borrower pursuant to this Section 8.1.11 shall be regularly payable within 30 days after Borrower receives an invoice for such amounts from any applicable Indemnitee, and if not paid within such 30 day period shall bear interest at the Default Rate.

(h) Notwithstanding anything to the contrary set forth herein, Borrower shall not, in connection with any one legal proceeding or claim, or separate but related proceedings or claims arising out of the same general allegations or circumstances, in which the interests of the Indemnitees do not materially differ, be liable to the Indemnitees (or any of them) under any of the provisions set forth in this Section 8.1.11 for the fees and expenses of more than one separate firm of lead attorneys and a number of firms of "local counsel" equal to the number of jurisdictions involved (which firms shall be selected by the affected Indemnitee, or upon failure to so select, by Lender).

(i) Subject to the provisions of this Section 8.1.11, any of Borrower's indemnification obligations pursuant to Section 8.1.11(a) that arise out of or in connection with or by reason of, or in connection with a preparation of a defense of, any investigation, litigation or proceeding shall be, in each case, binding upon Borrower regardless of whether such investigation, litigation or proceeding is brought by any Loan Party or Portfolio Entity or its respective directors, officers, shareholders or creditors or any Indemnitee or whether any Indemnitee or any other Person is otherwise a party thereto.

(j) Nothing in this Section 8.1.11 shall constitute a release by Borrower of any claims that it has as a result of a breach or a default by any Indemnitee of their respective obligations under any Loan Document.

8.1.12 Utility Regulation. The Borrower shall, and shall cause each Project Company to take or cause to be taken all necessary or appropriate actions so that (a) the QF status of the Projects shall remain valid and effective and shall qualify such Project Company for the exemptions from regulation set forth in 18 C.F.R. § 292.601 and § 292.602, (b) Borrower and each Portfolio Entity other than the Project Companies shall not be subject to, or shall be exempt from, regulation (i) under PUHCA, or

(ii) rate, financial or organizational regulation as an "electric utility", "electric corporation", "public utility" or any similar term under the laws of the States in which the Projects are located.

8.1.13 Operation and Maintenance of each Project; Annual Operating Budget.

(a) The Borrower shall, and shall cause each Portfolio Entity to, keep the applicable Projects, or cause the same to be kept, in good operating condition consistent with the standard of care set forth in the Applicable Permits and Applicable Third Party Permits, Legal Judgments and the Operative Documents, and make or cause to be made all repairs (structural and non-structural, extraordinary or ordinary) necessary to keep such Projects in such condition except to the extent that any such failure to keep any such Project in good operating condition would not reasonably be expected to have a Material Adverse Effect.

(b) The Borrower shall, and shall cause each Portfolio Entity to, operate the applicable Projects, or cause the same to be operated, in a manner consistent with Prudent Industry Practices except to the extent that any such failure to cause any such Project to operate consistently with Prudent Industry Practices would not reasonably be expected to have a Material Adverse Effect.

(c) 60 days prior to the beginning of each subsequent calendar year, Borrower shall submit an operating plan and a budget, reasonably detailed by quarter and by Portfolio Chain, of anticipated revenues and anticipated expenditures, including Debt Service, deposit of reserves to any reserve accounts required under the Portfolio Documents, proposed dividend payments or other distributions, reserves and all anticipated O&M Costs (including reasonable allowance for contingencies) applicable to the Projects for the ensuing calendar year (or, in the case of the initial Annual Operating Budget, partial calendar year), substantially in the form of Exhibit K (each such annual operating plan and budget, including the initial Annual Operating Budget, an "Annual Operating Budget"). Each Annual Operating Budget shall be subject to the approval of Lender, such approval not to be unreasonably withheld, conditioned or delayed. Borrower shall prepare a final Annual Operating Budget no less than 15 days in advance of each subsequent calendar year.

(d) The Borrower shall, and shall cause Project Company to, operate and maintain the Projects, or cause the Projects to be operated and maintained, with expenditures in amounts not to exceed, for all Projects in the aggregate, (a) for each Annual Operating Budget category 10% (on a year-to-date basis) and (b) for all Annual Operating Budget categories 5% (on a year-to-date basis), in each case of the amounts budgeted therefor as set forth in the then-current Annual Operating Budget as approved or deemed approved by Lender pursuant to Section 8.1.13(c) above; provided that, subject to Section 8.2.12, Borrower may propose an amendment to the Annual Operating Budget for Lender's approval if at any time Borrower cannot comply with this requirement (and Lender shall consider each such amendment in good faith and shall not unreasonably withhold, condition or delay its consent to the approval of any such amendment). Pending any approval required under this Section 8.1.13(d) of any Annual Operating Budget or amendment thereto in accordance with the terms of this Section 8.1.13(d), Borrower shall use commercially reasonable efforts to operate and maintain the Projects, or cause the Projects to be operated and maintained, within the then-current Annual Operating Budget (it being acknowledged that if a particular calendar year's Annual Operating Budget has not been approved by the time periods provided in Section 8.1.13(c), then the then-current Annual Operating Budget shall be deemed to be the Annual Operating Budget in effect prior to the delivery of the proposed final Annual Operating Budget pursuant to Section 8.1.13(c)).

8.1.14 Preservation of Rights; Further Assurances.

(a) *Portfolio Documents*. The Borrower shall, and shall cause each Portfolio Entity to, maintain in full force and effect, perform the obligations of the applicable Person under, preserve, protect and defend the material rights of the applicable Person under and take all reasonable action necessary to prevent termination (except by expiration in accordance with its terms) of each and every Portfolio Document and to enforce any material right of Borrower thereunder. Borrower shall cause all contributions required to be made to any Portfolio Entity under each Project Company LLC Agreement to be made from an account of an Affiliate of Borrower other than the Borrower and the Portfolio Entities.

(b) *Preservation of Collateral*. From time to time promptly, upon the reasonable request of Lender, Borrower shall, and shall cause Pledgor and Securitization Depositor to, execute, acknowledge or deliver, or cause the execution, acknowledgment and delivery of, and thereafter register, file or record, or cause to be registered, filed or recorded in an appropriate governmental office, all such notices, statements, instruments and other documents (including any memorandum of lease or other agreement, financing statement, continuation statement, certificate of title or estoppel certificate) supplemental to or confirmatory of the Security Documents, relating to the Loan and consistent with the Loan Documents, and take such other steps as may be deemed by Lender necessary or reasonably advisable to render fully valid and enforceable under all Applicable Laws the rights, liens and priorities of the Lender with respect to all Collateral and other security from time to time furnished under the Loan Documents or intended to be so furnished, or for the continued validity, perfection and priority of the Liens on the Collateral covered thereby subject to no other Liens except as permitted by the applicable Security Document or under this Agreement, or obtain any consents or waivers as may be necessary or reasonably appropriate in connection therewith, in each case in such form and at such times as shall be reasonably requested by Lender, and pay all reasonable fees and expenses (including reasonable and documented attorneys' fees) incident to compliance with this Section 8.1.14(b). Upon the exercise by Lender of any power, right, privilege or remedy pursuant to any Loan Document which requires any consent, approval, registration, qualification or

authorization of any Governmental Authority execute and deliver all applications, certifications, instruments and other documents and papers that Lender may reasonably require.

(c) *Collateral Notices, Reports and Information*. Borrower shall comply with the notice, reports and information covenants set forth in Section 4(g) of the Borrower Security Agreement.

(d) *Further Assurances*. Upon the request of Lender, the Borrower shall, and shall cause Securitization Depositor to, execute and deliver all documents as shall be necessary or that Lender shall reasonably request in connection with the rights and remedies of Lender under the Operative Documents, and perform, such other reasonable acts as may be necessary to carry out the obligations under and uphold the rights of the parties to the Loan Documents. Upon the request of Lender, not more than one time per fiscal quarter and not more than three times during the term of this Agreement for each Project Company, the Borrower shall deliver to the Lender a duly executed and completed Lease Certificate. Notwithstanding anything herein to the contrary, the delivery of such certificate by Borrower (i) other than any Event of Default that may arise under Section 10.1.12(b) hereof, shall not give rise to any cause of action against Borrower or any Affiliate of Borrower, either under this Agreement or by the terms of the certificate itself and (ii) no other Person shall be entitled to rely on any matter set forth therein without the express written consent of Borrower.

(e) [*Reserved*].

(f) *Applicable Permits*. The Borrower shall, and shall cause each Portfolio Entity to, maintain all Applicable Permits except where the loss of such Applicable Permit could not reasonably be expected to have a Material Adverse Effect.

(g) *Proper Legal Form*. Borrower shall, and shall cause each Portfolio Entity to, take all such further action within its control required to ensure that each of the Operative Documents is in proper legal form under the laws of the respective governing laws selected in such Operative Document for the enforcement thereof in such jurisdictions without any further action on the part of Lender.

8.1.15 Maintenance of Insurance.

(a) *Insurance Requirements*. Borrower shall cause each Project Company to maintain in full force and effect, the policies of insurance required in Schedule 8.1.15 hereto.

8.1.16 Taxes, Other Government Charges and Utility Charges. Subject to the second sentence of this Section 8.1.16, the Borrower shall, and shall cause each Portfolio Entity to, timely file all federal and other material tax returns (taking into account any extensions granted with respect to filing the same) and pay, or cause to be paid, as and when due (taking into account any extensions granted with respect to the same) and prior to delinquency, all federal and other material taxes, assessments and governmental charges of any kind that may at any time be lawfully assessed or levied against or with respect to the Borrower, any Portfolio Entity or the Projects, including sales and use taxes and real estate taxes, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Projects, and all assessments and charges lawfully made by any Governmental Authority for public improvements that may be secured by a Lien on the Projects. Subject to the restrictions and requirements of Section 8.2.22, the applicable Loan Party or Portfolio Entity may contest in good faith any such taxes, assessments and other charges and, in such event, may permit the taxes, assessments or other charges so contested to remain unpaid during any period, including appeals, when the applicable Loan Party or Portfolio Entity is in good faith contesting the same, so long as (a) reserves to the extent required by GAAP have been established in an amount sufficient to pay any such taxes, assessments or other charges, accrued interest thereon and potential penalties or other costs relating thereto, or other adequate provision for the payment thereof shall have been made and maintained at all times during such contest, (b) enforcement of the contested tax, assessment or other charge is effectively stayed for the entire duration of such contest, (c) any tax, assessment or other charge determined to be due, together with any interest or penalties thereon, is promptly paid after resolution of such contest and (d) such proceedings shall not involve any substantial danger of the sale, forfeiture or loss of the Projects title thereto or any interest therein and shall not interfere in any material respect with the use or disposition of the Projects, except, in the case of this clause (d), as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.1.17 Hazardous Substances Laws. The Borrower shall, and shall cause each Portfolio Entity to (a) comply with, and use commercially reasonable efforts to ensure compliance by all tenants, licensees and invitees, if any, with all applicable Hazardous Substances Laws and obtain and comply with, and maintain, and use commercially reasonable efforts to ensure that all tenants, licensees and invitees obtain and comply in all material respects with, and maintain all Permits required by applicable Hazardous Substances Laws; (b) conduct and complete, or cause to be conducted and completed, all investigations, studies, sampling and testing, and all clean-up, remedial, removal, recovery and other actions required by a Governmental Authority of Project Company pursuant to Hazardous Substances Laws; (c) promptly comply in all material respects with final binding orders and directives of all Governmental Authorities in respect of Hazardous Substances Laws, except to the extent that the same are being contested in good faith by appropriate proceedings; and (d) operate in compliance with applicable Hazardous Substances Laws, Permits and Legal Judgments, and in accordance with good industry practices, except, in each case, as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.1.18 [Reserved].

8.1.19 Project Company Distributions. Borrower shall cause the Portfolio Entities to make distributions to Borrower at least once per quarter, provided that there is cash available to distribute and such distributions are permitted by the applicable Tax Equity Documents, the Mezzanine 1A Loan Documents and the ABS Transaction Documents.

8.1.20 System Transition Readiness Plan. Borrower shall, and shall cause each Portfolio Entity to, comply with the System Transition Readiness Plan attached hereto as Exhibit J (such summary, the "System Transition Readiness Plan"). Subject to Section 8.1.22(c), at all times until the repayment in full of the Obligations, the Borrower shall, and shall cause each Portfolio Entity, the Sponsor, the Provider and each Services Provider to, comply in all material respects with the terms of the System Transition Readiness Plan. Subject to Section 8.1.22(c), the Borrower shall, and shall cause each Portfolio Entity, the Sponsor, the Provider and each Services Provider to, maintain each Cold Back-Up Servicing Agreement in full force and effect in accordance with its terms unless and until it is replaced by a Warm Back-Up Servicing Agreement in accordance with Section 8.1.21 or otherwise with the consent of the Lender.

8.1.21 Warm Back-Up Servicing. Subject to Section 8.1.22(c), if the Backup Trigger Date occurs and is continuing, then within thirty (30) days of the occurrence of the Backup Trigger Date, Borrower shall deliver to the Lender the applicable executed Warm Back-Up Servicing Agreement in form and substance reasonably acceptable to the Lender; provided, that the Lender agrees to extend the deadline for delivery of such Back-Up Servicing Agreement for a period not to exceed an additional ten (10) days if Borrower is unable to deliver such agreement despite the exercise of the Borrower's commercially reasonable efforts to do so. Subject to Section 8.1.22(c), from and after the execution of the applicable Warm Back-Up Servicing Agreement the same will be maintained in full force and effect in accordance with its terms unless and until the same is replaced on terms reasonably acceptable to the Lender.

8.1.22 Termination of Servicer.

(a) Subject to Section 8.1.22(c), in the event that a Servicer Termination Event occurs and is continuing after an applicable Warm Back-Up Servicing Agreement has been executed, the Lender, if not prohibited by the applicable Portfolio Documents, may direct Borrower to direct any Project Company to deliver notice to the applicable Services Provider under the applicable Maintenance Services Agreement or Lease Servicing Agreement and to the Back-Up Servicer under the applicable Back-Up Servicing Agreement, triggering the transition process for the replacement of such Services Provider under the applicable Back-Up Servicing Agreement. Subject to Section 8.1.22(c), in such case the Borrower shall, and shall cause the applicable Project Company to, immediately take all such action necessary (including the delivery of notice) to terminate each such Services Provider and transition to a replacement Services Provider acceptable to the Lender, which shall include the Back-Up Servicer in respect of the services included in the applicable Back-Up Servicing Agreement.

(b) Subject to Section 8.1.22(c), in the event that (i) a Servicer Termination Event occurs after an applicable Warm Back-Up Servicing Agreement has been executed and (ii) any Portfolio Entity or Borrower has the right to terminate the Maintenance Services Agreement or Lease Servicing Agreement under the Portfolio Documents without incurring liability, the Lender may deliver notice to the Borrower requiring it to trigger the transition process for the replacement of the Services Provider under the applicable Back-Up Servicing Agreement. Subject to Section 8.1.22(c), in such case the Borrower shall immediately take all such action necessary (including the delivery of notice) to terminate the applicable Services Provider and transition to the Back-Up Servicer in respect of the "services" included in the applicable Back-Up Servicing Agreement and, to the extent incremental scope exists, another replacement Services Provider acceptable to the Lender. Following a Servicer Termination Event, the Borrower shall only exercise any approval or consent right held by Borrower or any Portfolio Entity to object to or veto the identity of a replacement Services Provider (or any candidate for such role) or the terms and conditions of a replacement Maintenance Services Agreement or replacement Lease Servicing Agreement, with the prior written consent of the Lender (such consent not to be unreasonably withheld, conditioned or delayed).

(c) Following the replacement of a Services Provider in accordance with Section 8.1.22(a) or 8.1.22(b), the provisions of Sections 8.1.20, 8.1.21, 8.1.22(a) and 8.1.22(b) shall cease to be effective with respect to the applicable services performed by such Services Provider, provided, however, that the applicable Warm Back-Up Servicing Agreement will be maintained in full force and effect in accordance with its terms unless and until the same is replaced with a permanent service agreement on terms reasonably acceptable to the Lender.

8.1.23 Managing Member Call Rights. Each Managing Member shall exercise its call option set forth in the Tax Equity Documents to which it is a party on or prior to the date that such call option expires. In connection with the foregoing, on the Tax-Equity Buy-Out Date associated with such Managing Member's interest, Borrower shall cause such Managing Member to amend and restate the relevant Project Company LLC Agreement (or similar agreement) in form and substance reasonably satisfactory to the Lender to provide that such Managing Member is the sole member thereof.

Section 8.2 **NEGATIVE COVENANTS**. Until all Obligations have been paid in full (other than indemnity obligations not yet due and payable) in cash, without the prior written consent of Lender:

8.2.1 Contingent Obligations. Except as provided in the Loan Documents, Borrower shall not, and shall not permit any Portfolio Entity to, become liable as a surety, guarantor, accommodation endorser or otherwise, for or upon the obligation of any other Person or incur any Contingent Obligations; provided, that this Section 8.2.1 shall not be deemed to prohibit or otherwise limit the occurrence of Permitted Debt.

8.2.2 Limitations on Liens. Borrower shall not, and shall not permit any Portfolio Entity to, create, assume or suffer to exist any Lien upon any of its property, revenues or assets, whether now owned or hereafter acquired, except Permitted Liens.

8.2.3 Debt. Borrower shall not, and shall not permit any Portfolio Entity to, incur, create, assume or permit to exist, directly or indirectly, any Debt except Permitted Debt. Borrower shall not, and shall not permit any Portfolio Entity to, make any payments under any Subordinated Debt.

8.2.4 Sale or Lease of Assets. Borrower shall not, and shall not permit any Portfolio Entity to, sell, lease, assign, transfer or otherwise dispose of assets or fail to use commercially reasonable efforts to enforce (in a manner consistent with its ordinary course of business and past practices) its rights and remedies in respect of any of its assets (including the Leases), whether now owned or hereafter acquired, except, (a) any transfer of funds expressly required or permitted under Article IX of this Agreement and (b) solely in the case of any Portfolio Entity (i) the sale, assignment, transfer or disposition in the ordinary course of its business and at fair market value, (ii) to the extent that such asset is unnecessary, worn out or no longer useful or usable in connection with the operation or maintenance of the Projects, the sale, assignment, transfer or disposition of such asset at fair market value, and (iii) any Project Company may abandon (including allowing the termination of the applicable Leases or failure to pay the Production Guarantee in respect of) up to and including thirty (30) Projects, not to exceed four hundred (400) Projects in the aggregate for all Project Companies, without payment of Fair Market Value under the applicable Lease if such abandoned Project has suffered a material damage, loss, taking or condemnation, by giving notice thereof to Lender, whereupon such abandoned Project shall no longer be deemed a Project hereunder (each, an "Abandoned Project"). Borrower shall not, and shall not permit any Portfolio Entity to, enter into any sale and leaseback transactions.

8.2.5 Changes. Borrower shall not, and shall not permit any Portfolio Entity to, (a) change the nature of its business or expand its business beyond the business contemplated in the Operative Documents or activities incidental thereto or take any action, whether by acquisition or otherwise, which would constitute or result in any material alteration to the nature of such business; (b) establish, create or acquire any Subsidiaries (other than the Portfolio Entities purported to be owned by such Person as of the Closing Date); or (c) directly or indirectly, change its legal form or any of its Organizational Documents (including by the filing or modification of any certificate of designation), a Project Company LLC Agreement (other than the termination thereof in connection with unwinding of a tax equity investment) or any agreement to which it is a party with respect to its ownership interests or otherwise terminate, amend or modify any such Organizational Document, a Project Company LLC Agreement (other than the termination thereof in connection with unwinding of a tax equity investment) or agreement or any provision thereof, or enter into any new agreement with respect to its ownership interests, other than any such amendments, modifications or changes or such new agreements to which the prior consent of Lender has been obtained or which are not adverse in any material respect to the interests of the Lender or which could have any adverse effect on the Lender's ability to exercise any Specified Equity Remedy (subject to Section 10.2(a)) after an Event of Default that otherwise could be exercised by the Lender if there were an Event of Default immediately after the effectiveness of this Agreement.

8.2.6 Restricted Payments. Other than the deemed distribution contemplated under this Agreement on the Closing Date, distributions in connection with the proceeds of the ABS Transaction and releases of reserves (and interest accruing thereon) and amounts received in connection with the termination of interest rate swap agreements, in each case in accordance with the JV LLCA and the funds flow agreed between the Lender and Borrower, Borrower shall not directly or indirectly, make or declare any distribution (in cash, property or obligation) on, or other payment on account of, any interest in Borrower (each, a "Restricted Payment").

8.2.7 Investments. Borrower shall not, and shall not permit any Portfolio Entity to (a) make any investments (whether by purchase of stocks, bonds, notes, obligations or other securities, loan, extension of credit, advance, making of capital contributions or otherwise) other than (i) Permitted Investments, (ii) the ownership by Borrower and its Subsidiaries of the membership interests in their Subsidiaries as of the Closing Date or as otherwise consented to by the Lender and (iii) the making of any capital contributions to Portfolio Entities otherwise in compliance with this Section 8.2.7(a); or (b) own any equity interest in, lend money, extend credit or make advances to, or any deposits with (other than deposits or advances in relation to the payment for services in the ordinary course of business), or make deposits with, any Person other than, in each of (a) and (b) (x) deposits into the Accounts held at the Depositary that are otherwise permitted pursuant to the Loan Documents and (y) transactions contemplated by Section 8.1.23 or the Operative Documents, including any capital contributions or shareholder loans permitted under a Project Company LLC Agreement so long as any such shareholder loan is Permitted Debt of a Project Company hereunder.

8.2.8 Transactions with Affiliates. Borrower shall not, and shall not permit any Portfolio Entity to, directly or indirectly enter into or cause or permit to exist any arrangement, transaction or contract (including for the purchase, lease or exchange of property or the rendering of services) with any of its other Affiliates or for the benefit of an Affiliate without the prior approval of Lender, except for (a) the Major Project Documents in effect on the Closing Date, the Tax Equity Documents and the transactions contemplated thereby, (b) the Loan Documents, the Original Reorganization Documents, the Securitization

Reorganization Documents and the transactions contemplated thereby, (c) Restricted Payments otherwise made in accordance with the terms of this Agreement and (d) any employment, non-competition or confidentiality agreement entered into by any Portfolio Entity with any of its employees, officers, agents or directors in the ordinary course of business. Borrower shall not cause, and shall cause each Portfolio Entity to not, enter into any transaction or agreement (whether written or oral) of any kind whatsoever with or pursuant to which it guarantees any obligations of or pledges any actions in respect of Borrower, any Affiliate of Borrower (other than a Portfolio Entity) or any other Portfolio Entity that is not in the same Portfolio Chain as such Portfolio Entity.

8.2.9 Margin Loan Regulations. Borrower shall not, and shall not permit any Portfolio Entity to, directly or indirectly apply any part of the proceeds of the Loan, any cash equity contributions received by Borrower or other funds or revenues to the "buying," "carrying" or "purchasing" of any margin stock within the meaning of Regulations T, U or X of the Federal Reserve Board, or any regulations, interpretations or rulings thereunder.

8.2.10 Partnerships, Separateness Etc.

(a) Borrower shall not, and shall not permit any Portfolio Entity to (a) become a general or limited partner in any partnership or a joint venturer in any joint venture, (b) create and hold any equity interest in any Subsidiary (other than each of its Subsidiaries as of the Closing Date), (c) engage in any business other than owning and operating the applicable Projects and related activities, (d) fail to maintain separate bank accounts and separate books of account, (e) fail to cause its liabilities to be readily distinguishable from the liabilities of the other Portfolio Entities and the other Affiliates of the Borrower, (f) fail to conduct its business solely in its own name in a manner not misleading to other Persons as to its identity, (g) fail to make all oral and written communications (if any), including letters, invoices, purchase orders, contracts, statements, and applications solely in its name or (h) have any employees.

(b) Borrower shall not acquire or own any assets other than the Accounts, the membership interests in Securitization Depositor, its contractual interests in any Loan Document to which it is a party and the books and records associated therewith.

(c) Borrower shall not permit any ABS Entity or any Managing Member to perform any activities other than ownership of the membership interests in its respective Subsidiaries as of the Closing Date and activities related to such ownership to cause or permit its Subsidiaries to take actions or engage in other activities that are permitted or required pursuant to the terms of this Agreement (except as may be permitted in connection with an ABS Transaction);

(d) Borrower shall not permit any Project Company to perform any activities other than the following, in each case in accordance with the provisions hereof: (a) own the Projects owned by such Project Company as of the Closing Date, (b) maintain, operate and, if permitted hereunder, sell or otherwise dispose of such Projects or any substantial part thereof, (c) operate such Projects in compliance with the provisions of Section 48 of the Code and (d) carry on any and all activities incidental or related to the foregoing in accordance with this Agreement and the other Operative Documents that relate to such Project Company.

8.2.11 Dissolution; Merger. Borrower shall not, and shall not permit any Portfolio Entity to, (a) wind up, liquidate or dissolve its affairs, (b) combine, merge or consolidate with or into any other entity, or (c) purchase or otherwise acquire all or substantially all of the assets of any Person, except in connection with the purchase of any Investor's interests in a Project Company made in accordance with the terms of the applicable Tax Equity Documents.

8.2.12 Amendments; Replacements. Borrower shall not, and shall not permit any Portfolio Entity to, amend, modify, supplement or waive, accept, or permit or consent to the termination, amendment, modification, supplement or waiver of any of the material provisions of, or give any material consent under any of the Portfolio Documents, except as may be approved by the Lender; provided, that the extension of the term of a Major Project Document on substantially the same terms and conditions then in effect shall not require the approval of the Lender. Borrower shall not enter into any replacement Major Project Document without the consent of the Lender, not to be unreasonably withheld, conditioned or delayed.

8.2.13 Name and Location; Fiscal Year. Borrower shall not, and shall not permit any Portfolio Entity to, change its name, its jurisdiction of organization, the location of its principal place of business, its organization identification number, its fiscal year or, except as required by GAAP, its accounting policies or reporting practices.

8.2.14 Assignment. Borrower shall not, and shall not permit any Portfolio Entity to, assign its rights or obligations under any Operative Document to any Person, except pursuant to the Security Documents or as contemplated in Section 8.2.4.

8.2.15 Accounts. Borrower shall not, and shall not permit any Portfolio Entity to, maintain, establish or use any account (other than the Accounts and the Portfolio Entity Accounts owned by such Portfolio Entity).

8.2.16 Hazardous Substances. Borrower shall not, and shall not permit any Portfolio Entity to, Release any Hazardous Substances in violation of any Hazardous Substances Laws, Legal Judgments or Applicable Permits, except for (a) temporary unplanned exceedances not allowed under a Project's Permits, which temporary unplanned exceedances could not reasonably be expected to have a Material Adverse Effect and which the applicable Person is diligently and in good faith

attempting to correct and (b) unintentional violations with respect to which (i) the Release is not continuing or reasonably likely to re-occur and is not reasonably susceptible to prevention or cure, and (ii) there are no unsatisfied reporting and/or remediation requirements under applicable Hazardous Substances Laws, Legal Judgments or Applicable Permits.

8.2.17 Contracts. Borrower shall not, and shall not permit any Portfolio Entity to, enter into or become a party to any contract in respect of the Projects (other than, in the case of Project Companies only, Leases with Host Customers and Other Contracts) after the Closing without obtaining consent from Lender, which consent shall not be unreasonably withheld, conditioned or delayed.

8.2.18 Assignment By Third Parties. Without prior consent of the Lender, which consent shall not be unreasonably withheld, conditioned or delayed, Borrower shall not, and shall not permit any Portfolio Entity to, consent to the assignment of any obligations under any Major Project Document or any Tax Equity Document by any counterparty thereto (other than collateral assignments by an Investor in connection with any bona fide financing transactions).

8.2.19 Acquisition of Real Property. Borrower shall not, and shall not permit any Portfolio Entity to, acquire or lease any real property or other interest in real property unless deemed necessary or desirable by Borrower for the ownership and operation of a Project; provided that, nothing in this Section 8.2.19 shall be deemed to prohibit any Portfolio Entity from entering into, enforcing or enjoying customary rights in respect of access to Project sites that are contained in the Leases.

8.2.20 ERISA. Borrower shall not, and shall not permit any Portfolio Entity to, maintain any employee benefit plans subject to ERISA.

8.2.21 Lease Obligations. Borrower shall not, and shall not permit any Portfolio Entity to, create, incur, assume or suffer to exist any obligations as lessee for the rent or hire of any property under leases.

8.2.22 Disputes. Borrower shall not, and shall not permit any Portfolio Entity to, agree, authorize or otherwise consent to any proposed settlement, resolution or compromise of any litigation, arbitration or other dispute with any Person, including without limitation a disallowance of any ITCs, without the prior authorization of Lender if such proposed settlement, resolution or compromise could reasonably be expected to result in a Material Adverse Effect. In furtherance of the foregoing, Borrower shall, and shall cause each Portfolio Entity to, notify the Lender of any (a) IRS Audit or Assessment within 5 days of receipt by the Borrower or such Portfolio Entity, (b) communications with the IRS, including settlement discussions, and (c) settlement, resolution or compromise of any IRS Audit or Assessment; *provided*, *however* that this Section 8.2.22 shall not apply to the extent it would conflict with the such Portfolio Entity's rights and obligations under the applicable Portfolio Documents. Borrower agrees to make reasonable best efforts to (i) review Lender's role under this Section 8.2.22 with respect to IRS Audits and Assessments and (ii) and at the sole discretion of Borrower, amend this Section 8.2.22 to include any consent or participation rights Borrower concludes are commercially acceptable.

8.2.23 Anti-Terrorism Law; Anti-Money Laundering.

(a) Borrower shall not, and shall not permit any Portfolio Entity to, directly or indirectly, knowingly (a) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in Section 7.25.2, (b) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or any other Anti-Terrorism Law, in violation of Anti-Terrorism Law; or (c) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law (and Borrower shall deliver to the Lender any certification or other evidence requested from time to time by Lender in its reasonable discretion, confirming such Persons' compliance with this Section 8.2.23(a).

(b) Borrower shall not, and shall not permit any Portfolio Entity to, cause or permit any of the funds that are used to repay the Loan to be derived from any unlawful activity with the result that the making of the Loan would be in violation of law applicable to the Borrower or any Portfolio Entity.

8.2.24 Embargoed Persons.

(a) (i) Borrower shall not, and shall not permit any Portfolio Entity to, engage in activities that would cause Borrower or any Portfolio Entity to become a Person whose property or interests in property are blocked or subject to blocking pursuant to Section 1 of the Executive Order, or (ii) engage in any dealings or transactions prohibited by Section 2 of the Executive Order to the extent such dealings are in violation of Anti-Terrorism Law, or be otherwise associated with any such Person in any manner violative of such Section 2.

(b) Borrower shall not, and shall not permit any Portfolio Entity to, cause or permit (a) any of the funds or properties that are used to repay the Loan to constitute property of, or be beneficially owned directly or indirectly by, any Person identified on the "List of Specially Designed Nationals and Blocked Persons" maintained by OFAC ("Embargoed Person"), with the result that the investment in the Borrower or any Portfolio Entity (whether directly or indirectly) is prohibited by law, or the Loan made by the Lender would be in violation of law, or (2) the Executive Order, any related enabling legislation or any other

similar executive orders, or (b) any Embargoed Person to have any direct or indirect interest, of any nature whatsoever in the Projects, the Borrower and any Portfolio Entity, with the result that the investment in the Projects or Borrower or any Portfolio Entity (whether directly or indirectly) is prohibited by law or the Loan is in violation of Anti-Terrorism Laws.

ARTICLE IX
ACCOUNTS

Section 9.1 **ACCOUNT WITHDRAWALS, TRANSFERS AND PAYMENTS.**

9.1.1 General Procedures.

(a) For every withdrawal, transfer or payment from any Account, Borrower shall execute and deliver to Lender an Account Withdrawal Request and a proposed Account Withdrawal Instruction related thereto. Borrower shall submit, together with each set of Account Withdrawal Documents, appropriate documentation or materials reasonably requested by Lender to enable it to substantiate the withdrawals and transfers specified in the applicable Account Withdrawal Request and the other matters described therein. If the Borrower shall fail to deliver an Account Withdrawal Request for any Payment Date at least four days prior to such Payment Date, Borrower shall be deemed to have delivered to the Lender for such Payment Date an Account Withdrawal Request that is substantially the same as for the prior Payment Date.

(b) Upon receipt of such Account Withdrawal Documents, Lender shall promptly review such Account Withdrawal Documents. Lender (after consulting with Borrower) may elect (i) not to approve part, and, accordingly, may reduce the amount of, any individual withdrawal, transfer or payment requested in any Account Withdrawal Request if Lender reasonably determines that Borrower has not provided all of the appropriate documentation contemplated by Section 9.1.1(a) to properly document and support the making of such part of the requested withdrawal, transfer or payment, or (ii) to approve part or the whole of any individual withdrawal, transfer or payment requested in any Account Withdrawal Request but make such withdrawal, transfer or payment requested subject to further conditions if Lender determines that Borrower has not met the requirements hereunder for the funding of such requested withdrawal, transfer or payment. If Lender does not approve (such approval not to be unreasonably withheld, conditioned or delayed) any Account Withdrawal Documents or shall approve any Account Withdrawal Document but subject to certain conditions, Lender shall promptly so notify Borrower (such notice to specify in reasonable detail the reasons for not approving or for such additional conditions with respect to such Account Withdrawal Documents), and Borrower shall then be permitted to submit a revised set of Account Withdrawal Documents to Lender or agree to meet such conditions with respect to any Account Withdrawal Document subject to any conditions, as applicable.

(c) If in Lender's reasonable judgment such Account Withdrawal Documents are consistent with the terms hereof, subject to Lender's approval of the amounts and other details provided therein, Lender shall execute and deliver the applicable Account Withdrawal Instruction to Depositary pursuant to the terms of the Depositary Agreement. Borrower agrees that Lender may direct Depositary to transfer any or all sums on deposit in or credited to any Account directly into the accounts identified by Borrower in each Account Withdrawal Request without further authorization from Borrower; provided that if Borrower has notified Lender that it is contesting a claim for payment in accordance with Section 8.1.2(b) and the other applicable Operative Documents, Lender shall not be entitled to directly pay any amount being contested, except (i) any portion of such amount which is not being contested by Borrower or (ii) payments which Lender reasonably believes if not promptly made could reasonably be expected to have a Material Adverse Effect.

9.1.2 Account Withdrawal Documents. A set of Account Withdrawal Documents shall be deemed properly delivered by Borrower to Lender if such Account Withdrawal Documents have been properly completed to the satisfaction of Lender and delivered in accordance with the applicable time requirements set forth herein and Section 3.1 of the Depositary Agreement. Unless specifically stated herein, all Account Withdrawal Instructions are to be completed by Borrower and submitted to Lender for approval and signature and then forwarded by Lender to Depositary in accordance with the applicable time requirements set forth herein and the provisions of the Depositary Agreement. To the extent that any directions to Depositary or any requested actions by Depositary under this Article IX require actions to be taken by Borrower and Borrower fails to perform such actions, or if any Account Withdrawal Documents submitted by Borrower are incorrect or if an Event of Default has occurred and is continuing or would occur based on Borrower's failure to submit, or to submit accurate and necessary, Account Withdrawal Instructions, Lender is entitled to perform such actions by completing and executing an Account Withdrawal Instruction and delivering such Account Withdrawal Instruction to Depositary in accordance with the terms of the Depositary Agreement.

9.1.3 Repayment of Loan in Full. In connection with any anticipated repayment in full of the Loan that is otherwise permitted pursuant to the terms of this Agreement, Borrower may submit a set of Account Withdrawal Documents to Lender requesting Lender to direct Depositary to transfer or apply all remaining monies in the Accounts to the repayment of the Loan on the anticipated date thereof. After approving a set of Account Withdrawal Documents (or any revision thereof), Lender shall execute and deliver to Depositary the applicable Account Withdrawal Instruction within two Business Days of Lender's receipt of such Account Withdrawal Request.

Section 9.2 **REVENUE ACCOUNT.**

9.2.1 Deposits into Revenue Account. Borrower shall deposit or cause to be deposited into the Revenue Account all Revenues (it being acknowledged and agreed that, to the extent any amounts referred to this Section 9.2.1 are received directly by Lender or Depositary (a) upon receipt of any such amounts, Lender shall deposit, or shall cause the Depositary to deposit, such amounts into the Revenue Account as contemplated by this Section 9.2.1, and (b) the obligation of Borrower under this Section 9.2.1 to deposit any such amounts into the Revenue Account shall be deemed satisfied upon such deposit to the Revenue Account).

9.2.2 Disbursements from Revenue Account.

(a) The applicable Account Withdrawal Request shall request Lender to direct Depositary to transfer or apply monies on deposit in the Revenue Account only to a proposed application of Revenues consistent with the terms hereof, which shall be subject to Lender's approval of the amounts and other details provided therein. After approving a set of Account Withdrawal Documents (or any revision thereof), Lender shall execute and deliver to Depositary the applicable Account Withdrawal Instruction at least one Business Day prior to the applicable Payment Date.

(b) Pursuant to Account Withdrawal Documents, amounts on deposit in the Revenue Account (other than amounts required to remain on deposit in or credited to the Revenue Account pursuant to the first sentence of each of Section 9.2.2(c) and 9.2.2(d)) shall be applied to the following uses, in the following amounts, at the following times, and in the following order of priority to the extent funds are available therefor:

(1) On each Payment Date, to the payment of all fees, expenses and indemnities then payable to the Depositary and any reimbursable amounts under Section 4.2.1 then payable to Lender, in each case, in connection with the Loan Documents;

(2) On each Payment Date, to the payment of amounts currently payable to Lender of fees and charges in connection with the Loan Documents;

(3) On each Payment Date, to the PeGu Reserve Account, the amount necessary to fund the PeGu Reserve Account with the PeGu Reserve Required Amount for such Payment Date;

(4) On each Payment Date, to the payment of interest on the Loan, and on other amounts accruing interest under the Loan Documents; and

(5) On each Payment Date, an amount equal to all amounts remaining in the Revenue Account after giving effect to the withdrawals and transfers contemplated to be made pursuant to clauses (1) through (4) above (such amount, the "Excess Cash Flow") to the prepayment of the principal of the Loan pursuant to Section 5.1.4(a), provided that, on the Discharge Date, all remaining cash shall be paid as directed by the Borrower.

Section 9.3 **PEGU RESERVE ACCOUNT**.

9.3.1 Establishment of PeGu Reserve Account. The PeGu Reserve Account shall be established pursuant to Section 2.1(a) of the Depositary Agreement.

9.3.2 Deposits into PeGu Reserve Account. Amounts shall be deposited in the PeGu Reserve Account from time to time in accordance with Section 9.2(b)(3).

9.3.3 Disbursements from the PeGu Reserve Account. Pursuant to Account Withdrawal Documents or as set forth in this Section 9.3.3, amounts may be withdrawn and transferred from the PeGu Reserve Account:

(a) on each Payment Date after the first anniversary of the Closing Date, so long as SunPower Corporation, Systems, the Sponsor or any other SunPower Affiliate is an obligor with respect to the applicable Performance Guarantee and the Sponsor or a SunPower Affiliate is acting as Services Provider to the applicable Project Company under the applicable Maintenance Services Agreement, to such Person, 70% of the amount necessary to reimburse such Person for any payments such Person has made under, or in connection with, the Performance Guarantees (all such payments, "PeGu Payments"), an amount equal to the aggregate amount of all such PeGu Payments, to the extent that sufficient funds are then on deposit in or credited to the PeGu Reserve Account; and

(b) on the last Payment Date of 2020 and each second calendar year thereafter, to the extent funds on deposit in or credited to the PeGu Reserve Account remain after making any withdrawals and transfers pursuant to Section 9.3.3(a) and such funds exceed the PeGu Reserve Required Amount for such Payment Date, to the Lender for the prepayment of the Loan in accordance with Section 5.1.4(d);

in each case, as set forth in an Account Withdrawal Request pursuant to which Borrower shall request Lender to direct Depositary to transfer or apply monies on deposit in the PeGu Reserve Account only to a proposed application consistent with the terms of clauses (a) and (b), as applicable (which, if amounts are requested to be withdrawn and transferred from the PeGu Reserve Account pursuant to clause (a) above, shall include reasonably detailed evidence of the applicable PeGu Payments having been made),

which shall be subject to Lender's approval of the amounts and other details provided therein, not to be unreasonably withheld, conditioned or delayed. After approving a set of Account Withdrawal Documents (or any revision thereof), Lender shall execute and deliver to Depositary the applicable Account Withdrawal Instruction at least one Business Day prior to the applicable date on which such withdrawal and transfer is to be made. To the extent the Borrower does not, for any reason, submit an Account Withdrawal Request for any Payment Date or include in any Account Withdrawal Request a request for transfer or application of funds in the PeGu Reserve Account in accordance with Section 9.3.3(a), the Sponsor or any of its Affiliates may submit a direct written request for the release of funds from the PeGu Reserve Account and Lender shall treat the same as an Account Withdrawal Request solely with respect to the requested transfers. Requests for transfer of funds from the PeGu Reserve Account by the Sponsor or the Borrower in accordance with this Section 9.3.3 shall be honored by the Lender notwithstanding the existence of a Default or Event of Default or any other circumstance (other than accuracy thereof or failure to present reasonably detailed evidence of the applicable PeGu Payments that is consistent with the amounts requested to be transferred from the PeGu Reserve Account).

Section 9.4 **[RESERVED]**.

Section 9.5 **REPAYMENT ACCOUNT**.

9.5.1 Establishment of Repayment Account. The Repayment Account shall be established pursuant to Section 2.1(a) of the Depositary Agreement.

9.5.2 Deposits into Repayment Account. Until the Discharge Date, Borrower shall immediately deposit into the Repayment Account the amount of any Mandatory Prepayment other than any Excess Cash Flow that is applied directly to the prepayment of the Loan in accordance with Section 9.2.2(b)(5).

9.5.3 Disbursements from the Repayment Account. Lender will be the only Person that is permitted to direct disbursements from the Repayment Account. Lender shall execute and deliver to Depositary the applicable Account Withdrawal Instruction directing that amounts in the Repayment Account be transferred to the Lender for repayment or prepayment of the Loan. Amounts in the Repayment Account shall be transferred to the Lender as soon as practicable after the applicable Account Withdrawal Instruction is delivered by the Lender pursuant to this Section 9.5.3.

Section 9.6 **[RESERVED]**.

Section 9.7 **PROCEEDS AND ACCOUNTS**. Borrower shall not have any rights or powers with respect to any monies or accounts or Account except to have funds on deposit therein applied or invested in accordance with this Agreement and as set forth in the Depositary Agreement. Lender is hereby authorized to reduce to cash any Permitted Investment (without regard to maturity) in order to make any application required by any section of this Article IX or otherwise pursuant to the Loan Documents. Upon the occurrence of an Event of Default, subject to the provisos of Section 10.2(b)(ii), the Lender shall have all rights and powers with respect to the Accounts as it has with respect to any other Collateral and may apply funds on deposit in the Accounts (other than, for so long as the Sponsor or an Affiliate of the Sponsor is party to, or liable in connection with, any outstanding Performance Guarantee, the PeGu Reserve Account) to the payment of interest, principal, fees, costs, charges or other amounts due or payable to the Lender in such order as Lender may elect in its sole discretion.

Section 9.8 **PERMITTED INVESTMENTS**. Until the Discharge Date, Borrower shall cause to be invested all amounts held in the Accounts only in Permitted Investments as directed by and at the expense and risk of Borrower.

ARTICLE X
EVENTS OF DEFAULT

Section 10.1 **EVENTS OF DEFAULT**. Each of the following constitutes an "Event of Default":

10.1.1 Payment Default. If the Borrower defaults on any of its (a) payments of principal hereunder or (b) for more than three (3) Business Days, any other monetary obligations due and owing hereunder, including interest and fees.

10.1.2 Bankruptcy; Insolvency. Any Bankruptcy Event shall occur with respect to any Loan Party, SunStrong Capital Holdings, Mezzanine 1A Borrower, Sponsor, any Portfolio Entity or any other Major Project Participant (other than an Affiliate of the Lender); provided that, in the event that a Bankruptcy Event shall occur with respect to a Services Provider that is SunPower Capital or another Affiliate of Sponsor, such Bankruptcy Event shall not constitute an Event of Default hereunder at any time that any Bankruptcy Exclusion Event shall have been and remain satisfied (as reasonably determined by the Lender).

10.1.3 Defaults Under Other Debt.

(a) Any Loan Party or Portfolio Entity shall default for a period beyond any applicable grace period (i) in the payment of any principal, interest or other amount due under any agreement or instrument involving Debt (other than the Debt hereunder) in excess of $150,000, (ii) in the observance or performance of any other agreement or condition relating to such Debt or contained in any agreement or instrument evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default, event or condition is to cause, or to permit any holder of such Debt (or a trustee or agent of such

holder or beneficiary) to cause, such Debt to become or be declared due and payable prior to its stated maturity or the stated maturity of any underlying obligation, as the case may be (upon the giving or receiving of notice, lapse of time, both, or otherwise), provided that no Event of Default shall exist under this Section 10.1.3(a) until all applicable grace periods in the underlying agreement or instrument have expired, or (iii) any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof.

(b) There shall exist an Event of Default under and as defined in either (i) that certain Loan Agreement, dated as of November 5, 2018, by and between SunStrong Capital Acquisition OF, LLC and SunStrong Capital Lender 2 LLC; or (ii) the Mezzanine 1A Loan Agreement.

10.1.4 Judgments. Final judgments or orders for the payment of money shall be entered against any Loan Party or any Portfolio Entity in excess of $500,000, individually or in the aggregate (in each case, after deducting the among of any insurance proceeds received or expected, to the extent payment of such proceeds of the amount of the final judgment or order has not been disputed by the insurer), (a) which is vacated, stayed, discharged or, if required for appeal, bonded pending such appeal, within 45 days after its entry or, in the case of a stayed and/or bonded judgment, the judgment is affirmed on appeal, (b) the execution of it is effectively stayed within 45 days after its entry unless, after the entry of such stay, there shall be a period of more than 30 consecutive days during which the execution of such judgment is not effectively stayed or (c) it is satisfied within 45 days after its entry. Any non-monetary judgment or order shall be entered against any Loan Party or Portfolio Entity that could reasonably be expected to have a Material Adverse Effect other than a judgment or order, which is discharged within 45 days after its entry unless, after the entry of such stay, there shall be a period of not more than 30 consecutive days during which the execution of such judgment is not effectively stayed.

10.1.5 ERISA. If any Loan Party, any Portfolio Entity or any ERISA Affiliate should establish, maintain, contribute to or become obligated to contribute to any ERISA Plan and (a) a Reportable Event shall have occurred with respect to any ERISA Plan and, within 30 days after the reporting of such Reportable Event to Lender by Borrower and the furnishing of such information as the Lender may reasonably request with respect thereto, the Lender shall have notified Borrower that (i) the Lender has made a determination that, on the basis of such Reportable Event, there are reasonable grounds for the termination of such ERISA Plan by the PBGC or for the PBGC to ask for the appointment by the appropriate United States District Court of a trustee to administer such ERISA Plan and (ii) as a result thereof, an Event of Default exists hereunder; or (b) a trustee shall be appointed by a United States District Court to administer any ERISA Plan; or (c) the PBGC shall institute proceedings to terminate any ERISA Plan; or (d) a complete or partial withdrawal by Borrower, any Portfolio Entity or any ERISA Affiliate from any Multiemployer Plan shall have occurred and, within 30 days after the reporting of any such occurrence to the Lender by Borrower (or the Lender otherwise obtaining knowledge of such event) and the furnishing of such information as the Lender may reasonably request with respect thereto, the Lender shall have notified Borrower that the Lender has made a determination that, on the basis of such occurrence, a Default or Event of Default exists hereunder. Notwithstanding any other provision of this Section 10.1.5, no Default or Event of Default shall be deemed to occur under this Section 10.1.5 unless (i) an event described in this Section 10.1.5 shall have occurred, (ii) such occurrence is reasonably expected to result in direct liability of Borrower or any Portfolio Entity, and (iii) any notice required by Lender described in such subclause has been provided in accordance with this Section 10.1.5.

10.1.6 Ownership of Projects. Any Project Company shall cease to be the sole owner of the Projects owned by it as of the Closing Date except (i) in connection with the exercise of purchase rights of the applicable Host Customers as provided in the Leases or (ii) as a result of a destruction, condemnation or taking thereof.

10.1.7 Breach of Terms of Agreement.

(a) *Defaults Without Cure Periods*. Any Loan Party shall fail to perform or observe any of the covenants set forth in Sections 2.3, 8.1.1, 8.1.4(c) or (d), 8.1.9(a) or 8.1.15 of this Agreement.

(b) *Defaults With 10/30 Day Cure Periods*. Any Loan Party shall fail to perform or observe any of the covenants set forth in Article VIII of this Agreement (other than in Sections of such Articles specifically listed in Section 10.1.7(a)), and such failure shall continue unremedied for a period of (x), with respect to Section 8.2, 10 days, or (y) with respect to Section 8.1, 30 days, in each case after the earlier of any Loan Party (i) becoming aware thereof or (ii) receiving notice thereof from Lender.

(c) *Other Defaults*. Any Loan Party or Guarantor shall fail to perform or observe any of the agreements set forth herein or in any Loan Document not otherwise specifically provided for in Section 10.1.7(a), Section 10.1.7(b) or elsewhere in this Article X, and such failure shall continue unremedied for a period of 30 days after the earlier of any Loan Party, Portfolio Entity or Guarantor becomes aware thereof or receives notice thereof from Lender; provided, that, if (i) such failure does not consist principally of the failure to pay money and cannot be cured within such 30 day period, (ii) such failure is susceptible of cure within 90 days, (iii) such Loan Party is proceeding with diligence and in good faith to cure such failure, (iv) the existence of such failure has not had and could not, after considering the nature of the cure, be reasonably expected to have a Material Adverse Effect, and (v) Lender shall have received an officer's certificate signed by a Responsible Person to the effect of clauses (i), (ii), (iii) and (iv) above and stating what action such Loan Party is taking to cure such failure, then such 30 day cure period shall be extended to such date, not to exceed a total of 90 days, as shall be necessary for such Loan Party diligently to cure such failure.

10.1.8 Loss of Collateral. Any Person other than the Lender attaches or institutes proceedings to attach all or any part of the Collateral, and any such proceeding or attachment or any judgment Lien against any such Collateral (other than Permitted Liens) (i) remains unlifted, unstayed or undischarged for a period of 30 days or (ii) is upheld in a final nonappealable judgment of a court of competent jurisdiction.

10.1.9 Regulatory Status.

(a) A Project shall fail to maintain its status as a QF, (ii) a Project's QF status shall be revoked or cancelled by FERC or (iii) a Project Company shall fail to qualify for any of the exemptions from regulation under 18 C.F.R. § 292.601 or § 292.602, and either (x) shall fail to obtain a similar exemption, or (y) shall fail to obtain any required authorizations from FERC or applicable state regulatory authority required as a result of its loss of exemption.

(b) A Loan Party or Portfolio Entity or any of its "affiliates" as such is defined in PUHCA, becomes subject to, or no longer exempt from, regulation by FERC as an "electric utility company", "public-utility company", or "holding company", as each of these terms is defined in PUHCA.

10.1.10 California Property Tax Matters. The representation and warranty in Section 7.28 proves to have been untrue, false or misleading in any material respect as of the time made or any Person shall take or fail to take any action or otherwise create, permit or suffer to exist any event, circumstance or occurrence that would cause or causes a Loan Party or any of its Subsidiaries to be an Original Co-Owner (except those listed for such Project on Schedule 7.28) of any Projects or which would trigger or triggers a change of ownership requiring reassessment of the value of any Projects for any California state or local property tax purposes (a "Reassessment"); provided that, any action, inaction, event, circumstance or occurrence that would otherwise give rise to an Event of Default pursuant to this Section 10.1.10 shall not give rise to an Event of Default if and to the extent that (a) (i) Sponsor takes all actions required under the Support and Indemnification Agreement with respect to any SunPower Indemnity Obligations that result or could reasonably be expected to result from such Reassessment and (ii) notwithstanding the amount paid pursuant to clause (i), Sponsor makes or causes to be made a prepayment of the Loan as may be necessary to show (to the reasonable satisfaction of the Lender) that, immediately after giving effect to such prepayment, the projected date of the Discharge Date is not expected to occur later than the Maturity Date, as shown in the Base Case Model, updated for actual performance and changes between the Closing Date and the date of such prepayment (including the impact of the Reassessment and Sponsor's payments pursuant to clause (i)), (b) assuming full performance of the Sponsor's obligations under Section 3 of the Support and Indemnification Agreement, such Reassessment could not reasonably be expected to cause any Portfolio Entity to have insufficient cash flows to make regularly scheduled payments and/or repay any Indebtedness under any Portfolio Documents as and when the same are due and payable and (c) assuming full performance of the Sponsor's obligations under Section 3 of the Support and Indemnification Agreement, such Reassessment could not reasonably be expected to cause a breach, default or event of default (however so phrased) under any Portfolio Documents.

10.1.11 Loan Document Matters. At any time after the execution and delivery thereof, (a) any Loan Document or any material provision hereof or thereof (i) ceases to be in full force and effect or to be valid and binding on any party thereto other than a Secured Party (other than by reason of the satisfaction in full of the Obligations or any termination of a Loan Document in accordance with the terms hereof or thereof), or is assigned or otherwise transferred (except as otherwise required or expressly permitted hereunder or thereunder) or is prematurely terminated by any party thereto (other than the Lender), (ii) is or becomes invalid, illegal or unenforceable, or any party hereto or thereto (other than the Lender) repudiates or disavows or takes any action to challenge the validity or enforceability of such agreement, (iii) is declared null and void by a Governmental Authority of competent jurisdiction, or (iv) fails to or ceases to provide the rights, powers and privileges purported to be created thereby or hereby, (b) any of the Security Documents, once executed and delivered, shall fail to provide to Lender the Liens, first priority security interest, rights, titles, interest, remedies permitted by law, powers or privileges intended to be created thereby (including the priority intended to be created thereby), or (c) any authorization or approval by any Governmental Authority necessary to enable any Loan Party to comply with or perform its Obligations or otherwise perform in accordance with the terms of the Loan Documents shall be revoked, withdrawn or withheld, or shall otherwise fail to be issued or remain in full force and effect.

10.1.12 Misstatements; Omissions.

(a) Subject to Section 10.1.12(b), any representation or warranty made or deemed made by any Loan Party or any Guarantor in any Loan Document (other than Section 7.28 hereof, defaults in respect of which are governed by Section 10.1.10) to which such Person is a party or any Portfolio Entity in any Lease Certificate delivered by such Portfolio Entity, or in any separate statement, certificate or document delivered to the Lender under any Loan Document to which such Person is a party, proves to have been untrue, false or misleading in any material respect as of the time made, deemed made, confirmed or furnished; provided that, any such misstatement or omission that contravenes this Section 10.1.12(a) shall not give rise to an Event of Default hereunder if (i) such representation or warranty was not known to be false at the time that it was made (ii) such statement has not had a Material Adverse Effect and (iii) to the extent that the conditions causing such misrepresentation or breach are capable of being remedied, the applicable Loan Party remedies such conditions within fifteen (15) Business Days after a Loan Party or the applicable Portfolio Entity becoming aware or receiving notice of such untrue, false or misleading representation or warranty.

(b) Notwithstanding the foregoing, any misrepresentation or breach that would otherwise give rise to an Event of Default pursuant to Section 10.1.12(a) shall not give rise to an Event of Default if and to the extent that Sponsor takes all actions required under the Support and Indemnification Agreement with respect to such misrepresentation or breach within ten (10) Business Days after a Loan Party or the applicable Portfolio Entity becoming aware or receiving notice of such untrue, false or misleading representation or warranty (subject to any cure period provided pursuant to Section 10.1.12(a)).

10.1.13 Major Project Documents.

(a) *Portfolio Entity Defaults*. Any Portfolio Entity shall be in breach of, or in default of any obligation under a Major Project Document or a Tax Equity Document and is not otherwise waived by the applicable counterparty and such breach or default shall not be remediable or, if remediable, shall continue unremedied for such period of time under such Major Project Document or such Tax Equity Document which the Portfolio Entity has available to it in which to remedy such breach or default, unless such breach or default could not reasonably be expected to have a Material Adverse Effect.

(b) *Third Party Defaults*. Any Person other than a Portfolio Entity shall be in breach of, or in default of any material obligation under or repudiate, disavow, a Major Project Document or a Tax Equity Document and such breach or default shall not be remediable or, if remediable, shall continue unremedied for a period beyond the applicable grace period and commercially reasonable extensions thereof granted in consultation with Lender; provided, however, that with respect to any breaches or defaults caused by the Services Provider, such breaches or defaults shall be cured to the extent the applicable Project Company causes the performance of the applicable Services Provider's duties to be transferred to (or such duties are otherwise transferred to) a Back-Up Servicer under the applicable Back-Up Servicing Agreement or enters into a replacement agreement (in form and substance reasonably acceptable to Lender) within thirty (30) days.

(c) *Termination*. At any time after the execution and delivery thereof, (a) any Major Project Document or any Tax Equity Document or any material provision hereof or thereof (i) ceases to be in full force and effect or to be valid and binding on any party thereto (other than by reason of the satisfaction of performance of such agreement or provision or any other any termination thereof in accordance with the terms thereof), or is assigned or otherwise transferred (except as otherwise required or expressly permitted hereunder or thereunder) or is prematurely terminated by any party thereto, (ii) is or becomes invalid, illegal or unenforceable, or any party hereto or thereto repudiates or disavows or takes any action to challenge the validity or enforceability of such agreement, (iii) is declared null and void by a Governmental Authority of competent jurisdiction or written notice is given by any Governmental Authority or applicable counterparty contesting the validity or enforcement thereof, or (iv) fails to or ceases to provide the rights, powers and privileges purported to be created thereby or hereby; provided, however, that with respect to any events or occurrences of defaults caused by a Services Provider, such events or occurrences shall be cured to the extent the applicable Project Company causes the performance of the applicable Services Provider's duties to be transferred to (or such duties are otherwise transferred to) a Back-Up Servicer under the applicable Back-Up Servicing Agreement or enters into a replacement agreement (in form and substance reasonably acceptable to the Lender) within the cure period set forth above.

10.1.14 Change of Control. There shall be any Change of Control.

10.1.15 Support and Indemnification Agreement. Sponsor fails to timely perform any of its obligations under the Support and Indemnification Agreement.

10.1.16 ABS Transaction Debt. The Debt under the ABS Transaction is not refinanced or repaid in full on or prior to the date that is nine (9) months prior to the Anticipated Repayment Date (as such term is defined and used in the ABS Transaction Documents).

Section 10.2 **REMEDIES UPON DEFAULT**.

(a) The Lender agrees that it will not exercise, or permit the exercise of, any Specified Equity Remedy in a manner that violates, or results in the violation of, any applicable provisions or restrictions of any Tax Equity Document, in each case, to which such Portfolio Entity is a party or any of its assets are bound, and in connection with which the Sponsor or any SunPower Affiliate is liable. Nothing set forth in this Section 10.2(a) shall limit any other exercise of rights or remedies by the Lender under the Loan Documents or Applicable Laws.

(b) Upon the occurrence of (x) any Event of Default described in Section 10.1.2, automatically, and (y) during the continuance of any other Event of Default following written notice to this effect from the Lender to the Borrower (i) each of the following shall immediately become due and payable, in each case without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Borrower: (A) the unpaid principal amount of and accrued interest on the Loan and (B) all other Obligations; and (ii) the Lender may enforce any and all Liens and security interests created in the Collateral pursuant to the Security Documents; provided that, notwithstanding anything to the contrary in this Agreement or any other Loan Document, for so long as the Sponsor or an Affiliate of the Sponsor is party to any outstanding Performance Guarantee, in no event shall the Lender enforce any of its interests in the PeGu Reserve Account or any amounts on deposit therein or credited thereto other than to maintain its Liens and security interests in respect thereof, and at all times from and after the occurrence of an Event of Default Lender shall, to the extent of funds available, after payment of all reimbursable amounts under Section 4.2.1 then payable to Lender in connection with the Loan Documents and payment of amounts currently payable to

Lender of fees and charges in connection with the Loan Documents (in each case, excluding any principal or interest on the Loan then due as a consequence of acceleration, indemnity or otherwise), continue depositing into the PeGu Reserve Account on each Payment Date the PeGu Funding Amount and comply with the provisions of Section 9.3.3 with respect to the PeGu Reserve Account and all amounts on deposit therein or credited thereto, provided further that, Lender shall not apply any cash to the principal or interest under the Loan unless the PeGu Reserve Account has been funded to the PeGu Reserve Required Amount.

(c) In addition to the rights and remedies provided in (a) above, upon the occurrence of and during the continuation of any Event of Default, the Lender shall have the right to (i) reduce any claim to judgment, and (ii) subject to the provisos in Section 10.2(b)(ii), exercise any and all rights and remedies afforded by this Agreement and the other Loan Documents, as well as any and all rights and remedies afforded under any statute or otherwise.

(d) Notwithstanding the entry of any decree, order, judgment or other judicial action, upon the occurrence of an Event of Default hereunder, the unpaid principal amount of the Notes outstanding or becoming outstanding while such Event of Default exists shall bear interest from the date of such Event of Default until such Event of Default has been cured to the satisfaction of the Lender, at the Default Rate, irrespective of whether or not as a result thereof the Notes has been declared due and payable or the maturity thereof accelerated. The Borrower shall on demand from time to time pay such interest to the Lender and the same shall be a part of the indebtedness hereunder.

(e) The Borrower acknowledges and agrees that, subject to the provisos in Section 10.2(b)(ii), the Lender shall have the continuing and exclusive right to apply proceeds of Collateral against the Loan, in such manner as the Lender deems advisable.

(f) The Lender is hereby granted an irrevocable, non-exclusive license or other right to use, license or sub-license (without payment of royalty or other compensation to any Person) any or all Intellectual Property of Borrower, computer hardware and software, trade secrets, brochures, customer lists, promotional and advertising materials, labels, packaging materials and other property, for the purpose, upon the occurrence and during the continuation of any Event of Default, of advertising for sale, marketing, selling, collecting, completing manufacture of, or otherwise exercising any rights or remedies with respect to, any Collateral or other Property of any Loan Party. The Borrower's rights and interests under Intellectual Property shall inure to the Lender's benefit.

(g) At any time during an Event of Default, the Lender is authorized, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Lender (other than its obligations under the provisos in Section 10.2(b)(ii)) to or for the credit or the account of the Borrower against any Obligations, whether or not the Lender shall have made any demand under any Loan Document and although such Obligations may be contingent or unmatured. The rights of the Lender under this subsection Section 10.2(g) are in addition to other rights and remedies (including other rights of setoff) that the Lender may have (which other rights are subject to the provisos in Section 10.2(b)(ii)).

(h) All agreements, warranties, guaranties, indemnities and other undertakings of the Borrower under the Loan Documents are cumulative and not in derogation of each other. The rights and remedies of the Lender under the Loan Documents are cumulative, may be exercised at any time and from time to time, concurrently or in any order, and are not exclusive of any other rights or remedies available by agreement, by law, at equity or otherwise. All such rights and remedies shall continue in full force and effect until Full Payment of all Obligations. No waiver or course of dealing shall be established by (i) the failure or delay of any the Lender to require strict performance by Borrower under any Loan Document, or to exercise any rights or remedies with respect to Collateral or otherwise or (ii) acceptance by the Lender of any payment or performance by the Borrower under any Loan Document in a manner other than that specified therein. Any failure to satisfy a financial covenant on a measurement date shall not be cured or remedied by satisfaction of such covenant on a subsequent date.

(i) The Borrower agrees to pay to the Lender on demand (i) all documented enforcement costs paid, incurred or advanced by or on behalf of the Lender, and (ii) interest on such documented enforcement costs from the date paid, incurred or advanced until paid in full at a per annum rate of interest equal at all times to the Default Rate. As used herein, "enforcement costs" shall mean and include collectively and include all expenses, charges, recordation or other taxes, costs and fees (including attorneys' fees and expenses) of any nature whatsoever advanced, paid or incurred by or on behalf of the Lender in connection with (x) the collection or enforcement of this Agreement or any of the other Loan Documents, (y) the creation, perfection, maintenance, preservation, defense, protection, realization upon, disposition, collection, sale or enforcement of all or any part of any Collateral, and (z) the exercise by the Lender of any rights or remedies available to it under the provisions of this Agreement, or any of the other Loan Documents. All enforcement costs, with interest as provided above, shall be a part of the indebtedness hereunder.

ARTICLE XI
MISCELLANEOUS

Section 11.1 **NOTICES**.

11.1.1 All notices, requests and other communications to either party hereunder shall be in writing and shall be given to such party at its address, facsimile number or email address number set forth on the signature pages hereof or such other address, facsimile number or email address as such party may hereafter specify. Each such notice, request or other communication shall be effective (a) if given by certified mail, 72 hours after such communication is deposited with the United States Postal Service with first class postage prepaid, addressed as aforesaid or (b) if given by any other means, including email or facsimile, when delivered at the address, email address or facsimile number specified on the signature pages hereto or to such other addresses or facsimile numbers as specified in writing by a party to the other party hereunder, as evidenced by a confirmation report.

11.1.2 Unless Lender otherwise prescribes, notices or communications posted to an internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its email address as described in the foregoing paragraph of notification that such notice or communication is available and identifying the website address therefor; provided that, for all electronic delivery, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice, email or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient.

Section 11.2 **NO WAIVERS**. No failure or delay by either party in exercising any right hereunder or under any other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the parties under this Agreement and the other Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law or in any of the other Loan Documents.

Section 11.3 **AMENDMENTS, ETC**. No amendment, modification, consent or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by either party therefrom, shall be effective unless the same shall be in writing and signed by an officer of both parties, and then shall be effective only in the specific instance and for the specific purpose for which given.

Section 11.4 **SURVIVAL**. All representations, warranties and covenants made by the Borrower herein or in any certificate or other instrument delivered by it or on its behalf under the Loan Documents shall be considered to have been relied upon by the Lender and shall survive the delivery to the Lender of such Loan Documents, regardless of any investigation made by or on behalf of the Lender.

Section 11.5 **SEVERABILITY**. If any provision contained in this Agreement or any other Loan Document is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable, such Loan Document shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part thereof, and the remaining provisions thereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance therefrom.

Section 11.6 **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, EXCEPT THAT THE NEITHER PARTY MAY ASSIGN OR OTHERWISE TRANSFER ANY OF ITS RIGHTS OR OBLIGATIONS UNDER THIS AGREEMENT WITHOUT THE PRIOR WRITTEN CONSENT OF THE OTHER PARTY; PROVIDED THAT (a) HANNON ARMSTRONG CAPITAL MAY CEASE TO OWN, DIRECTLY OR INDIRECTLY, LESS THAN 100% OF THE MEMBERSHIP INTERESTS IN LENDER SO LONG AS (i) HANNON ARMSTRONG CAPITAL OR ONE OF ITS AFFILIATES REMAINS THE MANAGING MEMBER OR MANAGER, DIRECTLY OF INDIRECTLY, OF THE LENDER, AND SUCH OTHER PERSONS WHO OWN ANY MEMBERSHIP INTERESTS IN THE LENDER ARE PASSIVE EQUITY INVESTORS THAT HAVE AGREED TO TERMS WITH RESPECT TO CONSENT RIGHTS RELATED TO THE LENDER THAT ARE CUSTOMARY FOR LIMITED PARTNERS IN MANAGED FUND PARTNERSHIP CONTEXTS AND (ii) SUCH OTHER PERSONS ARE NOT COMPETITORS, (b) AT ANY TIME AFTER AN EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING, WITHOUT THE CONSENT OF BORROWER, THE LENDER MAY ASSIGN OR TRANSFER ALL OR ANY PORTION OF THE LOAN AND ITS RIGHTS AND OBLIGATIONS HEREUNDER AND UNDER THE OTHER LOAN DOCUMENTS TO ANY PERSON THAT IS NOT A COMPETITOR; HOWEVER, IN ANY CASE, BORROWER WILL RECEIVE WRITTEN NOTICE OF ANY ASSIGNMENT THAT THE LENDER MAKES, (c) LENDER MAY ASSIGN THIS LOAN AS COLLATERAL SECURITY FOR (i) ANY LOANS MADE TO HANNON ARMSTRONG CAPITAL OR ITS IMMEDIATE PARENT ENTITIES OR (ii) SO LONG AS THE COLLATERAL THEREFORE INCLUDES ASSETS WITH A BOOK VALUE IN EXCESS OF $300,000,000 IN ADDITION TO THE RIGHTS UNDER THIS AGREEMENT AS OF THE DATE SUCH COLLATERAL ASSIGNMENT IS GRANTED, ANY LOAN MADE TO HAT HOLDINGS I LLC OR HAT HOLDINGS II LLC, AND IN EACH CASE OF CLAUSE (i) AND (ii), THE APPLICABLE LENDER THEREOF MAY FORECLOSE UPON SUCH LOAN AND FURTHER ASSIGN THIS AGREEMENT OR (d) THE LENDER MAY GRANT PARTICIPATIONS IN THE LOAN TO ANY PERSON THAT IS NOT A COMPETITOR WITHOUT THE CONSENT OF BORROWER, PROVIDED THAT, (i) LENDER'S OBLIGATIONS UNDER THE LOAN DOCUMENTS SHALL REMAIN UNCHANGED, (ii) LENDER SHALL REMAIN SOLELY RESPONSIBLE TO THE BORROWER FOR THE PERFORMANCE OF SUCH OBLIGATIONS, (iii) THE BORROWER SHALL CONTINUE TO DEAL SOLELY AND DIRECTLY WITH LENDER IN CONNECTION WITH LENDER'S RIGHTS AND OBLIGATIONS UNDER THE LOAN DOCUMENTS AND (iv) SUCH PARTICIPANT AND LENDER SHALL ENTER INTO AN AGREEMENT PURSUANT TO

WHICH LENDER SHALL RETAIN THE SOLE RIGHT TO ENFORCE THIS AGREEMENT AND APPROVE ANY AMENDMENT, MODIFICATION OR WAIVER OF ANY PROVISION OF THE LOAN DOCUMENTS.

Section 11.7 **HEADINGS**. The headings of articles and sections hereof are inserted for convenience only and shall in no way define or limit the scope or intent of any provision of this Agreement.

Section 11.8 **GOVERNING LAW**. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO ANY RULE OF CONFLICTS OF LAW THAT WOULD RESULT IN THE APPLICATION OF THE SUBSTANTIVE LAW OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK. NOTHING IN THIS LOAN AGREEMENT SHALL REQUIRE ANY UNLAWFUL ACTION OR INACTION BY EITHER PARTY.

Section 11.9 **SUBMISSION TO JURISDICTION; WAIVERS**. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS LOAN AGREEMENT, THE NOTES AND THE OTHER LOAN DOCUMENTS, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE EXCLUSIVE GENERAL JURISDICTION OF ANY COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK;

(b) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO ITS ADDRESS SET FORTH BENEATH ITS SIGNATURE HERETO OR AT SUCH OTHER ADDRESS OF WHICH THE LENDER SHALL HAVE BEEN NOTIFIED; AND

(d) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION.

Section 11.10 **WAIVER OF JURY TRIAL**. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 11.11 **COVENANTS CUMULATIVE**. All covenants, agreements and other undertakings of the Borrower contained in this Agreement shall be deemed cumulative to and not in derogation or substitution of any of the covenants, agreements and other undertakings contained in any other Loan Document. The Borrower may not take any action or fail to take any action which is permitted by this Agreement if such action or failure would result in the breach of any provision of any other Loan Document.

Section 11.12 **COUNTERPARTS; EFFECTIVENESS**. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument, and in making proof of this Agreement it shall not be necessary to produce or account for more than one such counterpart. This Agreement shall become effective when the Lender shall have received counterparts hereof signed by all of the parties hereto.

Section 11.13 **LIABILITY OF THE LENDER**. The Lender shall in no event be responsible or liable to any person other than the Borrower for the disbursement of or failure to disburse the proceeds of the Loan or any part thereof and no subcontractor, laborer or material supplier shall have any right or claim against the Lender under this Agreement, or the administration thereof.

Section 11.14 **REINSTATEMENT**. Each Loan Document shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of all or a portion of the obligations of any Loan Party under such Loan Document is rescinded or reduced in amount, or must otherwise be restored or returned by Lender for any reason (whether in connection with any bankruptcy, insolvency, as a result of any Governmental Judgment, or otherwise). In the event that any payment or any part thereof is so rescinded, reduced, restored or returned, such obligations shall be reinstated and deemed reduced only to the extent of the amount paid and not so rescinded, restored or returned.

Section 11.15 **CONFIDENTIALITY**.

11.15.1 Each party to this Agreement agrees to maintain the confidentiality of the Confidential Information, except that Confidential Information may be disclosed (i) to its Affiliates, and to its and its Affiliates' directors, officers, employees, trustees and agents, including accountants, legal counsel and other agents and advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential and any failure of such Persons acting on behalf of such party to comply with this Section shall constitute a breach of this Section by the relevant party, as applicable), (ii) to the extent requested by any regulatory authority or self-regulatory authority, required by Applicable Law or by any subpoena or similar legal process; provided that solely to the extent permitted by law and other than in connection with routine audits and reviews by regulatory and self-regulatory authorities, each party shall notify the other parties hereto as promptly as practicable of any such requested or required disclosure in connection with any legal or regulatory proceeding (it being acknowledged and agreed that Borrower shall provide Lender with notice of any filing or disclosure by the Sponsor of this Agreement or any other Loan Document which the Sponsor determines is necessary or advisable pursuant to the Exchange Act or the Securities Act as soon as practicable after such determination is made by the Sponsor and prior to any such filing or disclosure); provided further that in no event shall any party hereto be obligated or required to return any materials furnished by any other party hereto, (iii) to any other party to this Agreement or under the other Loan Documents, (iv) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the other Loan Documents or the enforcement of rights hereunder or thereunder, (v) subject to an agreement containing confidentiality undertakings substantially similar to those of this Section 11.15, to (A) any assignee of, or participant in, or any prospective assignee of or participant in, the Lender's rights or obligations under this Agreement, (B) any rating agency, insurer or purchaser of securities in respect of the Loan, or (C) any pledgee of the Lender referred to in Section 11.6, or (vi) to the extent such Confidential Information (x) becomes publicly available other than as a result of a breach of this Section 11.15.1 or (y) becomes available to such party or its Affiliates on a nonconfidential basis from a source other than HA SunStrong Capital LLC, the Sponsor, Hannon Armstrong (or any of its Affiliates), the Lender or the Borrower.

11.15.2 With respect to Confidential Information related to any Project Company, or any Investor (including the financial statements of a Portfolio Entity delivered pursuant to this Agreement), the Lender acknowledges that such Confidential Information is subject to the applicable Project Company LLC Agreement and Lender acknowledges and agrees that it has reviewed the same and agrees to be bound by the provisions thereof as if set forth herein.

11.15.3 The Lender shall, and shall cause its Affiliates and their respective stockholders, members, investors, subsidiaries and eligible assignees to, use any information relating to a Host Customer or a Lease that is obtained in connection with this transaction solely for the purpose of completing this transaction and/or exercising its rights under the Loan Documents.

11.15.4 THE LENDER ACKNOWLEDGES THAT CONFIDENTIAL INFORMATION FURNISHED TO IT PURSUANT TO THIS AGREEMENT MAY INCLUDE MATERIAL NON-PUBLIC CONFIDENTIAL INFORMATION CONCERNING THE LOAN PARTIES AND THEIR RELATED PARTIES OR THEIR RESPECTIVE SECURITIES AND CONFIRMS THAT IT HAS DEVELOPED COMPLIANCE PROCEDURES REGARDING THE USE OF MATERIAL NON-PUBLIC CONFIDENTIAL INFORMATION AND THAT IT WILL HANDLE SUCH MATERIAL NON-PUBLIC CONFIDENTIAL INFORMATION IN ACCORDANCE WITH THOSE PROCEDURES AND APPLICABLE LAW, INCLUDING FEDERAL AND STATE SECURITIES LAWS.

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IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be duly executed by their respective authorized officers as of the date first above written.

SUNSTRONG 2018-1 MEZZANINE, LLC,
as Borrower

By: SunStrong 2018-Holdings, LLC, its Sole Member

By: SunStrong Capital Acquisition, LLC, its sole member

By: SunStrong Capital Holdings, LLC, its sole member

By:_____
Name: Brad Harmon
Title: Chief Executive Officer

Address of Borrower:

2900 Esperanza Crossing, 3rd Floor

Austin, Texas 78758
Attention: Christopher Couture
Telephone: (512) 735-0100
Facsimile: (512) 857-1155
Email: christopher.couture@sunpower.com

SUNSTRONG CAPITAL LENDER LLC,
as the Lender

By:_____
Name: Jeffrey W. Eckel
Title: President

Address of Lender:

1906 Towne Centre Boulevard, Suite 370
Annapolis, MD 21401
(Tel) 410-571-9860
(Fax) 410-571-6199
(email) generalcounsel@hannonarmstrong.com
Attn: General Counsel

AMENDED AND RESTATED LOAN AGREEMENT

between

SUNSTRONG CAPITAL ACQUISITION, LLC
(Borrower)

and

SUNSTRONG CAPITAL LENDER LLC
(Lender)

Original Closing Date: August 10, 2018

Amendment and Restatement Date: November 28, 2018

LIST OF SCHEDULES AND EXHIBITS

AMENDED AND RESTATED LOAN AGREEMENT

THIS AMENDED AND RESTATED LOAN AGREEMENT (as amended, modified or supplemented from time to time, together with all exhibits, schedules, annexes and other attachments hereto, this "Agreement") is entered into as of November 28, 2018, between SunStrong Capital Acquisition, LLC, a Delaware limited liability company (the "Borrower"), and SunStrong Capital Lender LLC, a Maryland limited liability company (together with its successors and assigns, the "Lender"). Capitalized terms have the meanings set forth in Article 1 of this Agreement.

RECITALS

WHEREAS, prior to the Securitization Reorganization, (a) Borrower directly owns and controls 100% of the economic and voting interests of Holding Corporation, (b) Holding Corporation directly owns and controls 100% of the economic and voting interest of New Mezzanine Borrower and 30% of the economic and voting interests of Securitization Depositor, (c) New Mezzanine Borrower directly owns and controls 70% of the economic and voting interests of Securitization Depositor; (d) Securitization Depositor directly owns and controls 100% of the economic and voting interests of Securitization Issuer, (e) Securitization Issuer directly owns and controls 100% of the economic and voting interests of SunPower Residential III Holdings, LLC, (f) Borrower directly owns and controls 100% of each Portfolio Pledgor, and (g) each Portfolio Pledgor (other than SunPower Residential III, LLC) directly owns and controls 100% of the economic and voting interests of the applicable Managing Member or other applicable Portfolio Entity that is a direct subsidiary of such Portfolio Pledgor in the Portfolio Chain.

WHEREAS, after giving effect to the Securitization Reorganization, (a) the ownership structure set forth in clauses (a) through (e) in the first recital shall remain in place, (b) the Securitization Issuer will directly own and control each Managing Member, and (c) Securitization Issuer will own, indirectly, through the applicable Managing Member and the applicable Person listed under the heading "Project Company" on Schedule 1 that is a Subsidiary of such Managing Member (each a "Project Company"), a number of photovoltaic systems, including photovoltaic panels, racks, wiring and other electrical devices, conduit, weatherproofing housings, hardware, inverter(s), remote monitoring system, connectors, disconnect and overcurrent devices (each a "Project", and collectively the "Projects") which are installed on the rooftops or ground-mounted on the property of host customers (each a "Host Customer" and, collectively, the "Host Customers"), subject to a lease agreement by such Host Customer in favor of such Project Company (each a "Lease" and, collectively, the "Leases") and have production supported by a Production Guarantee by Provider in favor of such Host Customer (each a "Production Guarantee" and, collectively, the "Production Guarantees").

WHEREAS, each Project Company acquired Projects and Leases from SunPower Capital pursuant to a Purchase Agreement.

WHEREAS, on August 10, 2018 (the "Original Closing Date"), Borrower and Lender entered into that certain Loan Agreement (the "Original Loan Agreement") pursuant to which Lender made available to the Borrower a Loan (the "Original Loan").

WHEREAS, on the date hereof, Lender and New Mezzanine Borrower, a wholly-owned indirect subsidiary of Borrower, have entered into that certain Loan Agreement, dated as of the date hereof (the "New Mezzanine Loan Agreement"), pursuant to which New Mezzanine Borrower will obtain a term loan (the "New Mezzanine Loan"), the proceeds of which shall be in an amount up to, but not in excess of, eighty million three hundred eighty five thousand dollars ($80,385,000.00), which shall be used to prepay the Original Loan and as a distribution to SunStrong Capital Holdings and its equity owners in accordance with this Agreement and Section 4.2 of the Pledgor LLC Agreement .

WHEREAS, on the date hereof, Securitization Issuer has issued notes in favor of various investors pursuant to the ABS Transaction.

WHEREAS, in connection with the foregoing, Borrower and Lender desire to amend and restate, without novation, the Original Loan Agreement pursuant to the terms hereof.

NOW, THEREFORE, in consideration of the foregoing and the agreements, covenants and promises set forth herein and in the other Loan Documents and in reliance upon the representations and warranties set forth herein and therein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 **TERMS DEFINED**. As used herein, unless the context otherwise requires:

"**Abandoned Project**" has the meaning ascribed to such term in Section 8.2.4.

"**ABS Entity**" means Holding Corporation, New Mezzanine Borrower, Securitization Depositor and Securitization Issuer.

"**ABS Transaction**" means the asset-backed securitization transaction pursuant to which Securitization Issuer issues or incurs Debt, (a) that is sold to Qualified Institutional Buyers in reliance on Rule 144A under the Securities Act and outside of the United States of America to Non-U.S. Persons in transactions in reliance on Regulation S under the Securities Act, and (b) that is secured by certain cash flows and proceeds from the applicable Projects.

"**ABS Transaction Documents**" means the "Transaction Documents" entered into in connection with the ABS Transaction.

"**Account Withdrawal Documents**" means, collectively, any Account Withdrawal Request and the Account Withdrawal Instruction related thereto, properly completed by Borrower and delivered to Lender for approval and, in the case of the applicable Account Withdrawal Instruction, signature, for further delivery to the Depositary in accordance with the applicable provisions of this Agreement and the Depositary Agreement.

"**Account Withdrawal Instruction**" has the meaning given in the Depositary Agreement.

"**Account Withdrawal Request**" means a certificate in the form of Exhibit G, signed by a duly authorized representative of Borrower and delivered to Lender.

"**Accounts**" means the Revenue Account, the PeGu Reserve Account and the Repayment Account, including any sub accounts within such accounts.

"**Affiliate**" of a specified Person means any other Person that (a) directly, or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such Person, or (b) only with respect to matters relating to PUHCA, is an "affiliate" as defined in Section 1262(1) of PUHCA and 18 C.F.R. § 366.1. When used with respect to Borrower, Pledgor and any Portfolio Entity, as applicable, "Affiliate" shall include the Borrower, Pledgor, the Sponsor and each Project Company, and any Affiliate thereof, as applicable but shall exclude Hannon Armstrong Capital or any Affiliate thereof (other than, for the avoidance of doubt, any Loan Party).

"**Agreement**" has the meaning ascribed to such term in the first paragraph hereof.

"**Amendment and Restatement Date**" means the date that the conditions precedent provided in Section 6.1 are satisfied or waived by the Lender.

"**Annual Operating Budget**" has the meaning ascribed to such term in Section 8.1.13(c).

"**Anti-Terrorism Laws**" has the meaning ascribed to such term in Section 7.25.1.

"**Applicable Law**" means all laws, rules, regulations and binding governmental guidelines applicable to the Person, conduct, transaction, agreement or matter in question, including all applicable statutory law and equitable principles, and all provisions of constitutions, treaties, statutes, rules, regulations, orders and decrees of Governmental Authorities.

"**Applicable Permit**" means, at any time, any Permit (a) that is required under applicable Legal Judgments or any of the Operative Documents to have been obtained by or on behalf of any Loan Party to construct, test, operate, maintain, repair, lease, own or use any Project as contemplated by the Operative Documents, or for the Loan Parties to enter into any Operative Document or to consummate any transaction contemplated thereby, in each case in accordance with all applicable Legal Judgments, or (b) that is necessary so that none of the Loan Parties, the Lender nor any Affiliate of any of them (in the case of the Lender and its Affiliates, solely as it relates to the Lender's making of the Loan and performance of its obligations and exercise of its rights hereunder and under the other Loan Documents) may be deemed by any Governmental Authority to be subject to regulation under the FPA or PUHCA (except as provided in Section 7.15) or treated as a public utility.

"**Applicable Third Party Permit**" means, at any time, any Permit that is necessary to have been obtained by such time by any Person (other than a Loan Party, a Portfolio Entity, the Lender or the Depositary) that is a party to a Portfolio Document or a Loan Document in order to perform such Person's obligations thereunder (other than Permits necessary to conduct its business generally and maintain its existence and good standing), or in order to consummate any transaction contemplated thereby, in each case in accordance with all applicable Legal Judgments.

"**Back-Up Servicer**" shall mean (i) with respect to each Cold Back-Up Lease Servicing Agreement and Warm Back-Up Lease Servicing Agreement, Great America, and its successors and assigns and (ii) with respect to the Cold Back-Up Maintenance Services Agreement and the Warm Back-Up Maintenance Services Agreement, Omnidian, and its successors and assigns, each as Back-Up Servicer.

"**Back-Up Servicing Agreement**" shall mean, as applicable (a) each Cold Back-Up Lease Servicing Agreement, (b) the Cold Back-Up Maintenance Services Agreement, (c) any Warm Back-Up Lease Servicing Agreement, (d) any Warm Back-Up Maintenance Services Agreement and (e) each replacement for such agreement entered into with a replacement back-up servicer in accordance with the terms and conditions hereof and the Portfolio Documents and in form and substance reasonably acceptable to the Lender.

"**Backup Trigger Date**" means the date on which any of the following shall have occurred:

(a) any one of the Backup Triggers listed in subsections (i), (ii) or (iii) of the definition of "Backup Triggers" has occurred and is continuing for two (2) or more fiscal quarters;

(b) two or more of the Backup Triggers listed in subsections (i), (ii) or (iii) of the definition of "Backup Triggers" have simultaneously occurred in any fiscal quarter; or

(c) the Backup Trigger listed in subsection (iv) of the definition of "Backup Triggers" has occurred.

"**Backup Triggers**" means that (i) Sponsor, on a consolidated basis, has unrestricted cash or cash equivalents, as defined in the applicable financial statements, of less than $100,000,000, (ii) Sponsor has drawn on more than eighty-five percent (85%) of the available commitments in aggregate under its revolving credit facilities, (iii) more than three percent (3%) of the Host Customers of all Projects are more than ninety (90) days delinquent in making full payment due under their respective Lease Agreement (which shall be calculated by dividing (A) the total contract balance remaining of all Projects in which a payment is more than ninety (90) days past due, by (B) the total contract balance remaining of all Projects; where contract balance remaining is a measure of original gross contract minus payments received) and (iv) with respect to Sponsor, an event in which Total S.A. ceases to possess directly or indirectly, legally or beneficially more than fifty point one percent (50.1%) of the voting power represented by the issued and outstanding capital stock of Sponsor as provided under that certain Affiliation Agreement, dated April 28, 2011, by and between Sponsor and Total Gas & Power USA, SAS, as amended to date.

"**Bankruptcy Event**" shall be deemed to occur, with respect to any Person, if (a) that Person shall commence any case, proceeding or other voluntary action seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, arrangement, adjustment, winding-up, reorganization, dissolution, composition under the Bankruptcy Law or other relief with respect to it or its debts; (b) such Person shall apply for, or consent or acquiesce to, the appointment of, a receiver, administrator, administrative receiver, liquidator, sequestrator, trustee or other official with similar powers for itself or any substantial part of its assets; (c) such Person shall make a general assignment for the benefit of its creditors; (d) an involuntary case shall be commenced seeking liquidation or reorganization of such Person under the Bankruptcy Law, or seeking issuance of a warrant of attachment, execution or distraint, or any similar proceedings shall be commenced against such Person under any other Applicable Law and (i) such Person consents to the institution of the involuntary case against it, (ii) the petition commencing the involuntary case is not timely controverted, (iii) the petition commencing the involuntary case is not dismissed within 45 days of its filing, (iv) an interim trustee is appointed to take possession of all or a portion of the property, and/or to operate all or any part of the business of such Person and such appointment is not vacated within 45 days, or (v) an order for relief shall have been issued or entered therein; or (e) a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, administrator, administrative receiver, liquidator, sequestrator, trustee or other official having similar powers, over such Person or all or a part of its property shall have been entered; or (f) any other similar relief shall be granted against such Person under any applicable Bankruptcy Law, or such Person shall file a petition or consent or shall otherwise institute any similar proceeding under any other Applicable Law, or shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in any of the acts set forth above in this definition; or (g) such Person shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due.

"**Bankruptcy Exclusion Event**" shall mean, at any time, satisfaction of each of the following requirements: (a) a replacement Lease Servicing Agreement and/or replacement Maintenance Services Agreement (as applicable) in form and substance and with a counterparty reasonably satisfactory to the Lender or a Warm Back-Up Servicing Agreement shall have been executed and delivered to the Lender within thirty (30) days of termination of the relevant agreement, (b) each Investor, lender and holder under the Portfolio Documents shall have provided its prior written consent to each of such replacement agreements pursuant to the applicable Portfolio Documents, but solely to the extent and only if such consent is required thereunder, and (c) there is no material adverse effect on (i) the operating cash flows of the applicable Project Company or (ii) cash available for distribution to the Borrower, in either case of clause (i) or (ii), greater than 1% for any fiscal quarter of Borrower as a result of such replacement agreements or substitute operation, maintenance and management of the Projects.

"**Bankruptcy Law**" means Title 11, United States Code, and any other existing or future law (or any successor law or statute) of any jurisdiction, domestic (including state and federal) or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship, moratorium or similar law for the relief of debtors.

"**Base Case Model**" means those projections of operating results for the Borrower and the Portfolio Entities over a period commencing on the Amendment and Restatement Date and ending on the Maturity Date, (a) showing at a minimum Borrower's reasonable good faith estimates, as of the Amendment and Restatement Date, of revenues of the Borrower and of each Project

Company, operating expenses and scheduled debt service, and (b) otherwise in form and substance satisfactory to the Lender, which projections are contained in the files in the folder numbered "2.14.2.8" entitled "Base Case Model 1A.1B" in the data room entitled "Project Moby" maintained by the Sponsor and uploaded on November 27, 2018, and as further updated from time to time pursuant to Section 8.1.8(b).

"**Blackout Services Provider**" shall mean each Person that is or listed under the heading "Blackout Services Providers" or becomes a "Blackout Services Provider" pursuant to Schedule 1.

"**Borrower**" has the meaning ascribed to such term in the first paragraph hereof.

"**Borrower LLCA**" means that certain Second Amended and Restated Limited Liability Company Agreement of SunStrong Capital Acquisition, LLC, effective as of November 28, 2018.

"**Borrower Security Agreement**" means that certain Borrower Pledge and Security Agreement, dated as of the Original Closing Date, by the Borrower in favor of the Lender.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in the States of California, Maryland, Minnesota or New York are authorized by law to close.

"**Buy-Out**" has the meaning set forth in Section 8.1.23.

"**Buy-Out Reserve Funds**" has the meaning set forth in Section 8.1.23(a).

"**Change of Control**" means any of the following: (i) the Pledgor ceases to directly own and control 100% of the economic and voting interest of Borrower; (ii) Borrower ceases to directly own and control 100% of the economic and voting interest of Holding Corporation; (iii) Holding Corporation ceases to directly own and control (A) directly, 30% of the economic and voting interest of Securitization Depositor or (B) 100% of the economic and voting interest of New Mezzanine Borrower; (iv) New Mezzanine Borrower ceases to own and control 70% of the economic and voting interest of Securitization Depositor; (v) Securitization Depositor ceases to own and control 100% of the economic and voting interest of Securitization Issuer; (vi) Securitization Issuer ceases to own and control 100% of the economic and voting interest of each Managing Member; (vii) any Managing Member ceases to own and control, directly or indirectly, as applicable, at least the percentage of voting and economic interests of each other Portfolio Entity in the Portfolio Chain of such Managing Member as was owned by such Managing Member as of the Amendment and Restatement Date; provided that, with respect to any Portfolio Entity that is the subject of Tax Equity Documents, after the Tax Equity Buy-Out Date, the applicable Portfolio Entity that is the "Manager" of such Portfolio Entity shall own and control 100% of the economic and voting interest of such subject Portfolio Entity; (viii) Sponsor ceases to own and control, directly or indirectly, at least 50.1% of the economic and voting interest of Provider or any Services Provider; or (ix) Sponsor ceases to directly own and control 51% of the economic and voting interest of the Pledgor; provided however, that any direct or indirect transfer of the economic and/or voting interest in Provider, any Services Provider or the Pledgor to a Person that meets the Servicer Experience Test shall be deemed to not be a Change of Control for purposes of clause (viii) or (ix).

"**Closing Data Tape**" means the data file including all Projects and Leases as of August 30, 2018 (a) showing Host Customer address and FICO, Monthly Lease Payment, Remaining Contract Term, Placed in Service Date, System Size, System Production and percentage of customer savings and (b) otherwise in form and substance satisfactory to the Lender, which is contained in file number "2.14.2.3.1.8" entitled "SunStrong_ABS_Datatape_20180830" in the data room entitled "Project Moby" maintained by the Sponsor and uploaded on November 12, 2018.

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

"**Cold Back-Up Lease Servicing Agreement**" means (a) that certain Amended and Restated Backup and Successor Servicing Agreement between SunPower Capital and Great America dated as of August 7, 2017 and (b) that certain Backup and Successor Servicing Agreement between SunPower Capital Services, LLC and Great America dated as of June 20, 2018, or any replacement thereof that may be entered into pursuant to the terms of the Support and Indemnification Agreement.

"**Cold Back-Up Maintenance Services Agreement**" means that certain Maintenance Services Agreement between SunPower Corporation, Systems and Omnidian dated as of October 1, 2016, or any replacement thereof that may be entered into pursuant to the terms of the Support and Indemnification Agreement.

"**Cold Back-Up Servicing Agreement**" means, as applicable, (a) the Cold Back-Up Lease Servicing Agreement and (b) the Cold Backup Maintenance Services Agreement.

"**Collateral**" means all Property described in any Security Document as security for any Obligations, and all other Property that now or hereafter secures (or is intended to secure) any Obligations pursuant to the terms of any Security Documents.

"**Competitor**" means any Person directly or indirectly engaged in owning, managing, operating, maintaining or developing solar photovoltaic systems for use in residential applications; provided, that a Person who is involved in owning, managing, developing, maintaining or operating such facilities solely as a result of such Person, directly or through an Affiliate, making passive investments in such facilities shall not be considered a "Competitor" hereunder so long as such Person certifies in a manner reasonably acceptable to Borrower that it has in place procedures to prevent any Affiliate of such Person that is not a passive owner, manager, operator, maintenance provider or developer from acquiring Confidential Information relating to its investment in the Projects.

"**Confidential Information**" means (a) with respect to Borrower, all information received by the Lender from any Loan Party relating to the Loan Parties, the Portfolio Entities or their business, other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by such Loan Party, and (b) with respect to the Lender, all information received by any Loan Party and the Portfolio Entities from the Lender relating to the Lender or its business, including information relating to fees, other than any such information that is available to such Loan Party on a nonconfidential basis prior to disclosure by the Lender.

"**Consolidated**" means the consolidation of accounts in accordance with GAAP.

"**Contingent Obligation**" means, as to any Person, any obligation, agreement, understanding or arrangement (including purchase or repurchase agreements, reimbursement agreements with respect to letters of credit or acceptances, indemnity arrangements, grants of collateral to support the obligations of another Person, keep-well agreements and take-or-pay or through-put arrangements) of such Person guaranteeing or intended to guarantee any indebtedness, leases, dividends or other obligations of any other Person in any manner, whether directly or indirectly; provided, that the term "Contingent Obligation" shall not include endorsements of instruments for deposit or collection in the ordinary course of business.

"**Control**" means the possession, directly or indirectly (either alone or pursuant to an arrangement with one or more other Persons), of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "Controlling" and "Controlled" shall have meanings correlative thereto.

"**Debt**" of any Person means, without duplication, (a) all obligations (including Contingent Obligations) of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable and other accrued expenses arising in the ordinary course of business which in accordance with GAAP would not be shown on the liability side of the balance sheet of such Person, (d) all obligations of such Person under leases which are or should be, in accordance with GAAP, recorded as capital leases in respect of which such Person is liable, (e) all obligations of such Person to purchase securities (or other property) which arise out of or in connection with the sale of the same or substantially similar securities (or property), (f) all deferred obligations of such Person to reimburse any bank or other Person in respect of amounts paid or advanced under a letter of credit or other instrument, (g) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit, (h) all Debt (as described in the preceding clauses) of others secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (i) all Debt (as described in the preceding clauses) of others guaranteed directly or indirectly by such Person or as to which such Person has an obligation which is substantially the economic equivalent of a guaranty, and (j) all net obligations of such Person in respect of any swap contract.

"**Debt Service**" with respect to any particular period of time, means the required payments of principal, fees and interest due and payable during such period of time pursuant to the terms of the Loan Documents.

"**Default**" means an event or condition that, with the lapse of time or giving of notice, would constitute an Event of Default.

"**Default Rate**" means two percent per annum in excess of the applicable amount set forth in Section 4.1.1.

"**Depositary**" means Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States, not in its individual capacity but solely as depositary and securities intermediary under the Depositary Agreement.

"**Depositary Agreement**" means the Depositary Agreement, dated as of the Original Closing Date among Borrower, Lender and Depositary, as amended by that certain First Amendment to Depositary Agreement, dated as of November 28, 2018.

"**Discharge Date**" means the date when all outstanding Obligations under this Agreement (other than unasserted contingent payment obligations that by their nature expressly survive the termination of this Agreement) have been paid in full in cash.

"**Embargoed Person**" has the meaning ascribed to such term in Section 8.2.24(b).

"**Environmental Claims**" means any and all liabilities, losses, administrative, regulatory or judicial actions, suits, demands, decrees, claims, liens, judgments, notices of noncompliance or violation, investigations, proceedings, removal or remedial actions

or orders, or damages (foreseeable and unforeseeable, including consequential and punitive damages), penalties, fees, out-of-pocket costs, expenses, disbursements or attorneys' or consultants' fees, relating in any way to (a) a violation or alleged violation of any Hazardous Substances Law or Permit issued under any Hazardous Substances Law, (b) a Release or threatened Release of Hazardous Substances, or (c) any legal or administrative proceedings relating to any of the above.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**ERISA Affiliate**" means any Person (whether or not incorporated) which is under common control with a Loan Party within the meaning of Section 4001(a) of ERISA or that is treated as a single employer together with Borrower under Section 414 of the Code.

"**ERISA Plan**" means any employee benefit plan (a) maintained by any Loan Party or any ERISA Affiliate, or to which any of them contributed, contributes, or is obligated to contribute for its employees or former employees, and (b) covered by Title IV of ERISA or to which Section 412 of the Code applies.

"**Event of Default**" has the meaning ascribed to such term in Section 10.1 hereof.

"**Excess Cash Flow**" has the meaning ascribed to such term in Section 9.2.2(b)(5)

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time, and any successor statute.

"**Executive Order**" has the meaning ascribed to such term in Section 7.25.1 hereof.

"**FERC**" means the Federal Energy Regulatory Commission and its successors.

"**FPA**" means the Federal Power Act, as amended, and FERC's implementing regulations promulgated thereunder.

"**Fundamental Representations and Warranties**" has the meaning ascribed to such term in ARTICLE VII.

"**GAAP**" means generally accepted accounting principles in effect in the United States from time to time.

"**Governmental Authority**" means any federal, state, local, foreign or other agency, authority, body, commission, court, instrumentality, political subdivision, central bank, or other entity or officer exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions for any governmental, judicial, investigative, regulatory or self-regulatory authority.

"**Governmental Judgment**" means with respect to any Person, any judgment, order, decision, or decree, or any action of a similar nature, of or by a Governmental Authority having jurisdiction over such Person or any of its properties.

"**Great America**" means GreatAmerica Portfolio Services Group, LLC, an Iowa limited liability company.

"**Guaranties**" means each of the Pledgor Guaranty and the Hannon Armstrong Capital Guaranty.

"**Guarantors**" means Pledgor and the Parent Guarantor.

"**Guaranty Expiration Date**" means the date upon which each Guaranty expires in accordance with its terms.

"**Hannon Armstrong Capital**" means Hannon Armstrong Capital, LLC, a Maryland limited liability company.

"**Hannon Armstrong Capital Guaranty**" means that certain Guaranty, by Hannon Armstrong Capital in favor of the Lender, in the form of Exhibit E.

"**Hazardous Substances**" means any and all substances or materials (i) defined as "hazardous substances," "pollutants," "contaminants," "hazardous waste," "hazardous materials," "regulated substances," "hazardous chemical substance or mixture," "imminently hazardous chemical substance or mixture," "pesticide," "herbicide," "fungicide," "rodenticide," "source material," "special nuclear material," "by-product material," "residual radioactive material," "toxic materials," "harmful physical agents," "chemicals known to cause cancer or reproductive toxicity," "hazardous waste constituents," "toxic substances," or similar terms, as such terms are defined under applicable Hazardous Substances Laws, or (ii) any other substances regulated for the protection of human health, welfare or the environment under applicable Hazardous Substances Laws, and in each case, also as the same are defined in or regulated under any regulations promulgated pursuant to such Hazardous Substances Laws, including without limitation any petroleum product (including byproducts or breakdown products of petroleum products), asbestos-containing material, polychlorinated biphenyls or urea formaldehyde foam insulation.

"**Hazardous Substances Law**" means all Applicable Law regulating, relating to, or imposing liability or standards of conduct concerning pollution or protection of human health or the environment or which otherwise govern Hazardous Substances, as are now or may at any time hereafter be in effect.

"**Holding Corporation**" means SunStrong 2018-1 Holdings, LLC, a Delaware limited liability company.

"**Host Customer**" or "**Host Customers**" has the meaning ascribed to such term in the Recitals.

"**Indemnitee**" has the meaning ascribed to such term in Section 8.1.11(a).

"**Independent Engineer**" means DNV GL.

"**Independent Member**" has the meaning ascribed to such term in the Borrower LLCA.

"**Insolvency Proceeding**" means any case or proceeding commenced by or against a Person under any state, federal or foreign law for, or any agreement of such Person for, (a) the entry of an order or filing of a petition for relief under any Bankruptcy Law; (b) the appointment of a receiver, trustee, liquidator, administrator, conservator or other custodian for such Person or any part of its Property; (c) a general assignment for the benefit of creditors of such Person; (d) application or petition for dissolution of such Person (except in connection with the winding up of any tax equity investment); or (e) the sale or transfer of all or any material part of the assets of such Person or the cessation of the business of such Person as a going concern.

"**Insurance Consultant**" means Traxler & Tong, Inc.

"**Intellectual Property**" means all intellectual property of a Person, including inventions, designs, patents, copyrights, trademarks, service marks, trade names, trade secrets, confidential or proprietary information, customer lists, know-how, software and databases; all embodiments or fixations thereof and all related documentation, applications, registrations and franchises; all licenses or other rights to use any of the foregoing; and all books and records relating to the foregoing.

"**Interest Shortfall Amount**" has the meaning ascribed to such term in Section 4.1.4.

"**Investor**" means each Person listed under the heading "Investor" on Schedule 1 and any of its permitted successors and assigns under the applicable Project Company LLC Agreement (other than, for the avoidance of doubt, the applicable Portfolio Entity if such Portfolio Entity acquires the Class A Interests (under and as such term is defined in the applicable Project Company LLC Agreement)).

"**IRS**" means the Internal Revenue Service of the United States of America.

"**IRS Audit or Assessment**" means the following: (i) the initial notice that the ITCs claimed by the Project Company or its partners (for tax purposes) are being investigated or challenged by the IRS; (ii) the Project Company or its partners (for tax purposes) granting to the IRS a waiver or consent extending any statute of limitation for the assessment of any taxes in respect to a disallowance or recapture of the ITC; or (iii) a 30-day or 90-day letter in respect of the ITCs.

"**ITC**" means any investment tax credits available under Section 38 or Section 46 of the Code for property described in Section 48(a)(3)(A)(i) of the Code that are or were claimed by a Project Company or its partners (for federal income tax purposes) in respect of Projects owned by such Project Company.

"**Knowledge**" or words of similar import mean with respect to the Borrower or any Portfolio Entity, the actual knowledge of the persons from time to time holding the following offices or positions of the Borrower or any Portfolio Entity: Chief Executive Officer or President; Chief Financial Officer; and Vice President or other officer whose responsibilities include the management and operation of the Projects owned, directly or indirectly, by Borrower or such Portfolio Entity, (and, in the case of Knowledge when used in any representation and warranty in this Agreement, after making such degree of inquiry with respect to the applicable matter as would be reasonable and appropriate for such office or position); *provided* that with respect to any Host Customer, Loan Parties' or Portfolio Entities' "Knowledge" shall be limited to the representations and warranties made by such Host Customer under its Lease and without any obligation by such Loan Party or Portfolio Entity (or its employees, agents or Affiliates) to undertake any further inquiry or due diligence.

"**Lease**" or "**Leases**" has the meaning ascribed to such term in the Recitals.

"**Lease Certificate**" means a duly executed and completed certificate delivered to the Lender in the form of Exhibit I hereto for each Project Company.

"**Lease Servicing Agreement**" means each applicable Lease Servicing Agreement set forth on Schedule 1.

"**Legal Judgments**" means, as to any Person, the Organizational Documents of such Person, any requirement under any Governmental Judgment in each case applicable to or binding upon such Person or any of its properties or to which such Person or any of its property is subject.

"**Lender**" has the meaning ascribed to such term in the first paragraph of this Agreement.

"**Lien**" means a Person's interest in property securing an obligation owed to, or a claim by, such Person, including any lien, security interest, pledge, hypothecation, assignment, trust, reservation, encroachment, easement, right-of-way, lease, or other title exception or encumbrance.

"**Loan**" means the loan from the Lender to the Borrower made pursuant to this Agreement and the other Loan Documents, evidenced by the Note, and secured by the Security Documents. For purposes of clarity, the Loan shall include any interest thereon that has been paid in kind by capitalization to principal as provided herein.

"**Loan Documents**" means together, this Agreement, the Notes, the Security Documents, the Guaranties, Omnibus Reaffirmation and Amendment Agreement, the Support and Indemnification Agreement and any loan or security agreements or letter agreement or similar document, now or hereafter entered into by Lender, on the one hand, and Borrower or one or more Loan Parties, on the other hand, and each other agreement, certificate (including any Lease Certificate), document or instrument executed and delivered by a Loan Party or any Portfolio Entity, in each case, in connection with the transactions expressly contemplated by this Agreement, together with all exhibits, schedules, annexes and other attachments thereto, or which is stated therein to be a "Loan Document."

"**Loan Parties**" means the Borrower and the Pledgor.

"**Maintenance Services Agreement**" means each applicable Maintenance Services Agreement set forth on Schedule 1.

"**Major Project Documents**" means (a) each document, agreement or instrument listed on Schedule 1, (b) each Back-Up Servicing Agreement, (c) any guaranty agreements related to the foregoing executed by Persons in favor of any Portfolio Entity and (d) any replacements of the foregoing entered into in accordance with Section 8.2.12.

"**Major Project Participants**" means, without duplication, the Loan Parties, the Portfolio Entities, the Provider, the Services Provider, the Sponsor, any other Person which provides any guaranty of any agreement which is a Major Project Document, and any counterparty to a replacement Major Project Document, including, for the avoidance of doubt, any replacement maintenance service provider appointed in accordance with the terms and conditions herein and in the applicable Back-Up Servicing Agreement.

"**Managing Member**" means each entity that is listed under the heading "Managing Member" on Schedule 1.

"**Mandatory Prepayment**" has the meaning set forth in Section 5.1.4.

"**Material Adverse Effect**" means the effect of any event or circumstance that, taken alone or in conjunction with other events or circumstances, has a material adverse effect (a)(i) on the business, operations, Properties, prospects or condition (financial or otherwise) of the Borrower or the Portfolio Entities, taken as a whole, (ii) on the value of the Collateral (directly or indirectly), taken as a whole; (iii) on the enforceability of any Loan Document; or (iv) on the validity or priority of Lender's Liens on any Collateral; (b) on the ability of a Loan Party to perform its obligations under the Loan Documents, including repayment of any Obligations; (c) on the ability of the Portfolio Entities (other than Minor Portfolio Entities) that are part of the same Portfolio Chain, taken as a whole, to perform their obligations under the Portfolio Documents, to which they are a respective party, including repayment of any obligations in respect of Debt thereunder or (d) on the ability of the Lender to enforce or collect on the Obligations or to realize upon the Collateral (taken as a whole).

"**Maturity Date**" means August 10, 2043.

"**Member**" has the meaning ascribed to such term in the Borrower LLCA.

"**Minor Portfolio Entities**" means SWPR EW 2013-1, LLC, SPWR MS 2013-1, LLC, SunPower Access I, LLC and SunPower Residential III, LLC.

"**Moody's**" means Moody's Investor Service, or any successor entity.

"**Multiemployer Plan**" means a "multiemployer plan" (as such term is defined in Section 3(37) or 4001(a)(3) of ERISA) to which any Loan Party or any ERISA Affiliate contributes or is obligated to contribute for its employees or under which any Loan Party or any ERISA Affiliate has any material obligations.

"**New Mezzanine Borrower**" means SunStrong 2018-1 Mezzanine, LLC, a Delaware limited liability company.

"**New Mezzanine Loan**" has the meaning ascribed to such term in the recitals.

"**New Mezzanine Loan Agreement**" has the meaning ascribed to such term in the recitals.

"**New Mezzanine Loan Documents**" means the "Loan Documents" under and as such term is defined in the New Mezzanine Loan Agreement.

"**Note**" means, individually and collectively, the promissory notes issued in connection with the Loan to the order of Lender, together with all extensions, renewals, modifications, increases, replacements and substitutions thereof in the form of Exhibit A attached hereto.

"**O&M Costs**" means, for any period, fees and expenses paid to (a) a Services Provider as payment of the "Maintenance Services Fee" (as such term is defined in each Maintenance Services Agreement), or any other maintenance fees paid to a maintenance provider to the Projects pursuant to a replacement maintenance agreement entered into in accordance with Section 8.2.12, (b) a Services Provider as payment of the "Lease Services Fee" (as such term is defined in each Lease Servicing Agreement), or any other lease servicing fees paid to a lease servicer for the Projects pursuant to a replacement lease servicing agreement entered into in accordance with Section 8.2.12, (c) any third party service provider as payment for "accounting expenses" included in the Annual Operating Budget and (d) counterparties pursuant to Other Contracts.

"**Obligations**" means all (a) principal of and premium, if any, on the Loan (including any interest that has been capitalized and added to the principal of the Loan pursuant to the terms hereof), (b) interest, expenses, fees, indemnification obligations, extraordinary expenses, and other amounts payable by any Loan Party under Loan Documents and (c) other debts, obligations and liabilities of any kind owing by any Loan Party pursuant to the Loan Documents, whether now existing or hereafter arising, whether evidenced by a note or other writing, whether allowed in any Insolvency Proceeding, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, and whether direct or indirect, absolute or contingent, due or to become due, primary or secondary, or joint or several.

"**OFAC**" means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

"**Omnibus Reaffirmation and Amendment Agreement**" means that certain Omnibus Reaffirmation and Amendment Agreement, by and among the Pledgor, the Borrower and the Lender, in the form of Exhibit L.

"**Omnidian**" means Omnidian, Inc., a Delaware corporation (formally known as PeGu, Inc.).

"**Operative Documents**" means, collectively, the Loan Documents, the Portfolio Documents and the Major Project Documents.

"**Organizational Documents**" means, collectively, with respect to a corporation, the Articles of Incorporation, Certificate of Incorporation or other similar such document and the By-Laws each as amended from time to time, for such corporation, and with respect to a limited liability company, the Articles of Organization, Certificate of Organization or other similar such document, and the Operating Agreement or other similar such agreement among the members, each as amended from time to time, for such limited liability company.

"**Original Closing Date**" has the meaning ascribed to such term in the recitals.

"**Original Co-Owner**" means an "original co-owner" as defined in and under Section 64(d) of the California Revenue and Taxation Code.

"**Original Loan**" has the meaning ascribed to such term in the recitals.

"**Original Loan Agreement**" has the meaning ascribed to such term in the recitals.

"**Original Reorganization**" means those certain assignments and transfers prior to the Amendment and Restatement Date by SunPower Capital of (a) certain of the Portfolio Pledgors owned by SunPower Capital to Borrower, (b) certain of the Portfolio Entities (other than Portfolio Pledgors) directly owned by SunPower Capital to the Portfolio Pledgors formed by Borrower, in each case, pursuant to the Original Reorganization Documents and (c) certain Projects and associated Leases and other assets owned directly by SunPower Capital to SunPower Residential III, LLC.

"**Original Reorganization Documents**" means each of (a) that certain Master Agreement to Transfer Ownership Interests, dated as of the Original Closing Date, by and among SunPower Capital, Borrower, SCA Holdings III, LLC, SCA Holdings IV, LLC, SCA Holdings V, LLC, SCA Holdings VI, LLC, SCA Holdings VII, LLC, SCA Holdings VIII, LLC, SCA Holdings IX, LLC and SunPower Residential II, LLC, (b) that certain Assignment, Assumption and Transfer Agreement, effective as of July 24, 2018,

by and between SunPower Capital and SunPower Residential III, LLC and (c) the USB V Transfer Agreement (as such term is defined in the Original Loan Agreement).

"**Other Contracts**" means (a) contracts and agreements of a Project Company that do not entail the payment by a Project Company of more than $150,000 (individually or in the aggregate) per year (which amount shall be adjusted annually on the anniversary of the Original Closing Date commencing in 2019 by the percentage increase in the Consumer Price Index (Midwest Urban; All items; 1982 84=100) published by the Bureau of Labor Statistics, U.S. Department of Labor from the prior year) so long as such contracts or agreements are entered into in the ordinary course of business of such Project Company and are substantially related to the ownership, operation or maintenance of the Projects owned by such Project Company, and (b) the settlement of Lease obligations of such Project Company in the ordinary course of business.

"**Parent Guarantor**" means Hannon Armstrong Capital.

"**Payment Date**" has the meaning ascribed to such term in Section 4.1.3.

"**PBGC**" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"**PeGu Funding Amount**" means, at any time, the PeGu Reserve Required Amount for such time.

"**PeGu Payments**" has the meaning ascribed to such term in Section 9.3.3(a).

"**PeGu Reserve Account**" has the meaning ascribed to such term in Section 1.1 of the Depositary Agreement.

"**PeGu Reserve Required Amount**" means, at any time, the amount set forth for such time on Schedule 1(b).

"**Performance Guarantees**" means any performance guarantees given by Provider in respect of Leases together with any successor agreement that imposes on the obligor obligations similar to those imposed on Provider under the performance guarantees in place on the Original Closing Date.

"**Permit**" means any approval, consent, waiver, exemption, variance, franchise, order, permit, authorization, right or license of or from a Governmental Authority.

"**Permitted Debt**" means (a) Debt incurred under the Loan Documents, (b) Debt under the ABS Transaction Documents, (c) Debt under the New Mezzanine Loan Documents, (d) trade or other similar Debt incurred in the ordinary course of business (but not for borrowed money), either not more than 90 days past due or being contested in good faith, (e) the following contingent liabilities, to the extent otherwise constituting Debt: (i) the acquisition of goods, supplies or merchandise in the normal course of business or normal trade credit, (ii) the endorsement of negotiable instruments received in the normal course of its business, and (iii) contingent liabilities incurred with respect to any Applicable Permit or Operative Document, (f) Debt of a Project Company (other than SunPower Residential II, LLC) permitted under the applicable Project Company LLC Agreement so long as such is subordinated to the payment full the Obligations on terms and conditions satisfactory to Lender and that is not secured by any Lien ("Subordinated Debt"), and (g) to the extent constituting Debt, obligations of any Portfolio Entity under the Project Company LLC Agreement of the Project Company in the same Portfolio Chain as such Portfolio Entity.

"**Permitted Investments**" means "Permitted Investments" as such term is defined in the Depositary Agreement.

"**Permitted Liens**" means (a) the rights and interests of the Lender as provided in the Loan Documents; (b) Liens created by the ABS Entities under the ABS Transaction Documents; (c) Liens created by Holding Corporation and New Mezzanine Borrower under the New Mezzanine Loan Documents; (d) statutory Liens for any current tax, assessment or other governmental charge not yet due and payable, and Liens for taxes, assessments or governmental charges being contested in accordance with the requirements of Section 8.1.16; (e) materialmen's, mechanics', workers', repairmen's, employees' or other like Liens, arising in the ordinary course of business or in connection with the construction, operation or maintenance of each Project, either for amounts not yet due or for amounts being contested in good faith and by appropriate proceedings, so long as (i) such proceedings shall not involve any substantial danger of the sale, forfeiture or loss of more than 5% of the Projects owned by any Project Company, title thereto or any interest therein and shall not interfere in any material respect with the use or disposition of more than 5% of the Projects owned by any Project Company, (ii) a bond or other security reasonably acceptable to Lender has been posted or provided in such manner and amount as to assure Lender that any amounts determined to be due will be promptly paid in full when such contest is determined, or (iii) appropriate cash reserves have been made in accordance with GAAP; (f) Liens arising out of judgments or awards so long as an appeal or proceeding for review is being prosecuted in good faith and for the payment of which appropriate reserves have been made in accordance with GAAP, bonds or other security reasonably acceptable to Lender have been provided or are fully covered by insurance; (g) an Investor's rights to purchase the membership interests of the applicable Project Company or Desert Sunburst, LLC pursuant to the applicable Project Company LLC Agreement; (h) a Host Customer's rights to

purchase a Project pursuant to the terms of the applicable Lease and (i) equity encumbrances on the Project Companies comprised of restrictions on transfer of ownership imposed by applicable securities law or any Portfolio Documents.

"**Person**" means any individual, corporation, partnership, joint venture, association, trust, government or political subdivision or an agency or instrumentality thereof, or other entity or organization.

"**PIK Certificate**" means a certificate, substantially in the form of Exhibit B attached hereto, delivered by a Responsible Person of the Borrower with respect to any PIK Requirement pursuant to Section 4.1.4.

"**PIK Requirement**" has the meaning ascribed to such term in Section 4.1.4.

"**Placed In Service**" means that all of the following events have occurred with respect to a Project: (a) a Project has been installed and tested and shown capable of operating in a reliable and continuous manner for its intended purpose and (b) all licenses and Permits required to operate the Project (including authority form the local utility to commence parallel operation) and to put the Project to its intended use of leasing the Project to a Host Customer have been obtained.

"**Pledgor**" means SunStrong Capital Holdings, LLC, a Delaware limited liability company.

"**Pledgor Fee Cap**" has the meaning ascribed to such term in Section 9.2.2(b)(3).

"**Pledgor Fees and Expenses**" has the meaning ascribed to such term in Section 9.2.2(b)(3).

"**Pledgor Guaranty**" means that certain Guaranty, by Pledgor in favor of the Lender, in the form of Exhibit C.

"**Pledgor LLC Agreement**" means that certain Amended and Restated Limited Liability Company Operating Agreement, dated as of November 5, 2018, by and between HA SunStrong Capital LLC, a Delaware limited liability company and Sponsor, as amended by the First Amendment to Amended and Restated Limited Liability Company Operating Agreement of Pledgor, dated as of November 28, 2018.

"**Pledgor Security Agreement**" means that certain Pledge and Security Agreement, dated as of the Original Closing Date, by the Pledgor in favor of the Lender.

"**Portfolio Chain**" means, with respect to each Managing Member, the collective reference to such Managing Member and each other Person that is a Subsidiary of such Managing Member.

"**Portfolio Documents**" means, collectively, (i) the Tax Equity Documents and (ii) any ABS Transaction Documents.

"**Portfolio Entity**" means, individually and collectively, each ABS Entity, each Managing Member, each Project Company and each other Person that is listed under the heading "Portfolio Entity" on Schedule 1 or who may become a Portfolio Entity pursuant to the terms of this Agreement.

"**Portfolio Entity Account**" means each Deposit account or Securities account (each as defined in the UCC) owned by a Portfolio Entity and listed under the heading "Portfolio Entity Account" on Schedule 1.

"**Portfolio Pledgor**" has the meaning set forth in the Original Loan Agreement.

"**Production Guarantee**" or "**Production Guarantees**" has the meaning ascribed to such term in the Recitals.

"**Project**" or "**Projects**" has the meaning ascribed to such term in the recitals hereof.

"**Project Company**" has the meaning ascribed to such term in the Recitals.

"**Project Company LLC Agreement**" means each limited liability company agreement or operating agreement listed under the heading "Project Company LLC Agreement" on Schedule 1.

"**Project Company LLC Agreement Guaranty**" means each guaranty listed under the heading "Project Company LLC Agreement Guaranty" on Schedule 1.

"**Property**" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"**Provider**" means SunPower Corporation, Systems, a Delaware corporation.

"**Prudent Industry Practices**" means those practices, methods, equipment, specifications and standards of safety and performance, as the same may change from time to time, as are commonly used by solar photovoltaic projects and of a type and

size similar to each Project as good, safe and prudent engineering practices in connection with the design, construction, operation, maintenance, repair and use of electrical and other equipment, facilities and improvements of such electrical station, with commensurate standards of safety, performance, dependability, efficiency and economy. "Prudent Industry Practices" are not intended to be limited to optimum practices, methods or acts to the exclusion of all others and does not necessarily mean one particular practice, method, equipment specification or standard in all cases, but is instead intended to encompass a broad range of acceptable practices, methods, equipment specifications and standards.

"**PUHCA**" means the Public Utility Holding Company Act of 2005 (42 U.S.C. §§ 16451-16463), and FERC's implementing regulations promulgated thereunder at 18 C.F.R. Part 366.

"**Purchase Agreement**" means, with respect to each Project Company, the agreement listed under the heading "Purchase Agreement" on Schedule 1 and pursuant to which such Project Company is a party.

"**PURPA**" means the Public Utility Regulatory Policies Act of 1978, as amended and FERC's implementing regulations promulgated thereunder at 18 C.F. R. Part 292.

"QF" means a "qualifying facility" within the meaning of PURPA.

"**Related Parties**" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates; provided that no Loan Party nor any Portfolio Entity will be treated as a Related Party of the Lender.

"**Release**" means disposing, discharging, injecting, spilling, leaking, leaching, dumping, pumping, pouring, emitting, escaping or emptying into the environment.

"**Reportable Event**" means any of the events set forth in Section 4043(b) or (c) of ERISA for which notice to the PBGC has not been waived.

"**Responsible Person**" shall mean, as to any Person, the chief executive officer or, with respect to financial matters, the chief financial officer of such Person, any other individual designated as a "Responsible Person" from time to time by such Person's board of directors or, in the event any such officer is unavailable at any time he or she is required to take any action hereunder, any officer authorized to act on such officer's behalf as demonstrated by a certificate of corporate resolution (or equivalent); provided that the Lender is notified in writing of the identity of such Responsible Person; provided, further that, with respect to any Person that is managed by a sole member, managing member or general partner or other Person and does not have officers or other natural persons that would otherwise constitute a "Responsible Person," any Responsible Person of the sole member, managing member or general partner of such Person shall be deemed to be a Responsible Person of such Person.

"**Repayment Account**" has the meaning ascribed to such term in Section 1.1 of the Depositary Agreement.

"**Restricted Payment**" has the meaning ascribed to such term in Section 8.2.6.

"**Revenue Account**" has the meaning ascribed to such term in Section 1.1 of the Depositary Agreement.

"**Revenues**" means all cash distributions to Borrower other than the proceeds of the ABS Transaction and the New Mezzanine Loan, and releases of reserves (and interest accruing thereon) and amounts received in connection with the termination of interest rate swap agreements, in each case as reflected on the funds flow in connection with the Amendment and Restatement Date.

"**S&P**" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or any successor entity.

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

"**Securitization Depositor**" means SunStrong 2018-1 Depositor, LLC, a Delaware limited liability company.

"**Securitization Issuer**" means SunStrong 2018-1 Issuer, LLC, a Delaware limited liability company.

"**Securitization Reorganization**" means (a) the merger of the Portfolio Pledgors with and into the Managing Members and (b) those certain assignments and transfers prior to the Amendment and Restatement Date by the Borrower of the equity interests of the Managing Members to Securitization Issuer (other than the equity interests of SunPower Residential III, LLC, which shall be transferred to SunPower Residential III Holdings, LLC) pursuant to the Securitization Reorganization Documents.

"**Securitization Reorganization Documents**" means that certain Master Agreement to Transfer Ownership Interests, dated as of November 28, 2018, by and among Borrower, Holding Corporation, New Mezzanine Borrower, Securitization Depositor,

Securitization Issuer and SunPower Residential III Holdings, LLC, as acknowledged and agreed by SCA Holdings II, LLC, SCA Holdings III, LLC, SCA Holdings IV, LLC, SCA Holdings V, LLC, SCA Holdings VI, LLC, SCA Holdings VII, LLC, SCA Holdings VIII, LLC, SCA Holdings IX, LLC, Meridian Solar Program, LLC, Naidirem Holdings, LLC, Malina Holdings, LLC, SunFront I, LLC, Sahara Solar Investment, LLC, SunPower Residential III, LLC and SunPower Access Holding, LLC, and the merger documents described therein.

"**Security Documents**" means the Borrower Security Agreement, the Pledgor Security Agreement, the Depositary Agreement, the Omnibus Reaffirmation and Amendment Agreement any financing statement or similar document and all other documents, instruments and agreements now or hereafter securing (or given with the intent to secure) any Obligations.

"**Servicer Experience Test**" means any replacement Services Provider under a Maintenance Services Agreement or Lease Servicing Agreement which satisfies each of the following requirements: (i) such Maintenance Services Agreement or Lease Servicing Agreement includes provisions which provide the applicable Loan Party the right to terminate such agreement for convenience in accordance with its terms and (ii) such replacement Services Provider is a United States Person (or an Affiliate organized in the United States of a United States Person) that (a) has owned and operated for a period of at least three (3) years, and at the time of such proposed transfer continues to own and operate, residential solar power generation facilities with an aggregate electricity output of at least two hundred fifty (250) megawatts in the United States and is recognized nationally or internationally in the solar industry as having substantial experience managing, developing and operating residential solar photovoltaic energy facilities; provided that, any Person who, directly or through its Affiliates, succeeds to, or acquires all or substantially all of Sponsor's solar residential development business and, immediately following such transaction, employs substantially the same Persons to perform the services to be provided under the applicable Maintenance Services Agreement or Lease Servicing Agreement as the predecessor Services Provider employed immediately prior to such transaction shall be deemed to meet the requirements of this clause (a), (b) has (i) (or is an Affiliate of a Person that has) (x) a tangible net worth of $500,000,000 or higher determined in accordance with GAAP or (y) a credit rating of "BBB" or higher by S&P and "Baa2" or higher by Moody's and (ii) provided to the Lender at least five (5) Business Days prior to such succession or acquisition such information as is necessary to ensure compliance with Section 8.2.23 and 8.2.24 and as may be requested by the Lender with respect to Section 6.1.22 as if Section 6.1.22 were required to be satisfied as a condition to such succession or acquisition, and (c) such replacement Services Provider is not a Blackout Services Provider.

"**Servicer Termination Event**" shall mean:

(a) failure by the Services Provider to make any payment, transfer or deposit required to be made under terms of the Maintenance Services Agreement or the Lease Servicing Agreement, as applicable, within ten (10) Business Days of the date required or any applicable cure period;

(b) an event of default (howsoever described) or right or cause to remove the applicable Services Provider arises and continues past any applicable cure period under the Maintenance Services Agreement or the Lease Servicing Agreement, respectively;

(c) an event described in Section 10.1.2 occurs with respect to any Services Provider;

(d) any (i) representation or warranty made by the Services Provider in the applicable Maintenance Services Agreement or Lease Servicing Agreement, or any financial statement or certificate, report or other writing furnished pursuant thereto, or (ii) certificate, report, any financial statement or other writing made or prepared by, under the control of or on behalf of the Services Provider shall prove to have been untrue or misleading in any material respect as of the date made; provided, however, that if any such misstatement is capable of being remedied and has not caused a Material Adverse Effect, the applicable Services Provider may correct such misstatement by curing such misstatement (or the effect thereof) and delivering a written correction of such misstatement, in a form and substance reasonably satisfactory to the Lender, within thirty (30) days of (x) obtaining Knowledge of such misstatement or (y) receipt of written notice from a Loan Party of such default;

(e) a Services Provider ceases to respectively be in the business of providing services comparable to those contemplated by Maintenance Service Agreement or the Lease Servicing Agreement, as applicable;

(f) at all times that the Sponsor or an Affiliate (including SunPower Capital) is a Services Provider, an Event of Default shall have occurred and is continuing; or

(g) termination of the Maintenance Services Agreement or Lease Servicing Agreement by a Portfolio Entity other than at its normal expiry date in accordance with its terms.

"**Services Provider**" means each party to Lease Servicing Agreement or Maintenance Services Agreement other than a Project Company.

"**Solvent**" means, with respect to any Person, that as of the date of determination both (i) (a) the sum of such Person's debt (including contingent liabilities) does not exceed all of its property, at a fair valuation; (b) the Person is able to pay the probable

liabilities on such Person's then existing debts as they become absolute and matured (taking into account the timing and amounts of cash to be received by such Person and the amounts to be payable on or in respect of obligations of such Person); (c) such Person's capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction; and (d) such Person does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due (taking into account the timing and amounts of cash to be received by such Person and the amounts to be payable on or in respect of obligations of such Person); and (ii) such Person is "solvent" within the meaning given that term and similar terms under Applicable Laws relating to fraudulent transfers and conveyances. 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 (discounted to present value at rates believed to be reasonable by such Person acting in good faith).

"**Specified Equity Remedy**" means the exercise of any remedy under or in connection with the Loan Documents whereby the Lender asserts or obtains ownership of, voting control over or the ability to direct the management or policies of the Borrower or any Portfolio Entity, whether via control over equity interests of any such Person, appointment or direction of officers for any such Person, direction of a Services Provider for any such Person or otherwise.

"**Sponsor**" means SunPower Corporation, a Delaware corporation

"**Subject Claim**" has the meaning ascribed to such term in Section 8.1.11(a)(i).

"**Subsidiaries**" means with respect to any Person, a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower.

"**Subordinated Debt**" has the meaning ascribed to such term in the definition of Permitted Debt.

"**SunPower Affiliate**" means the Sponsor and any Affiliate of the Sponsor other than any Loan Party or any Portfolio Entity.

"**SunPower Capital**" means SunPower Capital, LLC, a Delaware limited liability company.

"**Support and Indemnification Agreement**" means the Amended and Restated Support and Indemnification Agreement, dated as of the Amendment and Restatement Date, among Sponsor and Hannon Armstrong Capital.

"**System Transition Readiness Plan**" has the meaning ascribed to such term in Section 8.1.20.

"**Tax Equity Buy-Out Date**" means the date that an Investor no longer holds any equity interests in the applicable Project Company or Desert Sunburst, LLC, whether as a result of the exercise of a Portfolio Entity's call option in the applicable Project Company LLC Agreement or otherwise.

"**Tax Equity Document**" means (a) each Project Company LLC Agreement, (b) each Project Company LLC Agreement Guaranty and (c) each Purchase Agreement.

"**UCC**" means the Uniform Commercial Code as in effect in the State of California or, when the laws of any other jurisdiction govern the perfection or enforcement of any Lien, the Uniform Commercial Code of such jurisdiction.

"**Warm Back-Up Lease Servicing Agreement**" means an agreement to be entered into with a Back-Up Servicer pursuant to the Cold Back-Up Lease Servicing Agreement following the Backup Trigger Date for the performance of lease servicing upon the occurrence of certain contingencies set forth therein and other matters ancillary thereto.

"**Warm Back-Up Maintenance Services Agreement**" means an agreement to be entered into with a Back-Up Servicer pursuant to the Cold Back-Up Maintenance Services Agreement following the Backup Trigger Date for the performance system maintenance upon the occurrence of certain contingencies set forth therein and other matters ancillary thereto.

"**Warm Back-Up Servicing Agreement**" means, as applicable (a) the Warm Back-Up Lease Servicing Agreement and (b) the Warm Back-Up Maintenance Services Agreement.

Section 1.2 **RULES OF CONSTRUCTION**. Unless the context otherwise requires, (a) the singular of each term used in this Agreement includes the plural and the plural of each such term includes the singular, (b) the terms "Article" and "Section" refer to an article or section of this Agreement and the terms "Exhibit" and "Schedule" refer to an exhibit or schedule to this Agreement, (c) the symbol "$" refers to United States dollars or such coin or currency as at the time of payment is legal tender for

the payment of public and private debts in the United States of America, (d) the words "will" and "shall" will be construed to have the same meaning and effect, (e) references to agreements or other contractual obligations shall, unless otherwise specified, be deemed to refer to such agreements or contractual obligations as amended, supplemented, restated or otherwise modified from time to time (subject to any applicable restrictions in the Loan Documents) and (f) with respect to any reference to a Project or Projects or Portfolio Documents, such reference shall refer to such Project, documents or agreements that relates to the applicable Project Company or other Portfolio Entity in the same Portfolio Chain as such Project Company.

Section 1.3 **ACCOUNTING TERMS; GAAP**. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time and as applied by the accounting entity to which they refer; provided, that if Borrower notifies the Lender that 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 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.

ARTICLE II
THE LOAN

Section 2.1 **THE LOAN**. On the Original Closing Date, Lender made a Loan to the Borrower in the amount of One Hundred Ten Million Five Hundred Thousand Dollars ($110,500,000). After taking into account the prepayment of the Loan on the Amendment and Restatement Date with proceeds of the ABS Transaction and the New Mezzanine Loan and the capitalization of interest owing in respect of the Loan on the Amendment and Restatement Date, the outstanding principal amount of the Loan is twenty nine million seven hundred forty five thousand dollars ($29,745,000.00) and the accrued but unpaid or uncapitalized interest in respect of the Loan is $0.

Section 2.2 **EFFECT OF AMENDMENT AND RESTATEMENT.** This Agreement is intended to amend and supersede the Original Loan Agreement, without novation, and, solely for the convenience of reference, to restate it. Each of the parties hereto acknowledges and agrees that any reference to the "Loan Agreement" in the other Loan Documents shall mean and be references to the Original Loan Agreement as amended and restated by this Agreement. All indebtedness, liabilities and obligations of the Borrower outstanding under the Original Loan Agreement and the Notes and other documents delivered thereunder shall, to the extent not paid on the Amendment and Restatement Date, be extended and renewed so as to continue and be Obligations outstanding hereunder.

Section 2.3 **NOTE**. The Loan made by the Lender shall initially be evidenced by a Note and shall be due and payable in accordance with this Agreement. The Loan and interest accruing thereon shall be evidenced by the accounts and records of the Lender, which accounts and records shall be conclusive, absent manifest error.

ARTICLE III
COLLATERAL AND GUARANTIES

Section 3.1 **COLLATERAL GENERALLY**. The Lender made the Original Loan to the Borrower and agreed to enter into the Original Loan Agreement subject to the Loan Parties granting the Lender a prior, first, and superior continuing, and continuous security interest in the Collateral (subject to Permitted Liens), which Collateral shall constitute security and collateral for all of the indebtedness of the Loan Parties to the Lender, including all of the indebtedness incurred pursuant to this Agreement and the other Loan Documents, and more fully evidenced by the Security Documents. The Lender has agreed to enter into this Agreement subject to, among other things, the Loan Parties' execution and delivery of the Omnibus Reaffirmation and Amendment Agreement.

Section 3.2 **GUARANTIES**. The Lender has agreed to enter into this Agreement subject to the Guarantors providing to the Lender the Guaranties.

ARTICLE IV
INTEREST, FEES AND CHARGES

Section 4.1 **INTEREST.**

4.1.1 The Loan shall bear interest on the unpaid principal amount thereof from the date made through repayment (whether by acceleration or otherwise) thereof payable on each Payment Date at a rate of interest equal to 12.0% per annum. In computing interest on the Loan, the Amendment and Restatement Date or the last Payment Date shall be included (as applicable), and the date of payment shall be excluded.

4.1.2 If an Event of Default has occurred and is continuing, if the Lender in its sole discretion so elects, Obligations, including any interest payments on the Loan and any fees or other amounts outstanding hereunder, shall bear interest (including post-petition interest in any proceeding under the Bankruptcy Code or other Applicable Laws) at a rate in lieu of the rate otherwise payable hereunder, equal to the Default Rate, payable on demand to the Lender. The Borrower acknowledges that the cost and expense to Lender due to an Event of Default are difficult to ascertain and that the Default Rate is fair and reasonable compensation for this.

4.1.3 Interest shall accrue from the date the applicable Obligation is incurred or payable, as applicable, until such Obligation is paid in full by Borrower. Subject to Section 4.1.4, interest accrued on the Loan shall be due and payable by the Borrower, (a) on the last Business Day of each February, May, August and November during the term hereof (each, a "Payment Date") beginning on February 28, 2019; (b) on any date of prepayment, with respect to the principal amount of the Loan being prepaid; and (c) on the Maturity Date. All computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed. Notwithstanding the forgoing, interest accrued at the Default Rate shall be due and payable on demand.

4.1.4 If, as of any Payment Date, Borrower does not have sufficient funds available to it to pay accrued and unpaid interest that is payable on such Payment Date (any such amount for which the Borrower does not have sufficient funds, an "Interest Shortfall Amount"), Borrower shall, pursuant to a PIK Certificate delivered by Borrower to the Lender at least five (5) Business Days prior to such Payment Date, notify Lender that such accrued and unpaid interest in an amount equal to the Interest Shortfall Amount applicable for such Payment Date shall be capitalized on such Payment Date and added to the outstanding principal amount of the Loan (each such capitalization, a "PIK Requirement"); provided that, at any time in which any Event of Default has occurred and is continuing, no accrued and unpaid interest shall be capitalized and added to the outstanding principal balance of the Loan pursuant to this Section 4.1.4.

Section 4.2 **FEES**.

4.2.1 Fees Generally. Borrower shall pay the third-party fees, costs, and expenses of the Lender reasonably incurred in connection with monitoring and maintaining the Loan and the Collateral, on a timely basis. These expenses include, but are not limited to, reasonable and documented attorneys' fees and all necessary recording and transfer fees, costs and expenses incurred after the Original Closing Date. In addition to the foregoing, the Borrower shall also pay the reasonable and documented third-party expenses and reasonable and documented legal fees of the Lender actually incurred in connection with the maintenance and administration of this Agreement and the other Loan Documents and all amendments or modifications thereto from time to time requested by Borrower, in each case, that are incurred after the Original Closing Date.

ARTICLE V
PAYMENTS

Section 5.1 **GENERAL PAYMENT PROVISIONS.**

5.1.1 General. All payments to be made by the Borrower shall be made free and clear of and without condition or deduction for any counterclaim, withholding, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Lender. All payments received by the Lender after 1:00 p.m. (Washington, D.C. time) shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue until such payment is deemed received. Payments received by Lender prior to 1:00 p.m. (Washington, D.C. time) shall be deemed received on that date and applied promptly. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be due, payable and made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be. The Lender will cooperate with the Borrower to avoid withholding by providing properly executed forms or filings reasonably requested by Borrower on a timely basis.

5.1.2 Payments Accompanied by Interest. All payments in respect of the principal amount of the Loan shall be accompanied by payment of accrued interest on the principal amount being repaid or prepaid, and all such payments (and, in any event, subject to Section 4.1.4, any payments in respect of the Loan on a date when interest is due and payable with respect to the Loan) shall be applied to the payment of interest then due and payable (or in the case of any Mandatory Prepayments or optional prepayments made in accordance with this Agreement, accrued and outstanding) before application to principal; provided that, in the case of any Mandatory Prepayment pursuant to Section 5.1.4(f) any accrued and outstanding interest in respect of the principal amount of the Loan required to be so prepaid shall be capitalized to principal of the Loan as of the date of such Mandatory Prepayment.

5.1.3 Repayment of Loan. The principal amount of the Loan shall be repaid as follows: (i) on each Payment Date, in accordance with Section 5.1.4(a), and (ii) any remaining amount as well as all other amounts due and payable under the Loan Documents shall be due and payable on the Maturity Date, in each case unless payment is sooner required or accelerated pursuant to this Agreement in which case all Obligations shall be due and payable on such sooner or accelerated date.

5.1.4 Mandatory Prepayments. The Borrower shall prepay the Loan together with any interest accrued and outstanding in respect thereof in accordance with Section 5.1.2 (each of the following, a "Mandatory Prepayment"):

(a) *Excess Cash Flow*. On each Payment Date, with all Excess Cash Flow as of such Payment Date.

(b) *[Reserved]*

(c) *Issuance of Debt*. On the date of receipt by Borrower or Project Company of any cash proceeds from incurrence of any Debt of Borrower or Project Company (other than Permitted Debt), in an aggregate amount equal to 100% of such proceeds; provided that the principal and interest prepayments required under this Section 5.1.4(c) shall be made solely from, and to the extent of funds available to the Borrower from the event giving rise to the applicable Mandatory Prepayment.

(d) *PeGu Reserve Excess Amounts*. On the last Payment Date of 2020 and each second calendar year thereafter, the amount required to be applied to the prepayment of the Loan pursuant to Section 9.3.3(b), if any.

(e) *Support and Indemnification Agreement Indemnities and Section 10.1.10*. On the date of receipt by Lender, all amounts paid by Sponsor pursuant to Section 3.1 or 3.3(a) of the Support and Indemnification Agreement and those amounts required to be paid in prepayment of the Loan pursuant to Section 10.1.10(a)(ii); provided that the principal and interest prepayments required under this Section 5.1.4(e) shall be made solely from, and to the extent of funds available to the Borrower from the event giving rise to the applicable Mandatory Prepayment.

5.1.5 [Reserved].

ARTICLE VI
CONDITIONS PRECEDENT

Section 6.1 **CONDITIONS TO THE CLOSING**. The closing and effectiveness of this Agreement is subject to the determination by Lender that the following conditions precedent have been satisfied or waived by the Lender (the date such conditions precedent are so satisfied or waived being referred to as the "Amendment and Restatement Date"):

6.1.1 Resolutions. Delivery to Lender of a copy of one or more resolutions or other authorizations, in form and substance reasonably satisfactory to Lender, of each of the Sponsor, the Pledgor, and Borrower certified as of the Amendment and Restatement Date by a Responsible Person of such Person as being true, complete, in full force and effect on the Amendment and Restatement Date and not amended, modified, revoked or rescinded, authorizing, as applicable and among other things the amendment and restatement of the Original Loan Agreement pursuant to the terms hereof, ratification of the Liens granted under the Security Documents, the Securitization Reorganization and the obligations of Sponsor under the Support and Indemnification Agreement and the execution, delivery and performance of this Agreement, the other Loan Documents and any instruments or agreements required hereunder or thereunder to which such Person is a party.

6.1.2 Incumbency. Delivery to Lender of a certificate, in form and substance reasonably satisfactory to Lender, from Sponsor, the Pledgor, and Borrower signed by the appropriate authorized officer or manager of each such Person and dated a date reasonably close to the Amendment and Restatement Date, as to the incumbency and specimen signature of each natural Person authorized to execute and deliver this Agreement, the other Loan Documents and any instruments or agreements required hereunder or thereunder to which such Person is a party, including those certificates to be delivered by such Person pursuant to this Article VI.

6.1.3 Organizational Documents. Delivery to Lender, in each case certified by a Responsible Person of Sponsor, the Pledgor or Borrower, as applicable, as being true, correct and complete on the Amendment and Restatement Date, of (a) copies of the certificate of formation, charter or other state certified constituent documents of each of Sponsor, the Pledgor, and Borrower, certified as of a date reasonably close to the Amendment and Restatement Date by the secretary of state of such Loan Party's or Sponsor's, as applicable, state of organization, and (b) copies of the bylaws, limited liability company operating agreement, partnership agreement or other comparable operating documents, if applicable, of each Loan Party and Sponsor.

6.1.4 Good Standing Certificates. Delivery to Lender of certificates (in so-called "long-form" if available) issued by the secretary of state of the state in which Sponsor, the Pledgor and Borrower is formed or incorporated, as applicable.

6.1.5 Third Party Approvals**.** Lender shall have received all information and copies of all documents and copies of any approval by any Person (including any Governmental Authority) required in connection with any transaction contemplated in any Loan Document each of which are listed on Schedule 6.1.5.

6.1.6 Loan Documents. Delivery to Lender of (a) originals of each Loan Document other than any expressly contemplated hereby to be executed and delivered after the Amendment and Restatement Date, all of which shall (i) have been duly authorized, executed and delivered by the parties thereto and in form and substance reasonably satisfactory to Lender, and (ii) be in full force and effect and accompanied by a certificate of Borrower certifying to the foregoing in accordance with Section 6.1.7, and (b) each document, certificate, or other deliverable required to be delivered under each Loan Document as of the Amendment and Restatement Date. Except as amended hereby, all Loan Documents that were executed prior to the Amendment and Restatement Date shall (i) remain duly authorized, executed and delivered by the parties thereto, and (ii) remain in full force and effect and accompanied by a certificate of Borrower certifying to the foregoing in accordance with Section 6.1.7

6.1.7 Certificate of Borrower. Delivery to Lender of a certificate, dated as of the Amendment and Restatement Date, duly executed by a Responsible Person of the Borrower, in substantially the form of Exhibit H.

6.1.8 Legal Opinions**.** Delivery to Lender of legal opinions with respect to the transactions contemplated hereby of counsel to Sponsor, the Pledgor and Borrower, in each case addressed to the Lender and in form and substance reasonably satisfactory to the Lender.

6.1.9 Insurance. Delivery to the Lender of evidence reasonably satisfactory to the Lender that the Portfolio Entities maintain and have in full force and effect insurance complying with terms of this Agreement and the other Loan Documents.

6.1.10 [Reserved].

6.1.11 Absence of Litigation. Except as set forth in Schedule 7.11, there are no actions, suits, investigations or proceedings by or before any Governmental Authority or arbitrator pending or, to Borrower's Knowledge, threatened in writing by or against Borrower or any other Major Project Participant or Investor related to any Project that could be reasonably expected to have a Material Adverse Effect.

6.1.12 Payment of Fees. All taxes, fees and other costs due and payable under Section 4.2 in connection with the execution, delivery recordation and filing of the documents and instruments referred to in this Section 6.1, and in connection with, and due and payable on or before the Amendment and Restatement Date shall have been paid in full or arrangements for the payment thereof specifically approved by the Lender shall have been made; provided that, for the avoidance of doubt, the foregoing shall not include any fees payable to the Lender in connection with the Amendment and Restatement Date or (b) the fees, costs and expenses of Lender's attorneys and consultants for all services rendered and billed prior to the Amendment and Restatement Date (other than any such fees accrued in connection with the Portfolio Documents, which shall be paid in accordance with the terms of the Portfolio Documents).

6.1.13 [Reserved].

6.1.14 Collateral Requirements. Delivery to Lender of evidence reasonably satisfactory to Lender that each Loan Party has 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 opinion of Lender, desirable in order to create in favor of Lender a valid and (upon such filing and recording) perfected first priority Lien in such Person's rights, title and interest in and to the Collateral. Such actions shall include delivery to Lender of:

(a) all pledged securities, including all certificates, agreements or instruments representing or evidencing such pledged securities, accompanied by instruments of transfer and membership interest powers undated and endorsed in blank to the extent such pledged interests are certificated;

(b) UCC financing statements in appropriate form for filing under the UCC and such other documents under applicable Legal Judgments in each jurisdiction as may be necessary or appropriate or, in the opinion of Lender, desirable to perfect the first priority Liens created, or purported to be created, by the Security Documents; (i) certified copies of UCC, tax and judgment lien searches, bankruptcy and pending lawsuit searches or equivalent reports or searches, each of a date no less recent than ten Business Days before the Amendment and Restatement Date or as otherwise acceptable to Lender listing all effective financing statements, lien notices or comparable documents that name the Pledgor, Borrower or any Portfolio Entity as debtor and that are filed in state and county jurisdictions in which any such Person is organized or maintains its principal place of business and such other searches that Lender deems necessary or appropriate, none of which encumber the Collateral covered or intended to be covered by the Security Documents or the assets of the Portfolio Entities (other than Permitted Liens) showing that upon due filing or recordation (assuming such filing or recordation occurred on the date of such respective reports), as the case may be, the security interests created under the Security Documents, with respect to the Collateral, will be prior to all other financing statements or other security documents wherein the security interest is perfected by filing or recording in respect of the Collateral, and (ii) UCC termination statements duly executed (if required) by all applicable Persons for filing in all applicable jurisdictions as may be necessary to terminate any effective UCC financing statements or other security documents disclosed in such search (other than any such financing statements, fixture filings or other security documents in respect of Liens permitted to remain outstanding pursuant to the terms of this Agreement); and

(c) evidence reasonably satisfactory to Lender of payment or arrangements for payment by Borrower of all applicable recording taxes, stamp duties, registration fees or charges, filing costs and other similar expenses, if any, required to be paid in connection with the execution, delivery or filing of, or the perfection of any Loan Document or otherwise in connection with the Collateral.

6.1.15 No Material Adverse Effect**.** Since the date of the most recent audited financial statements of each Major Project Participant, no event, circumstance or condition shall have occurred and be continuing (and Lender shall have become aware of no such facts or conditions not previously known) that constitutes or could reasonably be expected to result in a material adverse effect on the business, costs, property, results of operation or financial condition of any Major Project Participant or the ability of such Person to perform its obligations under the Operative Documents.

6.1.16 Securitization Reorganization. The Lender shall have received evidence reasonably satisfactory to it that, prior to or substantially concurrently with the occurrence of the Amendment and Restatement Date the Securitization Reorganization shall have occurred pursuant to the terms of the Securitization Reorganization Documents.

6.1.17 New Mezzanine Loan Agreement; and ABS Transaction and Portfolio Loan Payoffs. Evidence that each of the following has occurred or shall occur substantially simultaneously with the Amendment and Restatement Date:

(a) evidence that each of the Portfolio Loans (as such term is defined in the Original Loan Agreement) has been repaid in full and Liens granted in connection therewith have been released;

(b) the Closing Date under and as defined in the New Mezzanine Loan Agreement shall have occurred and the Lender shall have advanced the New Mezzanine Loan; and

(c) the closing under the ABS Transaction shall have occurred.

6.1.18 Representations and Warranties. Each representation and warranty of (a) each Loan Party and Sponsor under the Loan Documents and (b) Sponsor and its Affiliates under the Securitization Reorganization Documents, in each case, shall be true and correct as of the Amendment and Restatement Date (unless such representation and warranty refers to an earlier date, in which case such representation and warranty shall have been true and correct as of such earlier date) and Borrower shall have provided to Lender a certificate of a Responsible Person of Borrower that each representation and warranty of each Loan Party and Sponsor under the Loan Documents is true and correct as of the Amendment and Restatement Date (unless such representation and warranty refers to an earlier date, in which case such representation and warranty was true and correct as of such earlier date).

6.1.19 No Default. Each Loan Party and each Portfolio Entity shall be in compliance in all material respects with all the terms and provisions set forth in each Operative Document to which it is a party on its part to be observed or performed, and no Default or Event of Default exists or shall occur as a result of any of the transactions consummated as of the Amendment and Restatement Date.

6.1.20 Closing Data Tape. Delivery to the Lender of the Closing Data Tape, in form and substance satisfactory to the Lender.

6.1.21 Base Case Model. Delivery to the Lender of the Base Case Model, in form and substance satisfactory to the Lender.

6.1.22 Anti-Terrorism Compliance. At least five Business Days prior to the Amendment and Restatement Date, Lender shall have received all documentation and other information required by Governmental Authorities under applicable "know your customer" and anti-money-laundering rules and regulations.

6.1.23 Solvency Certificate. Delivery to Lender of a certificate from a Responsible Person of each Loan Party certifying that such Loan Party is Solvent, both separately and on a consolidated basis, after giving effect to the transactions contemplated under this Agreement that will occur on the Amendment and Restatement Date.

6.1.24 Legality. No federal or state law or regulation, exists which would make the Loan, or the securing of the Loan by the Collateral, or any other aspect of the transactions contemplated herein, illegal, or which would subject the Lender or any of their Affiliates to any penalties, sanctions or fines.

6.1.25 [Reserved].

6.1.26 Insurance Consultant Report. Borrower shall have delivered or caused to be a delivered to the Lender a bring-down of the final report of the Insurance Consultant that was delivered pursuant to the Original Loan Agreement, which shall be dated reasonably near the Amendment and Restatement Date, with respect to Borrower and all Portfolio Entities, along with a reliance letter in favor of the Lender, which shall be dated reasonably near the Amendment and Restatement Date, in each case, in form and substance satisfactory to the Lender.

ARTICLE VII
REPRESENTATIONS AND WARRANTIES

Borrower (a) makes the representations and warranties in Sections 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.10, 7.11, 7.12, 7.14, 7.15, 7.16, 7.17, 7.18, 7.19, 7.20, 7.21, 7.22, 7.24, 7.25 and 7.26 (the "**Fundamental Representations and Warranties**") to and in favor of the Lender as of the Amendment and Restatement Date, and (b) makes the representations and warranties in this Article VII other than the Fundamental Representations and Warranties to and in favor of the Lender as of the Original Closing Date, all of which shall survive the execution and delivery of this Agreement and the Amendment and Restatement Date:

Section 7.1 **ORGANIZATION**. Each Loan Party is (a) duly organized, validly existing and in good standing under the laws of its respective jurisdiction of organization and (b) is duly qualified as a foreign entity, and is in good standing, in each

jurisdiction in which such qualification is required by law. Each Loan Party and each Portfolio Entity has all requisite corporate or limited liability company, as applicable, power and authority to (i) own or hold under lease and operate the property it purports to own or hold under lease, (ii) carry on its business as now being conducted and as now proposed to be conducted in respect of the Projects, (iii) execute, deliver and perform each Operative Document to which it is a party and (iv) take each action as may be necessary to consummate the transactions contemplated hereunder and thereunder. The Pledgor is the sole member of Borrower. The provisions of the first recital accurately describe the ownership of the Portfolio Entities. The organizational structure of the Pledgor, Borrower, the ABS Entities and each other Portfolio Entity set forth on Schedule 1 is true, complete and correct as of the Amendment and Restatement Date.

Section 7.2 **AUTHORIZATION; NO CONFLICT**. The execution, delivery and performance by each Loan Party of the Operative Documents to which it is a party are within its corporate or limited liability company, as applicable, power, authority and legal right and have been duly authorized by all necessary action. Each Loan Party has duly executed and delivered each Operative Document to which it is a party and neither such Person's execution and delivery thereof nor its consummation of the transactions contemplated thereby nor its compliance with the terms thereof (a) does or will contravene the Organizational Documents, (b) does or will contravene any Legal Judgment applicable to or binding on it or any of its properties, (c) does or will contravene or result in any breach of or constitute any default under, or result in or require the creation of any Lien (other than Permitted Liens) upon any of its property under, any agreement or instrument to which it is a party or by which it or any of its properties may be bound or affected, (d) does or will violate or result in a default under any indenture, credit agreement, loan, lease or other agreement or instrument binding upon it or its properties or any Operative Document, or (e) does or will require the consent or approval of any Person, and with respect to any Governmental Authority, does or will require any registration with, or notice to, or any other action of, with or by any applicable Governmental Authority, in each case which has not already been obtained or made or which is not required until a later date and is reasonably expected to be obtained on or prior to such date or which, if failed to be obtained, could not reasonably be expected to have a Material Adverse Effect.

Section 7.3 **ENFORCEABILITY**. Each of the Operative Documents to which each Loan Party or Portfolio Entity is a party is a legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its respective terms and, to Borrower's Knowledge, each other Major Project Participant which is not a Loan Party or Portfolio Entity party thereto in accordance with its respective terms except as enforceability may be limited by applicable Bankruptcy Law or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity relating to enforceability (regardless of whether considered in a proceeding at law or in equity).

Section 7.4 **COMPLIANCE WITH LAW**. There are no violations by any Loan Party or Portfolio Entity, of any Legal Judgment (including Hazardous Substances Laws), except to the extent any such violation could not reasonably be expected to have a Material Adverse Effect. Except as otherwise have been delivered to Lender, no written notices of any material violation of any Legal Judgment (including Hazardous Substances Laws) relating to any Project have been issued, entered or received by any Loan Party or Portfolio Entity.

Section 7.5 **BROKERS.**

7.5.1 No Loan Party has any obligation to any Person in respect of any finder's, broker's or investment banking fee with respect to the Loan Documents or the transactions contemplated thereby or under any other agreement, document or instrument with any Person, other than fees payable under this Agreement.

7.5.2 No proceeds of the Loan will be used to acquire any equity security of a class that is registered pursuant to Section 12 of the Exchange Act.

Section 7.6 **ADVERSE CHANGE**. As of the Original Closing Date, there is no fact known to Borrower which has had or could reasonably be expected to have a Material Adverse Effect which has not been disclosed to Lender (as of such date) by or on behalf of Borrower on or prior to the Original Closing Date in connection with the transactions contemplated hereby.

Section 7.7 **INVESTMENT COMPANY ACT**. No Loan Party is an "investment company" or a company "controlled by" an "investment company," that is, in either case, required to be registered under the Investment Company Act of 1940, as amended.

Section 7.8 **ERISA**. Either (a) there are no ERISA Plans or Multiemployer Plans for any Loan Party or any ERISA Affiliate or (b) (i) each Loan Party and each ERISA Affiliate has fulfilled its obligations (if any) under the applicable minimum funding standards of ERISA and the Code for each ERISA Plan, (ii) each such ERISA Plan is in compliance in all respects with the currently applicable provisions of ERISA, the Code and other Applicable Law, (iii) neither any Loan Party nor any ERISA Affiliate has any liability to the PBGC or an ERISA Plan or Multiemployer Plan under Title IV of ERISA (other than liability for premiums due in the ordinary course), (iv) each such ERISA Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination or opinion letter from the Internal Revenue Service, or the remedial amendment period with respect thereto has not yet expired, or an application for such letter is currently being processed by the Internal Revenue Service with respect thereto, and nothing has occurred which could reasonably be expected to cause the loss of such qualification, and (v) no Loan Party or any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 of ERISA, except, in each subclause

under Section 7.8(b), as would not reasonably be expected to result in a Material Adverse Effect. None of any Loan Party's assets constitute assets of an employee benefit plan within the meaning of 29 C.F.R. Section 2510.3 101. To Borrower's Knowledge, no Loan Party maintains, nor has it within the last six (6) years of its existence maintained, any employee-benefit plans that were subject to Title IV of ERISA.

Section 7.9 **PERMITS.**

7.9.1 All Applicable Permits and, to the Knowledge of Borrower or any Portfolio Entity, Applicable Third Party Permits (other than any such Permits required to have been obtained by or on behalf of any Investor, the Lender or any other financing party that is not an Affiliate of Borrower) have been issued and are in full force and effect and not subject to current legal proceedings or to any unsatisfied condition that could reasonably be expected to result in adverse modification or revocation, all applicable appeal periods with respect thereto have expired, except as could not reasonably be expected to have a Material Adverse Effect. The applicable Loan Party and each Portfolio Entity is in compliance in all material respects with any Applicable Permit that has been issued and, to Borrower's or such Portfolio Entity's Knowledge, no other Person (other than any Investor, the Lender, financing party that is not an Affiliate of Borrower or Host Customer) is in material violation of any issued Applicable Third Party Permit under which such Person is the permittee.

7.9.2 The Permits which have been obtained by a Loan Party or Portfolio Entity are not subject to any restriction, unfulfilled condition, limitation or other unmet provision that could reasonably be expected to have a Material Adverse Effect.

Section 7.10 **HAZARDOUS SUBSTANCES**.

7.10.1 Except as set forth in Schedule 7.10 or as could not reasonably be expected to have a Material Adverse Effect: (a) no Loan Party or Portfolio Entity is or has in the past been in violation of any Hazardous Substances Law which violation could reasonably be expected (i) to result in a liability to, or Environmental Claims against, any Borrower, any Portfolio Entity or their properties and assets, (ii) to result in an inability of any Loan Party or Portfolio Entity to perform its obligations under the Operative Documents, or (iii) to interfere with the continuing operation of the Projects; (b) no Loan Party nor, to Borrower's Knowledge, any other Person has used, Released, threatened to Release, generated, manufactured, produced or stored any Hazardous Substances that could reasonably be expected to subject the Lender to liability, or any Loan Party to liability, under any Hazardous Substances Law; and (c) to Borrower's or any Portfolio Entity's Knowledge there neither is nor has been any condition, circumstance, action, activity or event that could reasonably be expected to be, or result in, a violation by any Loan Party of any Hazardous Substances Law, or to result in liability to Lender or liability to any Loan Party or Portfolio Entity under any Hazardous Substances Law or any other Environmental Claims against any Loan Party or the Lender.

7.10.2 Except as set forth on Schedule 7.10 or Schedule 7.11, (a) as of the Amendment and Restatement Date, there is no pending or, to Borrower's or any Portfolio Entity's Knowledge, threatened in writing, Environmental Claim by any Governmental Authority or any other Person to which Borrower or Project Company is or will be named as a party that could reasonably be expected to have a Material Adverse Effect, and (b) thereafter, there is no pending or, to Borrower's or any Portfolio Entity's Knowledge, threatened in writing, Environmental Claim which could reasonably be expected to have a Material Adverse Effect.

Section 7.11 **LITIGATION.**

7.11.1 As of the Amendment and Restatement Date, no action, litigation, suit, proceeding or investigation before or by any court, arbitrator or other Governmental Authority is pending or, to Borrower's or any Portfolio Entity's Knowledge, threatened in writing by or against Borrower, or any other Loan Party or Major Project Participant as relates to any Project, except as set forth on Schedule 7.11 or as could not reasonably be expected to have a Material Adverse Effect.

7.11.2 Neither Borrower nor any Portfolio Entity has Knowledge of any order, ruling, judgment or decree having been issued or proposed to be issued by any Governmental Authority that, as a result of the construction, development, ownership or operation of any Project by the applicable Portfolio Entity, or the entering into of any Operative Document or any transaction contemplated hereby or thereby, could reasonably be expected to cause or deem the Lender or the applicable Loan Party or Portfolio Entity or any Affiliate of any of them to be subject to, or not exempted from, regulation under PUHCA, or treated as an electric utility, electric corporation or public utility under the laws of the States in which the Projects are located as presently constituted and as construed by the courts of the States in which the Projects are located, respecting the rates or the financial and organizational regulation of electric utilities.

Section 7.12 **NO LABOR DISPUTES; FORCE MAJEURE**. Neither the business nor the properties of the Loan Parties or, to Borrower's or any Portfolio Entity's Knowledge, any other Major Project Participant are currently affected by any fire, explosion, accident, strike, "force majeure" (as defined in any Operative Document), lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy, or other casualty (whether or not covered by insurance), in each case, which could reasonably be expected to have a Material Adverse Effect.

Section 7.13 **OPERATIVE DOCUMENTS.**

7.13.1 Copies of the Portfolio Documents have been delivered to Lender by Borrower. All such Portfolio Documents are in full force and effect.

7.13.2 To Borrower's or any Portfolio Entity's Knowledge, except as disclosed to Lender in writing at or prior to the time the representation and warranty in this Section 7.13.2 is being made, the representations and warranties of the Major Project Participants and the other parties thereto contained in the Operative Documents (other than this Agreement) were true and correct in all material respects as of the date made.

Section 7.14 **TAXES.**

7.14.1 All federal, state, local and foreign tax returns, information statements and reports that are required to be filed by or with respect to the Loan Parties and the Portfolio Entities have been timely filed and material assessments, utility charges, fees and other governmental charges required to be paid by or with respect to the Loan Parties have been timely paid (other than those taxes, if any, that it is contesting in good faith and by appropriate proceedings in accordance with the requirements of Section 8.1.16). Neither Borrower nor any Portfolio Entity has Knowledge of any tax assessment proposed in writing against any Loan Party or Portfolio Entity which could reasonably be expected to have a Material Adverse Effect. In either case, to the extent such taxes, assessments, charges and fees are not due, the applicable Loan Party or Portfolio Entity has established cash reserves that are adequate for the payment thereof, consistent with GAAP.

7.14.2 No Loan Party intends to treat the Loan (including the incurrence thereof) as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4) or as equity.

Section 7.15 **GOVERNMENTAL REGULATION.**

7.15.1 Each Project is a QF. There is no pending challenge, protest, rehearing or appeal of any Project's status as a QF. No Loan Party is subject to, or is not exempt from, regulation under PUHCA. No Loan Party or Portfolio Entity is subject to, or is not exempt from, regulation as an "electric utility", an "electric corporation", a "public utility" or similar term under the laws of the States in which the Projects are located.

7.15.2 Neither the Lender nor any Affiliate of the Lender will, solely as a result of the Loan Parties' and the Portfolio Entities' ownership, leasing or operation of the Projects, the making of the Loan, or the entering into of any Operative Document in respect of the Projects or any transaction contemplated hereby or thereby, be subject to, or not exempt from, regulation under PUHCA or under state laws and regulations respecting the rates, financial and organizational regulation of electric utilities, except that the exercise by the Lender or Affiliates of the Lender of certain remedies, as provided for under the Loan Documents or the New Mezzanine Loan Documents, may cause the Lender and its Affiliates to be subject to regulation under the FPA or PUHCA.

Section 7.16 **REGULATION U, ETC**. None of the Loan Parties are engaged principally, or as one of their principal or important activities, in the business of extending credit for the purpose of "buying," "carrying" or "purchasing" any "margin stock" or "margin security" (each, as applicable, as defined in Regulations T, U or X of the Federal Reserve Board, each as now and from time to time hereafter in effect), and no part of the proceeds of the Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for the purpose of "buying," "carrying" or "purchasing" any such margin stock or for any other purpose that entails a violation of the provisions of Regulation T, U or X.

Section 7.17 **FINANCIAL STATEMENTS.**

7.17.1 In the case of each financial statement of any Loan Party or Portfolio Entity and accompanying information delivered by the Loan Parties under the Loan Documents, each such financial statement and information has been prepared in conformity with GAAP applied consistently throughout the relevant periods (except as otherwise approved and disclosed therein) and fairly presents, in all material respects, the financial position of the applicable Person, as the case may be, as of the respective dates thereof and the results of operations and cash flows of such Person, as the case may be, described therein for each of the periods then ended, subject, in the case of any such unaudited financial statements, to changes resulting from audit and normal year-end adjustments and the absence of footnote disclosure.

7.17.2 Except for the obligations under the Operative Documents to which it is a party, no Loan Party or Portfolio Entity has any Contingent Obligations, undisclosed liabilities, unmatured liabilities, contingent liability or liability for taxes, long-term lease or forward or long-term commitment (including any interest rate or foreign currency swap or exchange transaction or other financial derivative) required to be shown under GAAP that are not reflected in the foregoing financial statements or the notes thereto and which in any such case are material in relation to the business, results of operations, properties, financial condition or prospects of the Loan Parties and the Portfolio Entities.

7.17.3 No Material Adverse Effect has occurred since September 30, 2017.

7.17.4 For clarity, the representations and warranties in this Section 7.17 are not applicable to any projections or other forward-looking statements delivered by any Loan Party.

Section 7.18 **NO DEFAULT**. No Default or Event of Default has occurred and is continuing.

Section 7.19 **ORGANIZATIONAL ID NUMBER**. The Loan Parties' organizational identification (if applicable) numbers are as follows: Pledgor: 6969851 and Borrower: 6969849.

Section 7.20 **LEASES AND PROJECTS**.

7.20.1 Each of the Projects was Placed In Service on or prior to the date such Project was required to be Placed In Service under any contractual obligation.

7.20.2 Each Lease and Production Guarantee in respect of a Project is in full force and effect, except as could not reasonably be expected to have a Material Adverse Effect.

7.20.3 Each Lease constitutes a "Serviced Contract" under and as defined in the applicable Cold Back-Up Lease Servicing Agreement, and is listed on Schedule A thereto as a "Serviced Contract". Great America is performing "Standby Backup Servicing Services", as such term is defined in the Cold Back-Up Lease Servicing Agreement, for each Lease.

7.20.4 Each Project is entitled to "Transition Event Services" under and as defined in Section 11 of Exhibit B to the Cold Back-Up Maintenance Services Agreement.

Section 7.21 **INTELLECTUAL PROPERTY.**

7.21.1 The Borrower and the Portfolio Entities own or have the right to use all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are necessary for the operation of their respective business, without Knowledge of any conflict with the rights of others, except as could not reasonably be expected to have a Material Adverse Effect.

7.21.2 To the Knowledge of Borrower or any Portfolio Entity, there is no violation by any of any Borrower or any Portfolio Entity right with respect to any license, patent, copyright, service mark, trademark, trade name or other right owned or used by Borrower or any Portfolio Entity, except for any such violation which could not reasonably be expected to have a Material Adverse Effect.

7.21.3 There exists no pending or, to the Borrower's or any Portfolio Entity's Knowledge, threatened claim or litigation against or affecting the Borrower or any Portfolio Entity contesting its right to sell or use any such product, process, method, substance, part or other material, except for any such claim or litigation which, if adversely determined, could not reasonably be expected to have a Material Adverse Effect.

7.21.4 Neither the Borrower nor any Portfolio Entity owns registered patents, copyrights or trademarks, or applications therefor.

Section 7.22 **COLLATERAL**. The respective liens and security interests granted to Lender pursuant to the Security Documents constitute a valid first priority security interest under the applicable UCC. The security interest granted to Lender pursuant to the Security Documents in the Collateral consisting of personal property has been perfected (i) with respect to any property that can be perfected by filing, upon the filing of financing statements in the appropriate secretary of state's office, (ii) with respect to any property that can be perfected by control, upon execution of the Depositary Agreement or other applicable control agreement, and (iii) with respect to any certificated securities or any property that can only be perfected by possession, upon Lender receiving possession thereof, and in each case such security interest will be, as to Collateral perfected under the UCC or otherwise as aforesaid, superior and prior to the rights of all third Persons now existing or hereafter arising whether by way of Lien of any type, assignment or otherwise, except Permitted Liens. All such action as is necessary to establish and perfect Lender's rights in and to existing Collateral has been taken to the extent Lender's security interest can be perfected by filing, including any recording, filing, registration, giving of notice or other similar action. Borrower has properly delivered or caused to be delivered, or provided control, to Lender all Collateral that permits perfection of the Lien and security interest described above by possession or control.

Section 7.23 **BASE CASE MODEL; CLOSING DATA TAPE**. The Base Case Model (a) is based on good faith estimates and assumptions believed to be reasonable at the time made, (b) includes historical data regarding the Projects and the Leases that is true and correct in all material respects and (c) is consistent with the Closing Data Tape. The information contained in the Closing Data Tape is true, correct and complete in all material respects with respect to all Projects and Leases.

Section 7.24 **INSURANCE**. All insurance policies then required to be maintained by the Loan Parties and the Portfolio Entities and, to Borrower's or any Portfolio Entity's Knowledge, each other Major Project Participant pursuant to the terms of any Operative Document are in full force and effect, and all premiums then due and payable have been paid.

Section 7.25 **ANTI-TERRORISM LAW.**

7.25.1 Each Loan Party, each Portfolio Entity, Sponsor and each Affiliate that is a Subsidiary of Sponsor is in compliance in all materials respects with regulations administered by OFAC (31 C.F.R., Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, (ii) Executive Order 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) (Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) (the "Executive Order") and (iii) any Applicable Laws relating to terrorism or money laundering (collectively, "Anti-Terrorism Laws").

7.25.2 None of the Persons that Control Borrower, the Subsidiaries of such Controlling Persons and to Borrower's Knowledge, none of the Affiliates of such Controlling Person's and their Subsidiaries or, any brokers or other agents of any Loan Party or Portfolio Entity acting or benefiting in any capacity in connection with the Loan is any of the following: (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order; (ii) a Person owned 50% or more by, or acting for or on behalf of, any person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order; (iii) a Person with which Lender is prohibited from dealing by any Anti-Terrorism Law; or (iv) a Person that is named on the List of Specially Designated National and Blocked Persons.

Section 7.26 **SOLVENCY**. Each Loan Party and Portfolio Entity is Solvent, individually and taken as a whole, both before and after taking into account the transactions contemplated by the Loan Documents.

Section 7.27 **FULL DISCLOSURE**. The representations and warranties contained in this Agreement and in the other Loan Documents and all information heretofore furnished by the Loan Parties to the Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby is true, correct and complete in every material respect and contains no untrue statement of material fact or omits no material fact necessary to make the statements contained therein, taken as a whole, not misleading in any material respect. The Loan Parties have disclosed to the Lender in writing any and all facts (except facts of general public knowledge) Known to the Loan Parties and the Portfolio Entities which materially and adversely affect the repayment of the Loan, or the business or financial condition of the Loan Parties.

Section 7.28 **OWNERSHIP FOR CALIFORNIA PROPERTY TAX PURPOSES**.

(a) Prior to giving effect to the Original Reorganization and the Securitization Reorganization, (i) there has not been any Reassessment with respect to any Project or other event, condition or circumstance that could reasonably be expected to give rise to a Reassessment of any such Project, and (ii) except as set forth on Schedule 7.28, no Person is or has been an Original Co-Owner of such Project at any time.

(b) The execution and delivery of the Original Reorganization Documents and the Securitization Reorganization, the Original Loan Agreement, this Agreement and the consummation of the transactions contemplated hereby and thereby, taken together with all transactions contemplated under the Loan Documents, do not result in a change of ownership requiring reassessment of the value of any Projects for any California state or local property tax purposes that would result in any California state or local property taxes being due and payable by any Loan Party or any Portfolio Entity, and none of the Loan Parties or any Portfolio Entity or Subsidiary or any other Person, except those set forth on Schedule 7.28, shall be considered an Original Co-Owner of any Projects.

Section 7.29 **[RESERVED]**.

Section 7.30 **FLIP DATES**. As of the Original Closing Date, the Borrower has no Knowledge of any indemnification obligations, cash sweeps, diversions or defaults under the Tax Equity Documents by the Borrower or its Affiliates that could reasonably be expected to (a) delay the flip date under any Project Company LLC Agreement or, (b) in the case of Project Company LLC Agreements that do not utilize a yield based flip mechanic, materially and adversely impact the distributions to the applicable Managing Member.

[RESERVED].

Section 7.31 **REBATE AMOUNTS**. As of the Original Closing Date, all rebate payments that relate to the self-generation of electricity or the use of technology incorporated into a Project (excluding any environmental attributes, investment tax credits or "net metering" payments) which have been earned and are owed to either Lux Residential Solar Fund, LLC, Sunrise 2, LLC or Helios Residential Solar Fund, LLC from public utilities, but not yet paid to such Portfolio Entities, are set forth on Schedule 7.32.

ARTICLE VIII
COVENANTS

Section 8.1 **AFFIRMATIVE COVENANTS**. Until all Obligations have been paid in full (other than indemnity obligations not yet due and payable) in cash:

8.1.1 Use of Revenues. Unless otherwise applied by Lender pursuant to any Loan Document, the Borrower shall, and shall cause each Portfolio Entity to, apply any Revenues in the order and manner provided for in Article IX.

8.1.2 Payment.

(a) *Loan Documents*. The Borrower shall, and shall cause each of its applicable Affiliates to, pay all sums due of such Person under the Loan Documents to which it is a party according to the terms hereof and thereof.

(b) *Other Obligations*. The Borrower shall, and shall cause Portfolio Entity and the Pledgor to, pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all of such Person's obligations under the Portfolio Documents and all of such Person's other obligations of whatever nature and howsoever arising, except such as may be contested in good faith or as to which a bona fide dispute may exist, provided that adequate cash reserves have been established for the payment thereof in the event such dispute were resolved unfavorably to the applicable Person and non-payment of such obligation pending the resolution of such contest or dispute could not reasonably be expected to result in a Material Adverse Effect.

8.1.3 Maintenance of Property. Other than property disposed of in accordance with Section 8.2.4, the Borrower shall, and shall cause each Portfolio Entity to, maintain good, legal and valid title to all of its other material properties and assets, in each case free and clear of all Liens other than Permitted Liens. The Borrower shall, and shall cause each Portfolio Entity to, generally keep all property useful and necessary in its business in all material respects in good working order and condition, ordinary wear and tear excepted.

8.1.4 Notices. The Borrower shall promptly, upon Borrower or a Portfolio Entity acquiring notice or giving notice (except as otherwise specified below), as the case may be, or obtaining Knowledge thereof, give notice (with copies of any underlying notices, papers, files or related documentation) to Lender, accompanied by a statement of a Responsible Person setting forth details of the occurrence referred to therein and stating what action (if any) Borrower (or the applicable Portfolio Entity) proposes to take with respect thereto, of:

(a) any litigation pending or, to Borrower's or any Portfolio Entity's Knowledge, threatened in writing against any Loan Party involving claims against (i) any Loan Party or (ii) any Portfolio Entity, in each case in excess of $75,000 for any one claim or $500,000 in the aggregate, or involving any injunctive, declaratory or other equitable relief, such notice to include, if requested in writing by Lender, copies of all papers filed in such litigation and to be given monthly if any such papers have been filed since the last notice given;

(b) any dispute or disputes for which written notice has been received by any Loan Party or Portfolio Entity which may exist between any such Loan Party, Portfolio Entity or any holder of an Applicable Third Party Permit and any Governmental Authority and which involve (i) claims against any Loan Party or any Portfolio Entity, in each case in excess of $75,000 for any one event or $500,000 in the aggregate, (ii) injunctive or declaratory relief, or (iii) revocation, modification, failure to renew or the like of any Applicable Permit or Applicable Third Party Permit;

(c) as soon as possible and in any event within five (5) Business Days after the occurrence thereof, any Default or Event of Default;

(d) any casualty, damage or loss, whether or not insured, through fire, theft, other hazard or casualty, or any act or omission of (i) Borrower or any Portfolio Entity, their employees, agents, contractors or representatives acting in connection with any Project in excess of $75,000, in each case, individually or $500,000, in the aggregate in any calendar year or (ii) to Borrower's or any Portfolio Entity's Knowledge, any other Major Project Participant if such casualty, damage or loss could reasonably be expected to have a Material Adverse Effect on the ability of such Person to perform its obligations under the Operative Documents to which it is a party;

(e) any cancellation, suspension or material change in the terms, coverage or amounts of any insurance (or any notification to a Portfolio Entity by an insurance provider with respect to any of the foregoing);

(f) any contractual obligations incurred by a Project Company in connection with any Project, not including any obligations incurred pursuant to the Portfolio Documents or Other Contracts;

(g) any intentional withholding of compensation to, or any right to withhold compensation claimed by, any Major Project Participant or pursuant to any Portfolio Document, other than withholding provided by the express terms of any such contracts;

(h) any (i) termination (other than expiration in accordance with its terms and any applicable Direct Agreement) of, or material default of which Borrower or any Portfolio Company has Knowledge or written notice thereof under, any Portfolio Document, and (ii) without duplication, any material dispute, relating to any Project, between any Loan Party or Portfolio Entity and any Major Project Participant;

(i) any (i) with respect to any Project, Portfolio Entity or the Borrower, material noncompliance with any Hazardous Substances Law or any material Release, or material threat of Release, of Hazardous Substances that Borrower or a Portfolio Entity Knows has resulted or could reasonably be expected to result in personal injury or material property damage or to

have a Material Adverse Effect or is required to be reported to any Governmental Authority under any Hazardous Substances Law, (ii) pending or, to Borrower's or any Portfolio Entity's Knowledge, threatened in writing, Environmental Claim against any Loan Party or, to Borrower's or any Portfolio Entity's Knowledge, any of its Affiliates, contractors, lessees or any other Persons, arising in connection with their occupying or conducting operations of any Project which Borrower or a Portfolio Entity Knows, if adversely determined, could reasonably be expected to have a Material Adverse Effect, (iii) condition, circumstance, occurrence or event that Borrower or a Portfolio Entity Knows could result in a material liability under Hazardous Substances Laws or in the imposition of any Lien or any other restriction on the title, ownership or transferability of any Project due to such material liability, or (iv) any proposed action to be taken by the applicable Loan Party that could subject it to any material additional or different requirements or liabilities under Hazardous Substances Laws;

(j) any material written notices, reports or information delivered to or received by any Loan Party or Portfolio Entity from the parties to the Major Project Documents or the Tax Equity Documents, other than those delivered or received in the ordinary course of business and not including any information to be provided in the monthly report delivered under Section 8.1.8(g);

(k) any proceeding or legislation by any Governmental Authority to expropriate, condemn, confiscate, nationalize or otherwise acquire compulsorily any Loan Party, Portfolio Entity, all or any portion of the Collateral, or all or any material portion of any Loan Party's Portfolio Entity's business or assets (whether or not constituting an Event of Default);

(l) the occurrence of any event, condition, circumstance or change that has caused or evidences, individually or in the aggregate, a Material Adverse Effect;

(m) (i) within 10 days prior to the occurrence of a Reportable Event with respect to any ERISA Plan; (ii) promptly, but in no event later than 15 days, after the complete or partial withdrawal of any Loan Party or any ERISA Affiliate from a Multiemployer Plan; (iii) promptly, but in no event later than five days, after any Loan Party has Knowledge that the PBGC has instituted any proceedings to terminate any ERISA Plan or Multiemployer Plan or has taken action to appoint a trustee of any ERISA Plan under Section 4042 of ERISA; (iv) promptly, but in no event later than 10 days, after the occurrence of any event which could give rise to a Lien in favor of the IRS or the PBGC under any ERISA Plan; (v) promptly, but in no event later than 30 days, after any Loan Party has Knowledge that a Multiemployer Plan is in "critical" or "endangered" status within the meaning of Section 305 of ERISA, is insolvent or intends to terminate an ERISA Plan under Section 4041A of ERISA and (vi) promptly, but in no event later than 10 days prior to the date any Loan Party shall apply (or after any Loan Party has Knowledge that any ERISA Affiliate has applied) for a minimum funding waiver under Section 412 of the Code with respect to an ERISA Plan, a description thereof and copies of documents and materials related thereto;

(n) any insurance claims in excess of $75,000 individually or $500,000 in the aggregate; and

(o) any other information relating to any Loan Party or Portfolio Entity or any Project that Lender may reasonably request.

8.1.5 Financial Reporting.

(a) *Financial Statements*. Borrower shall deliver to Lender, in form and detail reasonably satisfactory to Lender, the following:

(i) As soon as practicable and in any event within 120 days after the close of each applicable fiscal year, (x) audited financial statements of Sponsor and, for so long as (1) the Tax Equity Documents to which a Project Company is subject remain in effect, and (2) such financial statements are required to be delivered pursuant to the ABS Transaction Documents and any replacement thereof, each Project Company (it being acknowledged that such requirement with respect to Sponsor may be satisfied by the delivery of the appropriate report on Form 10-K filed with the Securities and Exchange Commission) and (y) unaudited financial statements of Borrower, all prepared in accordance with GAAP consistently applied. Such financial statements shall include a statement of shareholders' or members' equity, a balance sheet as of the close of such year, an income and expense statement, statement of cash flows, and including, in each case, in comparative form the combined figures for the immediately preceding fiscal year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, and certified by an independent certified public accountant of nationally recognized standing selected by the Person whose financial statements are being prepared and, for Sponsor, by an independent certified public accountants of nationally recognized standing acceptable to Lender; and;

(ii) As soon as practicable and in any event within 60 days after the end of the first, second and third quarterly accounting periods of its fiscal year (except as provided below, commencing with the fiscal quarter ending September 30, 2018), unaudited quarterly financial statements of Sponsor, Borrower and, for so long as (x) the Tax Equity Documents to which a Project Company is subject remain in effect and (y) such financial statements are required to be delivered pursuant to the ABS Transaction Documents and any replacement thereof, each Project Company as of the last day of such quarterly period and the related statements of income, cash flow, and shareholders' or members' equity (as applicable) for such quarterly period (it being acknowledged that such requirement with respect to Sponsor may be satisfied by the delivery of the appropriate report on Form 10-

Q filed with the Securities and Exchange Commission) all prepared in accordance with GAAP consistently applied (subject to changes resulting from audit and normal year-end adjustments and the absence of footnote disclosures).

(b) *Certification*. Borrower shall cause to be delivered, along with any financial statements delivered pursuant to Section 8.1.5(a), a certificate signed by a Responsible Person of the Borrower, certifying, in its capacity as a Responsible Person of the Borrower and not individually, that (i) such Responsible Person has made a review of the transactions and financial condition of such Person during the relevant fiscal period and that such review has not disclosed the existence of any event or condition which constitutes a Default or Event of Default, or if any such event or condition existed or exists, the nature thereof and the corrective actions that such Person has taken or proposes to take with respect thereto, (ii) such Person is in compliance with all applicable material provisions of each Operative Document to which such Person is a party or, if such is not the case, stating the nature of such non-compliance and the corrective actions which such Person has taken or proposes to take with respect thereto, (iii) such financial statements are true and correct in all material respects with respect to Borrower, Managing Members or Project Companies, as applicable, and that no material adverse change in the consolidated assets, liabilities, operations, or financial condition of such Person has occurred since the date of the immediately preceding financial statements provided to Lender or, if a material adverse change has occurred, the nature of such change and (iv) as relevant, all information required pursuant to the Security Documents regarding perfection of Collateral (which shall be included in such certificate) or confirming that there has been no change in such information since the last prior date on which such information was provided.

8.1.6 Books, Records, Access. Borrower shall, and shall cause each Portfolio Entity to (a) maintain, or cause to be maintained, adequate books, accounts and records with respect to the Borrower, the Portfolio Entities and the Projects, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and the Portfolio Entities, and prepare all financial statements required hereunder, in each case in accordance with GAAP (subject, in the case of unaudited financial statements, to changes resulting from audit and normal year-end adjustments and the absence of footnote disclosure) and in compliance with the regulations of any Governmental Authority having jurisdiction thereof; and, (b) subject to requirements of Applicable Law, safety requirements and existing confidentiality restrictions imposed upon any Loan Party by any other Person, and without requiring the relinquishment or waiver of any applicable legal privilege, permit employees or agents of Lender at any reasonable times and upon reasonable prior notice to the applicable Loan Party or Portfolio Entity (i) to examine or audit all of such Person's books, accounts and records and make copies and memoranda thereof, (ii) to communicate with the Loan Parties' and Portfolio Entities' auditors outside the presence of the Loan Parties and Portfolio Entities, and (iii) to discuss the business, operations, properties and financial and other conditions of the Loan Parties and the Portfolio Entities with officers and employees of the Loan Parties and the Portfolio Entities and with their respective independent certified public accountants.

8.1.7 Compliance With Laws, Instruments, Applicable Permits, Etc. Borrower shall, and shall cause each Portfolio Entity to, promptly comply, or cause compliance, in all material respects with all Legal Judgments and Applicable Permits (including Legal Judgments and Applicable Permits relating to pollution control, environmental protection, employment practices, terms and conditions of employment, wages and hours, equal employment opportunity or employee benefit plans, ERISA Plans and employee safety, with respect to Borrower, Project Company or the Projects), and make such alterations to the Projects as may be required for such compliance; provided that, in no event shall any such non-compliance or lack of alterations that would impact no more than fifteen (15) Projects and could otherwise not reasonably be expected to result in a Material Adverse Effect constitute a breach of this Section 8.1.7.

8.1.8 Reports and Base Case Model Updates. Borrower shall:

(a) *Operating Report*. Deliver to Lender within 30 days of the end of each month, summary operating reports, substantially in the form of Exhibit D-1 attached hereto with respect to each Project Company, and substantially in the form of Exhibit D-2 attached hereto with respect to the Borrower and its Subsidiaries, taken as a whole, each of which shall include, as soon as practicable, but in any event commencing with the first summary operating report required to be delivered six months after the Original Closing Date (in which case each of Exhibit D-1 and Exhibit D-2 shall be revised accordingly in a manner reasonably satisfactory to the Lender), the calculations underlying such report in a Microsoft Excel spreadsheet format, information as to under-performance of any Project, payments in respect of the Production Guarantees, identification of any Projects with delinquent payments for periods of greater than each of 30 days, 60 days, 90 days, 120 days, 180 days and 240 days, and the percentages of the remaining contract balance for such Projects.

(b) *Updates to Base Case Model*. Deliver to Lender within 30 days of the end of each fiscal quarter, an update to the Base Case Model taking into account actual performance of Borrower and its Subsidiaries to date (including any flip dates under Tax Equity Documents to the extent that the applicable tracking models have been updated since the previous quarter), which shall include (i) projected Revenues, Debt Service, and O&M Costs, on an aggregate basis and for each Portfolio Chain; and (ii) to the extent applicable, a comparison of such figures to corresponding actual figures for the prior year. Such updated Base Case Model shall be, and in connection with each delivery of the updated Base Case Model, Borrower hereby represents and warrants that the projections set forth in such Base Case Model are and will be based on good faith estimates and assumptions believed to be reasonable at the time made; however, it is expressly understood that any forward looking projections are subject to significant uncertainties and contingencies, many of which are beyond the control of the Borrower and its Subsidiaries and that no assurance can be given that such projections will be realized.

(c) *Insurance*. As soon as practicable notices of any material changes to the Borrower's or any Portfolio Entity's insurance coverage, together with any certificates in connection therewith (including, at least on an annual basis, any copies of any insurance certificates evidencing the policies of insurance required pursuant to Section 8.1.15 promptly after their receipt by the Borrower or any Portfolio Entity, as applicable).

(d) *[Reserved]*.

(e) *Management Letters*. Promptly after the receipt thereof by Borrower or any Portfolio Entity, deliver to Lender a copy of any "management letter" received by it from its certified public accountants and the management's responses thereto.

(f) *Organizational Documents*. Promptly provide Lender copies of any Organizational Documents (delivered pursuant to Section 6.1.3) that have been amended or modified in accordance with the terms hereof and deliver a copy of any notice of default given or received by any Loan Party or Portfolio Entity under any Organizational Document within 10 days after such Person gives or receives such notice.

(g) *Reports*. Concurrently with its delivery to each Investor, provide to Lender a copy of each report, tracking model update and material correspondence as and when delivered to each Investor.

(h) *Capital Contributions*. Borrower shall provide evidence that capital contributions required to be made to each Project Company under each Project Company LLC Agreement on or prior to the Amendment and Restatement Date have been made on a timely basis.

(i) *Additional Information*. Provide to Lender promptly upon request such reports, statements, lists of property, accounts, budgets, forecasts and other information concerning any Loan Party, any Portfolio Entity and the Projects and, to the extent reasonably available, the Major Project Participants and at such times as Lender shall reasonably require.

8.1.9 Existence, Conduct of Business, Properties, Etc. Except as otherwise expressly permitted under this Agreement, the Borrower shall, and shall cause each Portfolio Entity to, (a) maintain and preserve their existence and all material rights, privileges and franchises necessary in the conduct of its business, (b) perform (to the extent not excused by force majeure events or the nonperformance of the other party and not subject to a good faith dispute) all of its material contractual obligations under the Portfolio Documents, (c) maintain all Applicable Permits and use commercially reasonable efforts to cause all Major Project Participants to maintain all Applicable Third Party Permits, except to the extent that any such failure to maintain could not reasonably be expected to have a Material Adverse Effect and (d) otherwise continue to engage in business of the same general type as now conducted by it.

8.1.10 [Reserved].

8.1.11 Indemnification.

(a) Borrower shall indemnify, defend and hold harmless the Lender, and its Related Parties (collectively, the "Indemnitees") from and against, and indemnify and reimburse the Indemnitees for the following:

(i) any and all claims, obligations, liabilities, losses, damages, injuries (to Person, property, or natural resources), penalties, stamp or other similar taxes, actions, suits, judgments, costs and expenses (including reasonable attorney's fees) of whatever kind or nature, whether or not well founded, meritorious or unmeritorious ("Liabilities"), payable to third parties, that have been incurred by, or demanded, asserted, claimed or awarded against any such Indemnitee directly arising out of or in connection with (A) any Operative Documents, (B) the performance by the parties hereto of their respective obligations hereunder or the consummation of the transactions contemplated hereby or thereby, and (C) the Loan or the use of the proceeds therefrom (collectively, "Subject Claims"), except, with respect to any Indemnitee, Subject Claims by Borrower against such Indemnitee with respect to which Borrower prevails in a final and non-appealable judgment by a court of competent jurisdiction; provided that Subject Claims shall not include any Liabilities for which a Portfolio Entity has an obligation, whether through indemnity or otherwise, under any New Mezzanine Loan Document;

(ii) any and all Subject Claims arising in connection with any Environmental Claims, whether foreseeable or unforeseeable, including all costs of removal, investigation, remediation and disposal of any Hazardous Substances, together with all reasonable costs required to be incurred in (A) determining whether any Project or any Person is in compliance with Hazardous Substances Law and (B) causing any Project or any Person to be in compliance, with all applicable Legal Judgments under Hazardous Substances Law, all reasonable costs associated with claims for damages to personnel or property, reasonable and documented attorneys' and consultants' fees, investigation and laboratory fees, response costs and court costs (but Borrower shall have no obligation to indemnify and hold harmless any Indemnitees for any special, indirect, consequential or punitive damages pursuant to this Section 8.1.11(a)(ii)); and

(iii) any and all Subject Claims in any way relating to, or arising out of or in connection with any claims, suits or liabilities against any Loan Party or Portfolio Entity or any of their Affiliates to the extent related to any Project or

the transactions contemplated by the Operative Documents.

(b) The foregoing indemnities shall not apply with respect to an Indemnitee, to the extent determined by final and non-appealable judgment of a court of competent jurisdiction to have arisen as a result of the gross negligence or willful misconduct of such Indemnitee or its Affiliated Indemnitees, but shall continue to apply to other Indemnitees.

(c) The provisions of this Section 8.1.11 shall survive the termination of this Agreement, the exercise of any remedies by the Lender under the Loan Documents (including any foreclosure upon all or any portion of the Collateral in accordance with the terms of the Loan Documents) and satisfaction or discharge of the Obligations under the Loan Documents, and shall be in addition to any other rights and remedies of any Indemnitee.

(d) In case any action, suit or proceeding shall be brought against any Indemnitee, such Indemnitee shall notify Borrower of the commencement thereof, and Borrower shall be entitled, at its expense, acting through counsel reasonably acceptable to such Indemnitee, to participate in, and, to the extent that Borrower desires, to assume and control the defense thereof. Such Indemnitee shall be entitled, at its expense, to participate in any action, suit or proceeding the defense of which has been assumed by Borrower. Notwithstanding the foregoing, Borrower shall not be entitled to assume and control the defenses of any such action, suit or proceedings against an Indemnitee if and to the extent that, in the reasonable opinion of such Indemnitee and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability upon such Indemnitee or a conflict of interest between such Indemnitee and Borrower or between such Indemnitee and another Indemnitee (unless such conflict of interest is waived by the affected Indemnitees), and in such event (other than with respect to disputes between such Indemnitee and another Indemnitee) Borrower shall pay the reasonable expenses of such Indemnitee in such defense.

(e) If Borrower has assumed the defense of any action, suit or proceeding pursuant to Section 8.1.11(d), Borrower shall promptly report to such Indemnitee on the status of such action, suit or proceeding as material developments shall occur and from time to time as requested by such Indemnitee. Borrower shall deliver to such Indemnitee a copy of each document filed or served on any party in such action, suit or proceeding, and each material document which Borrower possesses relating to such action, suit or proceeding.

(f) Notwithstanding Borrower's rights hereunder to control certain actions, suits or proceedings, if any Indemnitee reasonably determines that failure to compromise or settle any Subject Claim made against such Indemnitee is reasonably likely (based on written advice of legal counsel) to subject such Indemnitee to civil, criminal or administrative penalties, to result in the loss, suspension or impairment of a license or Permit held by such Indemnitee or to cause material damage to such Indemnitee's reputation, such Indemnitee shall be entitled to compromise or settle such Subject Claim (in consultation with Borrower) with respect to the Indemnitee(s) only.

(g) Any amounts payable by Borrower pursuant to this Section 8.1.11 shall be regularly payable within 30 days after Borrower receives an invoice for such amounts from any applicable Indemnitee, and if not paid within such 30 day period shall bear interest at the Default Rate.

(h) Notwithstanding anything to the contrary set forth herein, Borrower shall not, in connection with any one legal proceeding or claim, or separate but related proceedings or claims arising out of the same general allegations or circumstances, in which the interests of the Indemnitees do not materially differ, be liable to the Indemnitees (or any of them) under any of the provisions set forth in this Section 8.1.11 for the fees and expenses of more than one separate firm of lead attorneys and a number of firms of "local counsel" equal to the number of jurisdictions involved (which firms shall be selected by the affected Indemnitee, or upon failure to so select, by Lender).

(i) Subject to the provisions of this Section 8.1.11, any of Borrower's indemnification obligations pursuant to Section 8.1.11(a) that arise out of or in connection with or by reason of, or in connection with a preparation of a defense of, any investigation, litigation or proceeding shall be, in each case, binding upon Borrower regardless of whether such investigation, litigation or proceeding is brought by any Loan Party or Portfolio Entity or its respective directors, officers, shareholders or creditors or any Indemnitee or whether any Indemnitee or any other Person is otherwise a party thereto.

(j) Nothing in this Section 8.1.11 shall constitute a release by Borrower of any claims that it has as a result of a breach or a default by any Indemnitee of their respective obligations under any Loan Document.

8.1.12 Utility Regulation. The Borrower shall, and shall cause each Project Company to take or cause to be taken all necessary or appropriate actions so that (a) the QF status of the Projects shall remain valid and effective and shall qualify such Project Company for the exemptions from regulation set forth in 18 C.F.R. § 292.601 and § 292.602, (b) Borrower and each Portfolio Entity other than the Project Companies shall not be subject to, or shall be exempt from, regulation (i) under PUHCA, or (ii) rate, financial or organizational regulation as an "electric utility", "electric corporation", "public utility" or any similar term under the laws of the States in which the Projects are located.

8.1.13 Operation and Maintenance of each Project; Annual Operating Budget.

(a) The Borrower shall, and shall cause each Portfolio Entity to, keep the applicable Projects, or cause the same to be kept, in good operating condition consistent with the standard of care set forth in the Applicable Permits and Applicable Third Party Permits, Legal Judgments and the Operative Documents, and make or cause to be made all repairs (structural and non-structural, extraordinary or ordinary) necessary to keep such Projects in such condition except to the extent that any such failure to keep any such Project in good operating condition would not reasonably be expected to have a Material Adverse Effect.

(b) The Borrower shall, and shall cause each Portfolio Entity to, operate the applicable Projects, or cause the same to be operated, in a manner consistent with Prudent Industry Practices except to the extent that any such failure to cause any such Project to operate consistently with Prudent Industry Practices would not reasonably be expected to have a Material Adverse Effect.

(c) 60 days prior to the beginning of each subsequent calendar year, Borrower shall submit an operating plan and a budget, reasonably detailed by quarter and by Portfolio Chain, of anticipated revenues and anticipated expenditures, including Debt Service, deposit of reserves to any reserve accounts required under the Portfolio Documents, proposed dividend payments or other distributions, reserves and all anticipated O&M Costs (including reasonable allowance for contingencies) applicable to the Projects for the ensuing calendar year (or, in the case of the initial Annual Operating Budget, partial calendar year), substantially in the form of Exhibit K (each such annual operating plan and budget, including the initial Annual Operating Budget, an "Annual Operating Budget"). Each Annual Operating Budget shall be subject to the approval of Lender, such approval not to be unreasonably withheld, conditioned or delayed. Borrower shall prepare a final Annual Operating Budget no less than 15 days in advance of each subsequent calendar year.

(d) The Borrower shall, and shall cause Project Company to, operate and maintain the Projects, or cause the Projects to be operated and maintained, with expenditures in amounts not to exceed, for all Projects in the aggregate, (a) for each Annual Operating Budget category 10% (on a year-to-date basis) and (b) for all Annual Operating Budget categories 5% (on a year-to-date basis), in each case of the amounts budgeted therefor as set forth in the then-current Annual Operating Budget as approved or deemed approved by Lender pursuant to Section 8.1.13(c) above; provided that, subject to Section 8.2.12, Borrower may propose an amendment to the Annual Operating Budget for Lender's approval if at any time Borrower cannot comply with this requirement (and Lender shall consider each such amendment in good faith and shall not unreasonably withhold, condition or delay its consent to the approval of any such amendment). Pending any approval required under this Section 8.1.13(d) of any Annual Operating Budget or amendment thereto in accordance with the terms of this Section 8.1.13(d), Borrower shall use commercially reasonable efforts to operate and maintain the Projects, or cause the Projects to be operated and maintained, within the then-current Annual Operating Budget (it being acknowledged that if a particular calendar year's Annual Operating Budget has not been approved by the time periods provided in Section 8.1.13(c), then the then-current Annual Operating Budget shall be deemed to be the Annual Operating Budget in effect prior to the delivery of the proposed final Annual Operating Budget pursuant to Section 8.1.13(c)).

8.1.14 Preservation of Rights; Further Assurances.

(a) *Portfolio Documents*. The Borrower shall, and shall cause each Portfolio Entity to, maintain in full force and effect, perform the obligations of the applicable Person under, preserve, protect and defend the material rights of the applicable Person under and take all reasonable action necessary to prevent termination (except by expiration in accordance with its terms) of each and every Portfolio Document and to enforce any material right of Borrower thereunder. Borrower shall cause all contributions required to be made to any Portfolio Entity under each Project Company LLC Agreement to be made from an account of an Affiliate of Borrower other than the Borrower and the Portfolio Entities.

(b) *Preservation of Collateral*. From time to time promptly, upon the reasonable request of Lender, Borrower shall, and shall cause Holding Corporation to, execute, acknowledge or deliver, or cause the execution, acknowledgment and delivery of, and thereafter register, file or record, or cause to be registered, filed or recorded in an appropriate governmental office, all such notices, statements, instruments and other documents (including any memorandum of lease or other agreement, financing statement, continuation statement, certificate of title or estoppel certificate) supplemental to or confirmatory of the Security Documents, relating to the Loan and consistent with the Loan Documents, and take such other steps as may be deemed by Lender necessary or reasonably advisable to render fully valid and enforceable under all Applicable Laws the rights, liens and priorities of the Lender with respect to all Collateral and other security from time to time furnished under the Loan Documents or intended to be so furnished, or for the continued validity, perfection and priority of the Liens on the Collateral covered thereby subject to no other Liens except as permitted by the applicable Security Document or under this Agreement, or obtain any consents or waivers as may be necessary or reasonably appropriate in connection therewith, in each case in such form and at such times as shall be reasonably requested by Lender, and pay all reasonable fees and expenses (including reasonable and documented attorneys' fees) incident to compliance with this Section 8.1.14(b). Upon the exercise by Lender of any power, right, privilege or remedy pursuant to any Loan Document which requires any consent, approval, registration, qualification or authorization of any Governmental Authority execute and deliver all applications, certifications, instruments and other documents and papers that Lender may reasonably require.

(c) *Collateral Notices, Reports and Information*. Borrower shall comply with the notice, reports and information covenants set forth in Section 4(g) of the Borrower Security Agreement.

(d) *Further Assurances*. Upon the request of Lender, the Borrower shall, and shall cause Holding Corporation to, execute and deliver all documents as shall be necessary or that Lender shall reasonably request in connection with the rights and remedies of Lender under the Operative Documents, and perform, such other reasonable acts as may be necessary to carry out the obligations under and uphold the rights of the parties to the Loan Documents. Upon the request of Lender, not more than one time per fiscal quarter and not more than three times during the term of this Agreement for each Project Company, the Borrower shall deliver to the Lender a duly executed and completed Lease Certificate. Notwithstanding anything herein to the contrary, the delivery of such certificate by Borrower (i) other than any Event of Default that may arise under Section 10.1.12(b) hereof, shall not give rise to any cause of action against Borrower or any Affiliate of Borrower, either under this Agreement or by the terms of the certificate itself and (ii) no other Person shall be entitled to rely on any matter set forth therein without the express written consent of Borrower.

(e) *[Reserved]*.

(f) *Applicable Permits*. The Borrower shall, and shall cause each Portfolio Entity to, maintain all Applicable Permits except where the loss of such Applicable Permit could not reasonably be expected to have a Material Adverse Effect.

(g) *Proper Legal Form*. Borrower shall, and shall cause each Portfolio Entity to, take all such further action within its control required to ensure that each of the Operative Documents is in proper legal form under the laws of the respective governing laws selected in such Operative Document for the enforcement thereof in such jurisdictions without any further action on the part of Lender.

8.1.15 Maintenance of Insurance.

(a) *Insurance Requirements*. Borrower shall cause each Project Company to maintain in full force and effect, the policies of insurance required in Schedule 8.1.15 hereto.

8.1.16 Taxes, Other Government Charges and Utility Charges. Subject to the second sentence of this Section 8.1.16, the Borrower shall, and shall cause each Portfolio Entity to, timely file all federal and other material tax returns (taking into account any extensions granted with respect to filing the same) and pay, or cause to be paid, as and when due (taking into account any extensions granted with respect to the same) and prior to delinquency, all federal and other material taxes, assessments and governmental charges of any kind that may at any time be lawfully assessed or levied against or with respect to the Borrower, any Portfolio Entity or the Projects, including sales and use taxes and real estate taxes, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Projects, and all assessments and charges lawfully made by any Governmental Authority for public improvements that may be secured by a Lien on the Projects. Subject to the restrictions and requirements of Section 8.2.22, the applicable Loan Party or Portfolio Entity may contest in good faith any such taxes, assessments and other charges and, in such event, may permit the taxes, assessments or other charges so contested to remain unpaid during any period, including appeals, when the applicable Loan Party or Portfolio Entity is in good faith contesting the same, so long as (a) reserves to the extent required by GAAP have been established in an amount sufficient to pay any such taxes, assessments or other charges, accrued interest thereon and potential penalties or other costs relating thereto, or other adequate provision for the payment thereof shall have been made and maintained at all times during such contest, (b) enforcement of the contested tax, assessment or other charge is effectively stayed for the entire duration of such contest, (c) any tax, assessment or other charge determined to be due, together with any interest or penalties thereon, is promptly paid after resolution of such contest and (d) such proceedings shall not involve any substantial danger of the sale, forfeiture or loss of the Projects title thereto or any interest therein and shall not interfere in any material respect with the use or disposition of the Projects, except, in the case of this clause (d), as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.1.17 Hazardous Substances Laws. The Borrower shall, and shall cause each Portfolio Entity to (a) comply with, and use commercially reasonable efforts to ensure compliance by all tenants, licensees and invitees, if any, with all applicable Hazardous Substances Laws and obtain and comply with, and maintain, and use commercially reasonable efforts to ensure that all tenants, licensees and invitees obtain and comply in all material respects with, and maintain all Permits required by applicable Hazardous Substances Laws; (b) conduct and complete, or cause to be conducted and completed, all investigations, studies, sampling and testing, and all clean-up, remedial, removal, recovery and other actions required by a Governmental Authority of Project Company pursuant to Hazardous Substances Laws; (c) promptly comply in all material respects with final binding orders and directives of all Governmental Authorities in respect of Hazardous Substances Laws, except to the extent that the same are being contested in good faith by appropriate proceedings; and (d) operate in compliance with applicable Hazardous Substances Laws, Permits and Legal Judgments, and in accordance with good industry practices, except, in each case, as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.1.18 [Reserved].

8.1.19 Project Company Distributions. Borrower shall cause the Portfolio Entities to make distributions to Borrower at least once per quarter, provided that there is cash available to distribute and such distributions are permitted by the applicable Tax Equity Documents, the New Mezzanine Loan Documents and the ABS Transaction Documents.

8.1.20 System Transition Readiness Plan. Borrower shall, and shall cause each Portfolio Entity to, comply with the System Transition Readiness Plan attached hereto as Exhibit J (such summary, the "System Transition Readiness Plan"). Subject to Section 8.1.22(c), at all times until the repayment in full of the Obligations, the Borrower shall, and shall cause each Portfolio Entity, the Sponsor, the Provider and each Services Provider to, comply in all material respects with the terms of the System Transition Readiness Plan. Subject to Section 8.1.22(c), the Borrower shall, and shall cause each Portfolio Entity, the Sponsor, the Provider and each Services Provider to, maintain each Cold Back-Up Servicing Agreement in full force and effect in accordance with its terms unless and until it is replaced by a Warm Back-Up Servicing Agreement in accordance with Section 8.1.21 or otherwise with the consent of the Lender.

8.1.21 Warm Back-Up Servicing. Subject to Section 8.1.22(c), if the Backup Trigger Date occurs and is continuing, then within thirty (30) days of the occurrence of the Backup Trigger Date, Borrower shall deliver to the Lender the applicable executed Warm Back-Up Servicing Agreement in form and substance reasonably acceptable to the Lender; provided, that the Lender agrees to extend the deadline for delivery of such Back-Up Servicing Agreement for a period not to exceed an additional ten (10) days if Borrower is unable to deliver such agreement despite the exercise of the Borrower's commercially reasonable efforts to do so. Subject to Section 8.1.22(c), from and after the execution of the applicable Warm Back-Up Servicing Agreement the same will be maintained in full force and effect in accordance with its terms unless and until the same is replaced on terms reasonably acceptable to the Lender.

8.1.22 Termination of Servicer.

(a) Subject to Section 8.1.22(c), in the event that a Servicer Termination Event occurs and is continuing after an applicable Warm Back-Up Servicing Agreement has been executed, the Lender, if not prohibited by the applicable Portfolio Documents, may direct Borrower to direct any Project Company to deliver notice to the applicable Services Provider under the applicable Maintenance Services Agreement or Lease Servicing Agreement and to the Back-Up Servicer under the applicable Back-Up Servicing Agreement, triggering the transition process for the replacement of such Services Provider under the applicable Back-Up Servicing Agreement. Subject to Section 8.1.22(c), in such case the Borrower shall, and shall cause the applicable Project Company to, immediately take all such action necessary (including the delivery of notice) to terminate each such Services Provider and transition to a replacement Services Provider acceptable to the Lender, which shall include the Back-Up Servicer in respect of the services included in the applicable Back-Up Servicing Agreement.

(b) Subject to Section 8.1.22(c), in the event that (i) a Servicer Termination Event occurs after an applicable Warm Back-Up Servicing Agreement has been executed and (ii) any Portfolio Entity or Borrower has the right to terminate the Maintenance Services Agreement or Lease Servicing Agreement under the Portfolio Documents without incurring liability, the Lender may deliver notice to the Borrower requiring it to trigger the transition process for the replacement of the Services Provider under the applicable Back-Up Servicing Agreement. Subject to Section 8.1.22(c), in such case the Borrower shall immediately take all such action necessary (including the delivery of notice) to terminate the applicable Services Provider and transition to the Back-Up Servicer in respect of the "services" included in the applicable Back-Up Servicing Agreement and, to the extent incremental scope exists, another replacement Services Provider acceptable to the Lender. Following a Servicer Termination Event, the Borrower shall only exercise any approval or consent right held by Borrower or any Portfolio Entity to object to or veto the identity of a replacement Services Provider (or any candidate for such role) or the terms and conditions of a replacement Maintenance Services Agreement or replacement Lease Servicing Agreement, with the prior written consent of the Lender (such consent not to be unreasonably withheld, conditioned or delayed).

(c) Following the replacement of a Services Provider in accordance with Section 8.1.22(a) or 8.1.22(b), the provisions of Sections 8.1.20, 8.1.21, 8.1.22(a) and 8.1.22(b) shall cease to be effective with respect to the applicable services performed by such Services Provider, provided, however, that the applicable Warm Back-Up Servicing Agreement will be maintained in full force and effect in accordance with its terms unless and until the same is replaced with a permanent service agreement on terms reasonably acceptable to the Lender.

8.1.23 Managing Member Call Rights. Each Managing Member shall exercise its call option set forth in the Tax Equity Documents to which it is a party on or prior to the date that such call option expires. In connection with the foregoing, on the Tax-Equity Buy-Out Date associated with such Managing Member's interest, Borrower shall cause such Managing Member to amend and restate the relevant Project Company LLC Agreement (or similar agreement) in form and substance reasonably satisfactory to the Lender to provide that such Managing Member is the sole member thereof.

8.1.24 Separateness of Borrower. The Borrower has, and at all times shall, maintain at least one (1) Independent Member, who shall be selected by the Member of the Borrower.

Section 8.2 **NEGATIVE COVENANTS**. Until all Obligations have been paid in full (other than indemnity obligations not yet due and payable) in cash, without the prior written consent of Lender:

8.2.1 Contingent Obligations. Except as provided in the Loan Documents, Borrower shall not, and shall not permit any Portfolio Entity to, become liable as a surety, guarantor, accommodation endorser or otherwise, for or upon the obligation of any other Person or incur any Contingent Obligations; provided, that this Section 8.2.1 shall not be deemed to prohibit or otherwise limit the occurrence of Permitted Debt.

8.2.2 Limitations on Liens. Borrower shall not, and shall not permit any Portfolio Entity to, create, assume or suffer to exist any Lien upon any of its property, revenues or assets, whether now owned or hereafter acquired, except Permitted Liens.

8.2.3 Debt. Borrower shall not, and shall not permit any Portfolio Entity to, incur, create, assume or permit to exist, directly or indirectly, any Debt except Permitted Debt. Borrower shall not, and shall not permit any Portfolio Entity to, make any payments under any Subordinated Debt.

8.2.4 Sale or Lease of Assets. Borrower shall not, and shall not permit any Portfolio Entity to, sell, lease, assign, transfer or otherwise dispose of assets or fail to use commercially reasonable efforts to enforce (in a manner consistent with its ordinary course of business and past practices) its rights and remedies in respect of any of its assets (including the Leases), whether now owned or hereafter acquired, except, (a) any transfer of funds expressly required or permitted under Article IX of this Agreement and (b) solely in the case of any Portfolio Entity (i) the sale, assignment, transfer or disposition in the ordinary course of its business and at fair market value, (ii) to the extent that such asset is unnecessary, worn out or no longer useful or usable in connection with the operation or maintenance of the Projects, the sale, assignment, transfer or disposition of such asset at fair market value, and (iii) any Project Company may abandon (including allowing the termination of the applicable Leases or failure to pay the Production Guarantee in respect of) up to and including thirty (30) Projects, not to exceed four hundred (400) Projects in the aggregate for all Project Companies, without payment of Fair Market Value under the applicable Lease if such abandoned Project has suffered a material damage, loss, taking or condemnation, by giving notice thereof to Lender, whereupon such abandoned Project shall no longer be deemed a Project hereunder (each, an "Abandoned Project"). Borrower shall not, and shall not permit any Portfolio Entity to, enter into any sale and leaseback transactions.

8.2.5 Changes. Borrower shall not, and shall not permit any Portfolio Entity to, (a) change the nature of its business or expand its business beyond the business contemplated in the Operative Documents or activities incidental thereto or take any action, whether by acquisition or otherwise, which would constitute or result in any material alteration to the nature of such business; (b) establish, create or acquire any Subsidiaries (other than the Portfolio Entities purported to be owned by such Person as of the Amendment and Restatement Date); or (c) directly or indirectly, change its legal form or any of its Organizational Documents (including by the filing or modification of any certificate of designation), a Project Company LLC Agreement (other than the termination thereof in connection with unwinding of a tax equity investment) or any agreement to which it is a party with respect to its ownership interests or otherwise terminate, amend or modify any such Organizational Document, a Project Company LLC Agreement (other than the termination thereof in connection with unwinding of a tax equity investment) or agreement or any provision thereof, or enter into any new agreement with respect to its ownership interests, other than any such amendments, modifications or changes or such new agreements to which the prior consent of Lender has been obtained or which are not adverse in any material respect to the interests of the Lender or which could have any adverse effect on the Lender's ability to exercise any Specified Equity Remedy (subject to Section 10.2(a)) after an Event of Default that otherwise could be exercised by the Lender if there were an Event of Default immediately after the effectiveness of this Agreement.

8.2.6 Restricted Payments. Other than the distributions in connection with the proceeds of the ABS Transaction and the New Mezzanine Loan, and releases of reserves (and interest accruing thereon) and amounts received in connection with the termination of interest rate swap agreements, in each case in accordance with the funds flow agreed between the Lender and Borrower in connection with the Amendment and Restatement Date, Borrower shall not directly or indirectly, make or declare any distribution (in cash, property or obligation) on, or other payment on account of, any interest in Borrower (each, a "Restricted Payment").

8.2.7 Investments. Borrower shall not, and shall not permit any Portfolio Entity to (a) make any investments (whether by purchase of stocks, bonds, notes, obligations or other securities, loan, extension of credit, advance, making of capital contributions or otherwise) other than (i) Permitted Investments, (ii) the ownership by Borrower and its Subsidiaries of the membership interests in their Subsidiaries as of the Amendment and Restatement Date or as otherwise consented to by the Lender and (iii) the making of any capital contributions to Portfolio Entities otherwise in compliance with this Section 8.2.7(a); or (b) own any equity interest in, lend money, extend credit or make advances to, or any deposits with (other than deposits or advances in relation to the payment for services in the ordinary course of business), or make deposits with, any Person other than, in each of (a) and (b) (x) deposits into the Accounts held at the Depositary that are otherwise permitted pursuant to the Loan Documents and (y) transactions contemplated by Section 8.1.23 or the Operative Documents, including any capital contributions or shareholder loans permitted under a Project Company LLC Agreement so long as any such shareholder loan is Permitted Debt of a Project Company hereunder.

8.2.8 Transactions with Affiliates. Borrower shall not, and shall not permit any Portfolio Entity to, directly or indirectly enter into or cause or permit to exist any arrangement, transaction or contract (including for the purchase, lease or exchange of property or the rendering of services) with any of its other Affiliates or for the benefit of an Affiliate without the prior approval of Lender, except for (a) the Major Project Documents in effect on the Amendment and Restatement Date, the Tax Equity Documents and the transactions contemplated thereby, (b) the Loan Documents, the Original Reorganization Documents, the Securitization Reorganization Documents and the transactions contemplated thereby, (c) Restricted Payments otherwise made in accordance with the terms of this Agreement and (d) any employment, non-competition or confidentiality agreement entered into by any Portfolio Entity with any of its employees, officers, agents or directors in the ordinary course of business. Borrower shall

not cause, and shall cause each Portfolio Entity to not, enter into any transaction or agreement (whether written or oral) of any kind whatsoever with or pursuant to which it guarantees any obligations of or pledges any actions in respect of Borrower, any Affiliate of Borrower (other than a Portfolio Entity) or any other Portfolio Entity that is not in the same Portfolio Chain as such Portfolio Entity.

8.2.9 Margin Loan Regulations. Borrower shall not, and shall not permit any Portfolio Entity to, directly or indirectly apply any part of the proceeds of the Loan, any cash equity contributions received by Borrower or other funds or revenues to the "buying," "carrying" or "purchasing" of any margin stock within the meaning of Regulations T, U or X of the Federal Reserve Board, or any regulations, interpretations or rulings thereunder.

8.2.10 Partnerships, Separateness Etc.

(a) Borrower shall not, and shall not permit any Portfolio Entity to (a) become a general or limited partner in any partnership or a joint venturer in any joint venture, (b) create and hold any equity interest in any Subsidiary (other than each of its Subsidiaries as of the Amendment and Restatement Date), (c) engage in any business other than owning and operating the applicable Projects and related activities, (d) fail to maintain separate bank accounts and separate books of account, (e) fail to cause its liabilities to be readily distinguishable from the liabilities of the other Portfolio Entities and the other Affiliates of the Borrower, (f) fail to conduct its business solely in its own name in a manner not misleading to other Persons as to its identity, (g) fail to make all oral and written communications (if any), including letters, invoices, purchase orders, contracts, statements, and applications solely in its name or (h) have any employees.

(b) Borrower shall not acquire or own any assets other than the Accounts, the membership interests in Holding Corporation, its contractual interests in any Loan Document to which it is a party and the books and records associated therewith.

(c) Borrower shall not permit any ABS Entity or any Managing Member to perform any activities other than ownership of the membership interests in its respective Subsidiaries as of the Amendment and Restatement Date and activities related to such ownership to cause or permit its Subsidiaries to take actions or engage in other activities that are permitted or required pursuant to the terms of this Agreement (except as may be permitted in connection with an ABS Transaction);

(d) Borrower shall not permit any Project Company to perform any activities other than the following, in each case in accordance with the provisions hereof: (a) own the Projects owned by such Project Company as of the Amendment and Restatement Date, (b) maintain, operate and, if permitted hereunder, sell or otherwise dispose of such Projects or any substantial part thereof, (c) operate such Projects in compliance with the provisions of Section 48 of the Code and (d) carry on any and all activities incidental or related to the foregoing in accordance with this Agreement and the other Operative Documents that relate to such Project Company.

8.2.11 Dissolution; Merger. Borrower shall not, and shall not permit any Portfolio Entity to, (a) wind up, liquidate or dissolve its affairs, (b) combine, merge or consolidate with or into any other entity, or (c) purchase or otherwise acquire all or substantially all of the assets of any Person, except in connection with the purchase of any Investor's interests in a Project Company made in accordance with the terms of the applicable Tax Equity Documents.

8.2.12 Amendments; Replacements. Borrower shall not, and shall not permit any Portfolio Entity to, amend, modify, supplement or waive, accept, or permit or consent to the termination, amendment, modification, supplement or waiver of any of the material provisions of, or give any material consent under any of the Portfolio Documents, except as may be approved by the Lender; provided, that the extension of the term of a Major Project Document on substantially the same terms and conditions then in effect shall not require the approval of the Lender. Borrower shall not enter into any replacement Major Project Document without the consent of the Lender, not to be unreasonably withheld, conditioned or delayed.

8.2.13 Name and Location; Fiscal Year. Borrower shall not, and shall not permit any Portfolio Entity to, change its name, its jurisdiction of organization, the location of its principal place of business, its organization identification number, its fiscal year or, except as required by GAAP, its accounting policies or reporting practices.

8.2.14 Assignment. Borrower shall not, and shall not permit any Portfolio Entity to, assign its rights or obligations under any Operative Document to any Person, except pursuant to the Security Documents or as contemplated in Section 8.2.4.

8.2.15 Accounts. Borrower shall not, and shall not permit any Portfolio Entity to, maintain, establish or use any account (other than the Accounts and the Portfolio Entity Accounts owned by such Portfolio Entity).

8.2.16 Hazardous Substances. Borrower shall not, and shall not permit any Portfolio Entity to, Release any Hazardous Substances in violation of any Hazardous Substances Laws, Legal Judgments or Applicable Permits, except for (a) temporary unplanned exceedances not allowed under a Project's Permits, which temporary unplanned exceedances could not reasonably be expected to have a Material Adverse Effect and which the applicable Person is diligently and in good faith attempting to correct and (b) unintentional violations with respect to which (i) the Release is not continuing or reasonably likely to

re-occur and is not reasonably susceptible to prevention or cure, and (ii) there are no unsatisfied reporting and/or remediation requirements under applicable Hazardous Substances Laws, Legal Judgments or Applicable Permits.

8.2.17 Contracts. Borrower shall not, and shall not permit any Portfolio Entity to, enter into or become a party to any contract in respect of the Projects (other than, in the case of Project Companies only, Leases with Host Customers and Other Contracts) after the Closing without obtaining consent from Lender, which consent shall not be unreasonably withheld, conditioned or delayed.

8.2.18 Assignment By Third Parties. Without prior consent of the Lender, which consent shall not be unreasonably withheld, conditioned or delayed, Borrower shall not, and shall not permit any Portfolio Entity to, consent to the assignment of any obligations under any Major Project Document or any Tax Equity Document by any counterparty thereto (other than collateral assignments by an Investor in connection with any bona fide financing transactions).

8.2.19 Acquisition of Real Property. Borrower shall not, and shall not permit any Portfolio Entity to, acquire or lease any real property or other interest in real property unless deemed necessary or desirable by Borrower for the ownership and operation of a Project; provided that, nothing in this Section 8.2.19 shall be deemed to prohibit any Portfolio Entity from entering into, enforcing or enjoying customary rights in respect of access to Project sites that are contained in the Leases.

8.2.20 ERISA. Borrower shall not, and shall not permit any Portfolio Entity to, maintain any employee benefit plans subject to ERISA.

8.2.21 Lease Obligations. Borrower shall not, and shall not permit any Portfolio Entity to, create, incur, assume or suffer to exist any obligations as lessee for the rent or hire of any property under leases.

8.2.22 Disputes. Borrower shall not, and shall not permit any Portfolio Entity to, agree, authorize or otherwise consent to any proposed settlement, resolution or compromise of any litigation, arbitration or other dispute with any Person, including without limitation a disallowance of any ITCs, without the prior authorization of Lender if such proposed settlement, resolution or compromise could reasonably be expected to result in a Material Adverse Effect. In furtherance of the foregoing, Borrower shall, and shall cause each Portfolio Entity to, notify the Lender of any (a) IRS Audit or Assessment within 5 days of receipt by the Borrower or such Portfolio Entity, (b) communications with the IRS, including settlement discussions, and (c) settlement, resolution or compromise of any IRS Audit or Assessment; *provided*, *however* that this Section 8.2.22 shall not apply to the extent it would conflict with the such Portfolio Entity's rights and obligations under the applicable Portfolio Documents. Borrower agrees to make reasonable best efforts to (i) review Lender's role under this Section 8.2.22 with respect to IRS Audits and Assessments and (ii) and at the sole discretion of Borrower, amend this Section 8.2.22 to include any consent or participation rights Borrower concludes are commercially acceptable.

8.2.23 Anti-Terrorism Law; Anti-Money Laundering.

(a) Borrower shall not, and shall not permit any Portfolio Entity to, directly or indirectly, knowingly (a) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in Section 7.25.2, (b) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or any other Anti-Terrorism Law, in violation of Anti-Terrorism Law; or (c) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law (and Borrower shall deliver to the Lender any certification or other evidence requested from time to time by Lender in its reasonable discretion, confirming such Persons' compliance with this Section 8.2.23(a).

(b) Borrower shall not, and shall not permit any Portfolio Entity to, cause or permit any of the funds that are used to repay the Loan to be derived from any unlawful activity with the result that the making of the Loan would be in violation of law applicable to the Borrower or any Portfolio Entity.

8.2.24 Embargoed Persons.

(a) (i) Borrower shall not, and shall not permit any Portfolio Entity to, engage in activities that would cause Borrower or any Portfolio Entity to become a Person whose property or interests in property are blocked or subject to blocking pursuant to Section 1 of the Executive Order, or (ii) engage in any dealings or transactions prohibited by Section 2 of the Executive Order to the extent such dealings are in violation of Anti-Terrorism Law, or be otherwise associated with any such Person in any manner violative of such Section 2.

(b) Borrower shall not, and shall not permit any Portfolio Entity to, cause or permit (a) any of the funds or properties that are used to repay the Loan to constitute property of, or be beneficially owned directly or indirectly by, any Person identified on the "List of Specially Designed Nationals and Blocked Persons" maintained by OFAC ("Embargoed Person"), with the result that the investment in the Borrower or any Portfolio Entity (whether directly or indirectly) is prohibited by law, or the Loan made by the Lender would be in violation of law, or (2) the Executive Order, any related enabling legislation or any other similar executive orders, or (b) any Embargoed Person to have any direct or indirect interest, of any nature whatsoever in the

Projects, the Borrower and any Portfolio Entity, with the result that the investment in the Projects or Borrower or any Portfolio Entity (whether directly or indirectly) is prohibited by law or the Loan is in violation of Anti-Terrorism Laws.

ARTICLE IX
ACCOUNTS

Section 9.1 **ACCOUNT WITHDRAWALS, TRANSFERS AND PAYMENTS.**

9.1.1 General Procedures.

(a) For every withdrawal, transfer or payment from any Account, Borrower shall execute and deliver to Lender an Account Withdrawal Request and a proposed Account Withdrawal Instruction related thereto. Borrower shall submit, together with each set of Account Withdrawal Documents, appropriate documentation or materials reasonably requested by Lender to enable it to substantiate the withdrawals and transfers specified in the applicable Account Withdrawal Request and the other matters described therein. If the Borrower shall fail to deliver an Account Withdrawal Request for any Payment Date at least four days prior to such Payment Date, Borrower shall be deemed to have delivered to the Lender for such Payment Date an Account Withdrawal Request that is substantially the same as for the prior Payment Date.

(b) Upon receipt of such Account Withdrawal Documents, Lender shall promptly review such Account Withdrawal Documents. Lender (after consulting with Borrower) may elect (i) not to approve part, and, accordingly, may reduce the amount of, any individual withdrawal, transfer or payment requested in any Account Withdrawal Request if Lender reasonably determines that Borrower has not provided all of the appropriate documentation contemplated by Section 9.1.1(a) to properly document and support the making of such part of the requested withdrawal, transfer or payment, or (ii) to approve part or the whole of any individual withdrawal, transfer or payment requested in any Account Withdrawal Request but make such withdrawal, transfer or payment requested subject to further conditions if Lender determines that Borrower has not met the requirements hereunder for the funding of such requested withdrawal, transfer or payment. If Lender does not approve (such approval not to be unreasonably withheld, conditioned or delayed) any Account Withdrawal Documents or shall approve any Account Withdrawal Document but subject to certain conditions, Lender shall promptly so notify Borrower (such notice to specify in reasonable detail the reasons for not approving or for such additional conditions with respect to such Account Withdrawal Documents), and Borrower shall then be permitted to submit a revised set of Account Withdrawal Documents to Lender or agree to meet such conditions with respect to any Account Withdrawal Document subject to any conditions, as applicable.

(c) If in Lender's reasonable judgment such Account Withdrawal Documents are consistent with the terms hereof, subject to Lender's approval of the amounts and other details provided therein, Lender shall execute and deliver the applicable Account Withdrawal Instruction to Depositary pursuant to the terms of the Depositary Agreement. Borrower agrees that Lender may direct Depositary to transfer any or all sums on deposit in or credited to any Account directly into the accounts identified by Borrower in each Account Withdrawal Request without further authorization from Borrower; provided that if Borrower has notified Lender that it is contesting a claim for payment in accordance with Section 8.1.2(b) and the other applicable Operative Documents, Lender shall not be entitled to directly pay any amount being contested, except (i) any portion of such amount which is not being contested by Borrower or (ii) payments which Lender reasonably believes if not promptly made could reasonably be expected to have a Material Adverse Effect.

9.1.2 Account Withdrawal Documents. A set of Account Withdrawal Documents shall be deemed properly delivered by Borrower to Lender if such Account Withdrawal Documents have been properly completed to the satisfaction of Lender and delivered in accordance with the applicable time requirements set forth herein and Section 3.1 of the Depositary Agreement. Unless specifically stated herein, all Account Withdrawal Instructions are to be completed by Borrower and submitted to Lender for approval and signature and then forwarded by Lender to Depositary in accordance with the applicable time requirements set forth herein and the provisions of the Depositary Agreement. To the extent that any directions to Depositary or any requested actions by Depositary under this Article IX require actions to be taken by Borrower and Borrower fails to perform such actions, or if any Account Withdrawal Documents submitted by Borrower are incorrect or if an Event of Default has occurred and is continuing or would occur based on Borrower's failure to submit, or to submit accurate and necessary, Account Withdrawal Instructions, Lender is entitled to perform such actions by completing and executing an Account Withdrawal Instruction and delivering such Account Withdrawal Instruction to Depositary in accordance with the terms of the Depositary Agreement.

9.1.3 Repayment of Loan in Full. In connection with any anticipated repayment in full of the Loan that is otherwise permitted pursuant to the terms of this Agreement, Borrower may submit a set of Account Withdrawal Documents to Lender requesting Lender to direct Depositary to transfer or apply all remaining monies in the Accounts to the repayment of the Loan on the anticipated date thereof. After approving a set of Account Withdrawal Documents (or any revision thereof), Lender shall execute and deliver to Depositary the applicable Account Withdrawal Instruction within two Business Days of Lender's receipt of such Account Withdrawal Request.

Section 9.2 **REVENUE ACCOUNT.**

9.2.1 Deposits into Revenue Account. Borrower shall deposit or cause to be deposited into the Revenue Account all Revenues (it being acknowledged and agreed that, to the extent any amounts referred to this Section 9.2.1 are received directly

by Lender or Depositary (a) upon receipt of any such amounts, Lender shall deposit, or shall cause the Depositary to deposit, such amounts into the Revenue Account as contemplated by this Section 9.2.1, and (b) the obligation of Borrower under this Section 9.2.1 to deposit any such amounts into the Revenue Account shall be deemed satisfied upon such deposit to the Revenue Account).

9.2.2 Disbursements from Revenue Account.

(a) The applicable Account Withdrawal Request shall request Lender to direct Depositary to transfer or apply monies on deposit in the Revenue Account only to a proposed application of Revenues consistent with the terms hereof, which shall be subject to Lender's approval of the amounts and other details provided therein. After approving a set of Account Withdrawal Documents (or any revision thereof), Lender shall execute and deliver to Depositary the applicable Account Withdrawal Instruction at least one Business Day prior to the applicable Payment Date.

(b) Pursuant to Account Withdrawal Documents, amounts on deposit in the Revenue Account (other than amounts required to remain on deposit in or credited to the Revenue Account pursuant to the first sentence of each of Section 9.2.2(c) and 9.2.2(d)) shall be applied to the following uses, in the following amounts, at the following times, and in the following order of priority to the extent funds are available therefor:

(1) On each Payment Date, to the payment of all fees, expenses and indemnities then payable to the Depositary and any reimbursable amounts under Section 4.2.1 then payable to Lender, in each case, in connection with the Loan Documents;

(2) On each Payment Date, to the payment of amounts currently payable to Lender of fees and charges in connection with the Loan Documents;

(3) On each Payment Date, so long as no Default or Event of Default has occurred and is continuing, to Pledgor in an amount equal to any fees, expenses and other amounts that are currently payable by Pledgor, including fees and expenses payable to the Manager (as that term is defined and used under that certain Management Agreement, dated as of November 5, 2018, by and between SunPower Capital Services, LLC and Pledgor) and to third party accounting and legal service providers (the "Pledgor Fees and Expenses"), in each case, as reflected in the applicable Annual Budget (as that term is defined and used under the Pledgor LLC Agreement); provided that, in no event shall the Pledgor Fees and Expenses due and payable pursuant to this Section 9.2.2(b)(3) exceed $472,500 in any fiscal year (the "Pledgor Fee Cap"); provided, further, that beginning with the first anniversary of the Amendment and Restatement Date, and annually thereafter, such Pledgor Fee Cap shall increase by two and thirty-five one-hundredths percent (2.35%);

(4) On each Payment Date, to the PeGu Reserve Account, the amount necessary to fund the PeGu Reserve Account with the PeGu Reserve Required Amount for such Payment Date;

(5) On each Payment Date, to the payment of interest on the Loan, and on other amounts accruing interest under the Loan Documents; and

(6) On each Payment Date, an amount equal to all amounts remaining in the Revenue Account, after giving effect to the withdrawals and transfers contemplated to be made pursuant to clauses (1) through (5) above (such amount, the "Excess Cash Flow") to the prepayment of the principal of the Loan pursuant to Section 5.1.4(a), provided that, on the Discharge Date, all remaining cash shall be paid as directed by the Borrower.

Section 9.3 **PEGU RESERVE ACCOUNT**.

9.3.1 Establishment of PeGu Reserve Account. The PeGu Reserve Account shall be established pursuant to Section 2.1(a) of the Depositary Agreement.

9.3.2 Deposits into PeGu Reserve Account. Amounts shall be deposited in the PeGu Reserve Account from time to time in accordance with Section 9.2(b)(3).

9.3.3 Disbursements from the PeGu Reserve Account. Pursuant to Account Withdrawal Documents or as set forth in this Section 9.3.3, amounts may be withdrawn and transferred from the PeGu Reserve Account:

(a) on each Payment Date after the first anniversary of the Amendment and Restatement Date, so long as SunPower Corporation, Systems, the Sponsor or any other SunPower Affiliate is an obligor with respect to the applicable Performance Guarantee and the Sponsor or a SunPower Affiliate is acting as Services Provider to the applicable Project Company under the applicable Maintenance Services Agreement, to such Person, 30% of the amount necessary to reimburse such Person for any payments such Person has made under, or in connection with, the Performance Guarantees (all such payments, "PeGu Payments"), an amount equal to the aggregate amount of all such PeGu Payments, to the extent that sufficient funds are then on deposit in or credited to the PeGu Reserve Account; and

(b) on the last Payment Date of 2020 and each second calendar year thereafter, to the extent funds on deposit in or credited to the PeGu Reserve Account remain after making any withdrawals and transfers pursuant to Section 9.3.3(a) and such funds exceed the PeGu Reserve Required Amount for such Payment Date, to the Lender for the prepayment of the Loan in accordance with Section 5.1.4(d);

in each case, as set forth in an Account Withdrawal Request pursuant to which Borrower shall request Lender to direct Depositary to transfer or apply monies on deposit in the PeGu Reserve Account only to a proposed application consistent with the terms of clause (a) and (b), as applicable (which, if amounts are requested to be withdrawn and transferred from the PeGu Reserve Account pursuant to clause (a) above, shall include reasonably detailed evidence of the applicable PeGu Payments having been made), which shall be subject to Lender's approval of the amounts and other details provided therein, not to be unreasonably withheld, conditioned or delayed. After approving a set of Account Withdrawal Documents (or any revision thereof), Lender shall execute and deliver to Depositary the applicable Account Withdrawal Instruction at least one Business Day prior to the applicable date on which such withdrawal and transfer is to be made. To the extent the Borrower does not, for any reason, submit an Account Withdrawal Request for any Payment Date or include in any Account Withdrawal Request a request for transfer or application of funds in the PeGu Reserve Account in accordance with Section 9.3.3(a), the Sponsor or any of its Affiliates may submit a direct written request for the release of funds from the PeGu Reserve Account and Lender shall treat the same as an Account Withdrawal Request solely with respect to the requested transfers. Requests for transfer of funds from the PeGu Reserve Account by the Sponsor or the Borrower in accordance with this Section 9.3.3 shall be honored by the Lender notwithstanding the existence of a Default or Event of Default or any other circumstance (other than accuracy thereof or failure to present reasonably detailed evidence of the applicable PeGu Payments that is consistent with the amounts requested to be transferred from the PeGu Reserve Account).

Section 9.4 **[RESERVED]**.

Section 9.5 **REPAYMENT ACCOUNT**.

9.5.1 Establishment of Repayment Account. The Repayment Account shall be established pursuant to Section 2.1(a) of the Depositary Agreement.

9.5.2 Deposits into Repayment Account. Until the Discharge Date, Borrower shall immediately deposit into the Repayment Account the amount of any Mandatory Prepayment other than any Excess Cash Flow that is applied directly to the prepayment of the Loan in accordance with Section 9.2.2(b)(5).

9.5.3 Disbursements from the Repayment Account. Lender will be the only Person that is permitted to direct disbursements from the Repayment Account. Lender shall execute and deliver to Depositary the applicable Account Withdrawal Instruction directing that amounts in the Repayment Account be transferred to the Lender for repayment or prepayment of the Loan. Amounts in the Repayment Account shall be transferred to the Lender as soon as practicable after the applicable Account Withdrawal Instruction is delivered by the Lender pursuant to this Section 9.5.3.

Section 9.6 **[RESERVED]**.

Section 9.7 **PROCEEDS AND ACCOUNTS**. Borrower shall not have any rights or powers with respect to any monies or accounts or Account except to have funds on deposit therein applied or invested in accordance with this Agreement and as set forth in the Depositary Agreement. Lender is hereby authorized to reduce to cash any Permitted Investment (without regard to maturity) in order to make any application required by any section of this Article IX or otherwise pursuant to the Loan Documents. Upon the occurrence of an Event of Default, subject to the provisos of Section 10.2(b)(ii), the Lender shall have all rights and powers with respect to the Accounts as it has with respect to any other Collateral and may apply funds on deposit in the Accounts (other than, for so long as the Sponsor or an Affiliate of the Sponsor is party to, or liable in connection with, any outstanding Performance Guarantee, the PeGu Reserve Account) to the payment of interest, principal, fees, costs, charges or other amounts due or payable to the Lender in such order as Lender may elect in its sole discretion.

Section 9.8 **PERMITTED INVESTMENTS**. Until the Discharge Date, Borrower shall cause to be invested all amounts held in the Accounts only in Permitted Investments as directed by and at the expense and risk of Borrower.

ARTICLE X
EVENTS OF DEFAULT

Section 10.1 **EVENTS OF DEFAULT**. Each of the following constitutes an "Event of Default":

10.1.1 Payment Default. If the Borrower defaults on any of its (a) payments of principal hereunder or (b) for more than three (3) Business Days, any other monetary obligations due and owing hereunder, including interest and fees.

10.1.2 Bankruptcy; Insolvency. Any Bankruptcy Event shall occur with respect to any Loan Party, Sponsor, any Portfolio Entity, Hannon Armstrong Capital while the Hannon Armstrong Capital Guaranty is in effect or any other Major Project Participant (other than an Affiliate of the Lender); provided that, in the event that a Bankruptcy Event shall occur with respect to a

Services Provider that is SunPower Capital or another Affiliate of Sponsor, such Bankruptcy Event shall not constitute an Event of Default hereunder at any time that any Bankruptcy Exclusion Event shall have been and remain satisfied (as reasonably determined by the Lender).

10.1.3 Defaults Under Other Debt.

(a) Any Loan Party or Portfolio Entity shall default for a period beyond any applicable grace period (i) in the payment of any principal, interest or other amount due under any agreement or instrument involving Debt (other than the Debt hereunder) in excess of $150,000, (ii) in the observance or performance of any other agreement or condition relating to such Debt or contained in any agreement or instrument evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default, event or condition is to cause, or to permit any holder of such Debt (or a trustee or agent of such holder or beneficiary) to cause, such Debt to become or be declared due and payable prior to its stated maturity or the stated maturity of any underlying obligation, as the case may be (upon the giving or receiving of notice, lapse of time, both, or otherwise), provided that no Event of Default shall exist under this Section 10.1.3(a) until all applicable grace periods in the underlying agreement or instrument have expired, or (iii) any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof.

(b) There shall exist an Event of Default under and as defined in either (i) that certain Loan Agreement, dated as of November 5, 2018, by and between SunStrong Capital Acquisition OF, LLC and SunStrong Capital Lender 2 LLC; or (ii) the New Mezzanine Loan Agreement.

10.1.4 Judgments. Final judgments or orders for the payment of money shall be entered against any Loan Party or any Portfolio Entity in excess of $500,000, individually or in the aggregate (in each case, after deducting the among of any insurance proceeds received or expected, to the extent payment of such proceeds of the amount of the final judgment or order has not been disputed by the insurer), (a) which is vacated, stayed, discharged or, if required for appeal, bonded pending such appeal, within 45 days after its entry or, in the case of a stayed and/or bonded judgment, the judgment is affirmed on appeal, (b) the execution of it is effectively stayed within 45 days after its entry unless, after the entry of such stay, there shall be a period of more than 30 consecutive days during which the execution of such judgment is not effectively stayed or (c) it is satisfied within 45 days after its entry. Any non-monetary judgment or order shall be entered against any Loan Party or Portfolio Entity that could reasonably be expected to have a Material Adverse Effect other than a judgment or order, which is discharged within 45 days after its entry unless, after the entry of such stay, there shall be a period of not more than 30 consecutive days during which the execution of such judgment is not effectively stayed.

10.1.5 ERISA. If any Loan Party, any Portfolio Entity or any ERISA Affiliate should establish, maintain, contribute to or become obligated to contribute to any ERISA Plan and (a) a Reportable Event shall have occurred with respect to any ERISA Plan and, within 30 days after the reporting of such Reportable Event to Lender by Borrower and the furnishing of such information as the Lender may reasonably request with respect thereto, the Lender shall have notified Borrower that (i) the Lender has made a determination that, on the basis of such Reportable Event, there are reasonable grounds for the termination of such ERISA Plan by the PBGC or for the PBGC to ask for the appointment by the appropriate United States District Court of a trustee to administer such ERISA Plan and (ii) as a result thereof, an Event of Default exists hereunder; or (b) a trustee shall be appointed by a United States District Court to administer any ERISA Plan; or (c) the PBGC shall institute proceedings to terminate any ERISA Plan; or (d) a complete or partial withdrawal by Borrower, any Portfolio Entity or any ERISA Affiliate from any Multiemployer Plan shall have occurred and, within 30 days after the reporting of any such occurrence to the Lender by Borrower (or the Lender otherwise obtaining knowledge of such event) and the furnishing of such information as the Lender may reasonably request with respect thereto, the Lender shall have notified Borrower that the Lender has made a determination that, on the basis of such occurrence, a Default or Event of Default exists hereunder. Notwithstanding any other provision of this Section 10.1.5, no Default or Event of Default shall be deemed to occur under this Section 10.1.5 unless (i) an event described in this Section 10.1.5 shall have occurred, (ii) such occurrence is reasonably expected to result in direct liability of Borrower or any Portfolio Entity, and (iii) any notice required by Lender described in such subclause has been provided in accordance with this Section 10.1.5.

10.1.6 Ownership of Projects. Any Project Company shall cease to be the sole owner of the Projects owned by it as of the Amendment and Restatement Date except (i) in connection with the exercise of purchase rights of the applicable Host Customers as provided in the Leases or (ii) as a result of a destruction, condemnation or taking thereof.

10.1.7 Breach of Terms of Agreement.

(a) *Defaults Without Cure Periods*. Any Loan Party shall fail to perform or observe any of the covenants set forth in Section 2.4, 8.1.1, 8.1.4(c) or (d), 8.1.9(a) or 8.1.15 of this Agreement.

(b) *Defaults With 10/30 Day Cure Periods*. Any Loan Party shall fail to perform or observe any of the covenants set forth in Article VIII of this Agreement (other than in Sections of such Articles specifically listed in Section 10.1.7(a)), and such failure shall continue unremedied for a period of (x), with respect to Section 8.2, 10 days, or (y) with respect to Section 8.1, 30 days, in each case after the earlier of any Loan Party (i) becoming aware thereof or (ii) receiving notice thereof from Lender.

(c) *Other Defaults*. Any Loan Party or Guarantor shall fail to perform or observe any of the agreements set forth herein or in any Loan Document not otherwise specifically provided for in Section 10.1.7(a), Section 10.1.7(b) or elsewhere in this Article X, and such failure shall continue unremedied for a period of 30 days after the earlier of any Loan Party, Portfolio Entity or Guarantor becomes aware thereof or receives notice thereof from Lender; provided, that, if (i) such failure does not consist principally of the failure to pay money and cannot be cured within such 30 day period, (ii) such failure is susceptible of cure within 90 days, (iii) such Loan Party is proceeding with diligence and in good faith to cure such failure, (iv) the existence of such failure has not had and could not, after considering the nature of the cure, be reasonably expected to have a Material Adverse Effect, and (v) Lender shall have received an officer's certificate signed by a Responsible Person to the effect of clauses (i), (ii), (iii) and (iv) above and stating what action such Loan Party is taking to cure such failure, then such 30 day cure period shall be extended to such date, not to exceed a total of 90 days, as shall be necessary for such Loan Party diligently to cure such failure.

10.1.8 Loss of Collateral. Any Person other than the Lender attaches or institutes proceedings to attach all or any part of the Collateral, and any such proceeding or attachment or any judgment Lien against any such Collateral (other than Permitted Liens) (i) remains unlifted, unstayed or undischarged for a period of 30 days or (ii) is upheld in a final nonappealable judgment of a court of competent jurisdiction.

10.1.9 Regulatory Status.

(a) A Project shall fail to maintain its status as a QF, (ii) a Project's QF status shall be revoked or cancelled by FERC or (iii) a Project Company shall fail to qualify for any of the exemptions from regulation under 18 C.F.R. § 292.601 or § 292.602, and either (x) shall fail to obtain a similar exemption, or (y) shall fail to obtain any required authorizations from FERC or applicable state regulatory authority required as a result of its loss of exemption.

(b) A Loan Party or Portfolio Entity or any of its "affiliates" as such is defined in PUHCA, becomes subject to, or no longer exempt from, regulation by FERC as an "electric utility company", "public-utility company", or "holding company", as each of these terms is defined in PUHCA.

10.1.10 California Property Tax Matters. The representation and warranty in Section 7.28 proves to have been untrue, false or misleading in any material respect as of the time made or any Person shall take or fail to take any action or otherwise create, permit or suffer to exist any event, circumstance or occurrence that would cause or causes a Loan Party or any of its Subsidiaries to be an Original Co-Owner (except those listed for such Project on Schedule 7.28) of any Projects or which would trigger or triggers a change of ownership requiring reassessment of the value of any Projects for any California state or local property tax purposes (a "Reassessment"); provided that, any action, inaction, event, circumstance or occurrence that would otherwise give rise to an Event of Default pursuant to this Section 10.1.10 shall not give rise to an Event of Default if and to the extent that (a) (i) Sponsor takes all actions required under the Support and Indemnification Agreement with respect to any SunPower Indemnity Obligations that result or could reasonably be expected to result from such Reassessment and (ii) notwithstanding the amount paid pursuant to clause (i), Sponsor makes or causes to be made a prepayment of the Loan as may be necessary to show (to the reasonable satisfaction of the Lender) that, immediately after giving effect to such prepayment, the projected date of the Discharge Date is not expected to occur later than the Maturity Date, as shown in the Base Case Model, updated for actual performance and changes between the Amendment and Restatement Date and the date of such prepayment (including the impact of the Reassessment and Sponsor's payments pursuant to clause (i)), (b) assuming full performance of the Sponsor's obligations under Section 3 of the Support and Indemnification Agreement, such Reassessment could not reasonably be expected to cause any Portfolio Entity to have insufficient cash flows to make regularly scheduled payments and/or repay any Indebtedness under any Portfolio Documents as and when the same are due and payable and (c) assuming full performance of the Sponsor's obligations under Section 3 of the Support and Indemnification Agreement, such Reassessment could not reasonably be expected to cause a breach, default or event of default (however so phrased) under any Portfolio Documents.

10.1.11 Loan Document Matters. At any time after the execution and delivery thereof, (a) any Loan Document or any material provision hereof or thereof (i) ceases to be in full force and effect or to be valid and binding on any party thereto other than a Secured Party (other than by reason of the satisfaction in full of the Obligations or any termination of a Loan Document in accordance with the terms hereof or thereof), or is assigned or otherwise transferred (except as otherwise required or expressly permitted hereunder or thereunder) or is prematurely terminated by any party thereto (other than the Lender), (ii) is or becomes invalid, illegal or unenforceable, or any party hereto or thereto (other than the Lender) repudiates or disavows or takes any action to challenge the validity or enforceability of such agreement, (iii) is declared null and void by a Governmental Authority of competent jurisdiction, or (iv) fails to or ceases to provide the rights, powers and privileges purported to be created thereby or hereby, (b) any of the Security Documents, once executed and delivered, shall fail to provide to Lender the Liens, first priority security interest, rights, titles, interest, remedies permitted by law, powers or privileges intended to be created thereby (including the priority intended to be created thereby), or (c) any authorization or approval by any Governmental Authority necessary to enable any Loan Party to comply with or perform its Obligations or otherwise perform in accordance with the terms of the Loan Documents shall be revoked, withdrawn or withheld, or shall otherwise fail to be issued or remain in full force and effect.

10.1.12 Misstatements; Omissions.

(a) Subject to Section 10.1.12(b), any representation or warranty made or deemed made by any Loan Party or any Guarantor in any Loan Document (other than Section 7.28 hereof, defaults in respect of which are governed by Section

10.1.10) to which such Person is a party or any Portfolio Entity in any Lease Certificate delivered by such Portfolio Entity, or in any separate statement, certificate or document delivered to the Lender under any Loan Document to which such Person is a party, proves to have been untrue, false or misleading in any material respect as of the time made, deemed made, confirmed or furnished; provided that, any such misstatement or omission that contravenes this Section 10.1.12(a) shall not give rise to an Event of Default hereunder if (i) such representation or warranty was not known to be false at the time that it was made (ii) such statement has not had a Material Adverse Effect and (iii) to the extent that the conditions causing such misrepresentation or breach are capable of being remedied, the applicable Loan Party remedies such conditions within fifteen (15) Business Days after a Loan Party or the applicable Portfolio Entity becoming aware or receiving notice of such untrue, false or misleading representation or warranty.

(b) Notwithstanding the foregoing, any misrepresentation or breach that would otherwise give rise to an Event of Default pursuant to Section 10.1.12(a) shall not give rise to an Event of Default if and to the extent that Sponsor takes all actions required under the Support and Indemnification Agreement with respect to such misrepresentation or breach within ten (10) Business Days after a Loan Party or the applicable Portfolio Entity becoming aware or receiving notice of such untrue, false or misleading representation or warranty (subject to any cure period provided pursuant to Section 10.1.12(a)).

10.1.13 Major Project Documents.

(a) *Portfolio Entity Defaults*. Any Portfolio Entity shall be in breach of, or in default of any obligation under a Major Project Document or a Tax Equity Document and is not otherwise waived by the applicable counterparty and such breach or default shall not be remediable or, if remediable, shall continue unremedied for such period of time under such Major Project Document or such Tax Equity Document which the Portfolio Entity has available to it in which to remedy such breach or default, unless such breach or default could not reasonably be expected to have a Material Adverse Effect.

(b) *Third Party Defaults*. Any Person other than a Portfolio Entity shall be in breach of, or in default of any material obligation under or repudiate, disavow, a Major Project Document or a Tax Equity Document and such breach or default shall not be remediable or, if remediable, shall continue unremedied for a period beyond the applicable grace period and commercially reasonable extensions thereof granted in consultation with Lender; provided, however, that with respect to any breaches or defaults caused by the Services Provider, such breaches or defaults shall be cured to the extent the applicable Project Company causes the performance of the applicable Services Provider's duties to be transferred to (or such duties are otherwise transferred to) a Back-Up Servicer under the applicable Back-Up Servicing Agreement or enters into a replacement agreement (in form and substance reasonably acceptable to Lender) within thirty (30) days.

(c) *Termination*. At any time after the execution and delivery thereof, (a) any Major Project Document or any Tax Equity Document or any material provision hereof or thereof (i) ceases to be in full force and effect or to be valid and binding on any party thereto (other than by reason of the satisfaction of performance of such agreement or provision or any other any termination thereof in accordance with the terms thereof), or is assigned or otherwise transferred (except as otherwise required or expressly permitted hereunder or thereunder) or is prematurely terminated by any party thereto, (ii) is or becomes invalid, illegal or unenforceable, or any party hereto or thereto repudiates or disavows or takes any action to challenge the validity or enforceability of such agreement, (iii) is declared null and void by a Governmental Authority of competent jurisdiction or written notice is given by any Governmental Authority or applicable counterparty contesting the validity or enforcement thereof, or (iv) fails to or ceases to provide the rights, powers and privileges purported to be created thereby or hereby; provided, however, that with respect to any events or occurrences of defaults caused by a Services Provider, such events or occurrences shall be cured to the extent the applicable Project Company causes the performance of the applicable Services Provider's duties to be transferred to (or such duties are otherwise transferred to) a Back-Up Servicer under the applicable Back-Up Servicing Agreement or enters into a replacement agreement (in form and substance reasonably acceptable to the Lender) within the cure period set forth above.

10.1.14 Change of Control. There shall be any Change of Control.

10.1.15 Support and Indemnification Agreement. Sponsor fails to timely perform any of its obligations under the Support and Indemnification Agreement.

10.1.16 ABS Transaction Debt. The Debt under the ABS Transaction is not refinanced or repaid in full on or prior to the date that is nine (9) months prior to the Anticipated Repayment Date (as such term is defined and used in the ABS Transaction Documents).

Section 10.2 **REMEDIES UPON DEFAULT**.

(a) The Lender agrees that it will not exercise, or permit the exercise of, any Specified Equity Remedy in a manner that violates, or results in the violation of, any applicable provisions or restrictions of any Tax Equity Document, in each case, to which such Portfolio Entity is a party or any of its assets are bound, and in connection with which the Sponsor or any SunPower Affiliate is liable. Nothing set forth in this Section 10.2(a) shall limit any other exercise of rights or remedies by the Lender under the Loan Documents or Applicable Laws.

(b) Upon the occurrence of (x) any Event of Default described in Section 10.1.2, automatically, and (y) during the continuance of any other Event of Default following written notice to this effect from the Lender to the Borrower

(i) each of the following shall immediately become due and payable, in each case without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Borrower: (A) the unpaid principal amount of and accrued interest on the Loan and (B) all other Obligations; and (ii) the Lender may enforce any and all Liens and security interests created in the Collateral pursuant to the Security Documents; provided that, notwithstanding anything to the contrary in this Agreement or any other Loan Document, for so long as the Sponsor or an Affiliate of the Sponsor is party to any outstanding Performance Guarantee, in no event shall the Lender enforce any of its interests in the PeGu Reserve Account or any amounts on deposit therein or credited thereto other than to maintain its Liens and security interests in respect thereof, and at all times from and after the occurrence of an Event of Default Lender shall, to the extent of funds available, after payment of all reimbursable amounts under Section 4.2.1 then payable to Lender in connection with the Loan Documents and payment of amounts currently payable to Lender of fees and charges in connection with the Loan Documents (in each case, excluding any principal or interest on the Loan then due as a consequence of acceleration, indemnity or otherwise), continue depositing into the PeGu Reserve Account on each Payment Date the PeGu Funding Amount and comply with the provisions of Section 9.3.3 with respect to the PeGu Reserve Account and all amounts on deposit therein or credited thereto, provided further that, Lender shall not apply any cash to the principal or interest under the Loan unless the PeGu Reserve Account has been funded to the PeGu Reserve Required Amount.

(c) In addition to the rights and remedies provided in (a) above, upon the occurrence of and during the continuation of any Event of Default, the Lender shall have the right to (i) reduce any claim to judgment, and (ii) subject to the provisos in Section 10.2(b)(ii), exercise any and all rights and remedies afforded by this Agreement and the other Loan Documents, as well as any and all rights and remedies afforded under any statute or otherwise.

(d) Notwithstanding the entry of any decree, order, judgment or other judicial action, upon the occurrence of an Event of Default hereunder, the unpaid principal amount of the Notes outstanding or becoming outstanding while such Event of Default exists shall bear interest from the date of such Event of Default until such Event of Default has been cured to the satisfaction of the Lender, at the Default Rate, irrespective of whether or not as a result thereof the Notes has been declared due and payable or the maturity thereof accelerated. The Borrower shall on demand from time to time pay such interest to the Lender and the same shall be a part of the indebtedness hereunder.

(e) The Borrower acknowledges and agrees that, subject to the provisos in Section 10.2(b)(ii), the Lender shall have the continuing and exclusive right to apply proceeds of Collateral against the Loan, in such manner as the Lender deems advisable.

(f) The Lender is hereby granted an irrevocable, non-exclusive license or other right to use, license or sub-license (without payment of royalty or other compensation to any Person) any or all Intellectual Property of Borrower, computer hardware and software, trade secrets, brochures, customer lists, promotional and advertising materials, labels, packaging materials and other property, for the purpose, upon the occurrence and during the continuation of any Event of Default, of advertising for sale, marketing, selling, collecting, completing manufacture of, or otherwise exercising any rights or remedies with respect to, any Collateral or other Property of any Loan Party. The Borrower's rights and interests under Intellectual Property shall inure to the Lender's benefit.

(g) At any time during an Event of Default, the Lender is authorized, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Lender (other than its obligations under the provisos in Section 10.2(b)(ii)) to or for the credit or the account of the Borrower against any Obligations, whether or not the Lender shall have made any demand under any Loan Document and although such Obligations may be contingent or unmatured. The rights of the Lender under this subsection Section 10.2(g) are in addition to other rights and remedies (including other rights of setoff) that the Lender may have (which other rights are subject to the provisos in Section 10.2(b)(ii)).

(h) All agreements, warranties, guaranties, indemnities and other undertakings of the Borrower under the Loan Documents are cumulative and not in derogation of each other. The rights and remedies of the Lender under the Loan Documents are cumulative, may be exercised at any time and from time to time, concurrently or in any order, and are not exclusive of any other rights or remedies available by agreement, by law, at equity or otherwise. All such rights and remedies shall continue in full force and effect until Full Payment of all Obligations. No waiver or course of dealing shall be established by (i) the failure or delay of any the Lender to require strict performance by Borrower under any Loan Document, or to exercise any rights or remedies with respect to Collateral or otherwise or (ii) acceptance by the Lender of any payment or performance by the Borrower under any Loan Document in a manner other than that specified therein. Any failure to satisfy a financial covenant on a measurement date shall not be cured or remedied by satisfaction of such covenant on a subsequent date.

(i) The Borrower agrees to pay to the Lender on demand (i) all documented enforcement costs paid, incurred or advanced by or on behalf of the Lender, and (ii) interest on such documented enforcement costs from the date paid, incurred or advanced until paid in full at a per annum rate of interest equal at all times to the Default Rate. As used herein, "enforcement costs" shall mean and include collectively and include all expenses, charges, recordation or other taxes, costs and fees (including attorneys' fees and expenses) of any nature whatsoever advanced, paid or incurred by or on behalf of the Lender in connection with (x) the collection or enforcement of this Agreement or any of the other Loan Documents, (y) the creation, perfection, maintenance, preservation, defense, protection, realization upon, disposition, collection, sale or enforcement of all or any part of any Collateral, and (z) the exercise by the Lender of any rights or remedies available to it under the provisions of this

Agreement, or any of the other Loan Documents. All enforcement costs, with interest as provided above, shall be a part of the indebtedness hereunder.

ARTICLE XI
MISCELLANEOUS

Section 11.1 **NOTICES**.

11.1.1 All notices, requests and other communications to either party hereunder shall be in writing and shall be given to such party at its address, facsimile number or email address number set forth on the signature pages hereof or such other address, facsimile number or email address as such party may hereafter specify. Each such notice, request or other communication shall be effective (a) if given by certified mail, 72 hours after such communication is deposited with the United States Postal Service with first class postage prepaid, addressed as aforesaid or (b) if given by any other means, including email or facsimile, when delivered at the address, email address or facsimile number specified on the signature pages hereto or to such other addresses or facsimile numbers as specified in writing by a party to the other party hereunder, as evidenced by a confirmation report.

11.1.2 Unless Lender otherwise prescribes, notices or communications posted to an internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its email address as described in the foregoing paragraph of notification that such notice or communication is available and identifying the website address therefor; provided that, for all electronic delivery, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice, email or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient.

Section 11.2 **NO WAIVERS**. No failure or delay by either party in exercising any right hereunder or under any other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the parties under this Agreement and the other Loan Documents shall be cumulative and not exclusive of any rights or remedies provided by law or in any of the other Loan Documents.

Section 11.3 **AMENDMENTS, ETC**. No amendment, modification, consent or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by either party therefrom, shall be effective unless the same shall be in writing and signed by an officer of both parties, and then shall be effective only in the specific instance and for the specific purpose for which given.

Section 11.4 **SURVIVAL**. All representations, warranties and covenants made by the Borrower herein or in any certificate or other instrument delivered by it or on its behalf under the Loan Documents shall be considered to have been relied upon by the Lender and shall survive the delivery to the Lender of such Loan Documents, regardless of any investigation made by or on behalf of the Lender.

Section 11.5 **SEVERABILITY**. If any provision contained in this Agreement or any other Loan Document is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable, such Loan Document shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part thereof, and the remaining provisions thereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance therefrom.

Section 11.6 **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, EXCEPT THAT THE NEITHER PARTY MAY ASSIGN OR OTHERWISE TRANSFER ANY OF ITS RIGHTS OR OBLIGATIONS UNDER THIS AGREEMENT WITHOUT THE PRIOR WRITTEN CONSENT OF THE OTHER PARTY; PROVIDED THAT (a) HANNON ARMSTRONG CAPITAL MAY CEASE TO OWN, DIRECTLY OR INDIRECTLY, LESS THAN 100% OF THE MEMBERSHIP INTERESTS IN LENDER SO LONG AS (i) HANNON ARMSTRONG CAPITAL OR ONE OF ITS AFFILIATES REMAINS THE MANAGING MEMBER OR MANAGER, DIRECTLY OF INDIRECTLY, OF THE LENDER, AND SUCH OTHER PERSONS WHO OWN ANY MEMBERSHIP INTERESTS IN THE LENDER ARE PASSIVE EQUITY INVESTORS THAT HAVE AGREED TO TERMS WITH RESPECT TO CONSENT RIGHTS RELATED TO THE LENDER THAT ARE CUSTOMARY FOR LIMITED PARTNERS IN MANAGED FUND PARTNERSHIP CONTEXTS AND (ii) SUCH OTHER PERSONS ARE NOT COMPETITORS, (b) AT ANY TIME AFTER AN EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING, WITHOUT THE CONSENT OF BORROWER, THE LENDER MAY ASSIGN OR TRANSFER ALL OR ANY PORTION OF THE LOAN AND ITS RIGHTS AND OBLIGATIONS HEREUNDER AND UNDER THE OTHER LOAN DOCUMENTS TO ANY PERSON THAT IS NOT A COMPETITOR; HOWEVER, IN ANY CASE, BORROWER WILL RECEIVE WRITTEN NOTICE OF ANY ASSIGNMENT THAT THE LENDER MAKES, (c) LENDER MAY ASSIGN THIS LOAN AS COLLATERAL SECURITY FOR (i) ANY LOANS MADE TO HANNON ARMSTRONG CAPITAL OR ITS IMMEDIATE PARENT ENTITIES OR (ii) SO LONG AS THE COLLATERAL THEREFORE INCLUDES ASSETS WITH A BOOK VALUE IN EXCESS OF $300,000,000 IN ADDITION TO THE RIGHTS UNDER THIS AGREEMENT AS OF THE DATE SUCH COLLATERAL ASSIGNMENT IS GRANTED, ANY LOAN MADE TO HAT HOLDINGS I LLC OR HAT HOLDINGS II LLC, AND IN EACH CASE OF CLAUSE (i) AND (ii), THE APPLICABLE

LENDER THEREOF MAY FORECLOSE UPON SUCH LOAN AND FURTHER ASSIGN THIS AGREEMENT OR (d) THE LENDER MAY GRANT PARTICIPATIONS IN THE LOAN TO ANY PERSON THAT IS NOT A COMPETITOR WITHOUT THE CONSENT OF BORROWER, PROVIDED THAT, (i) LENDER'S OBLIGATIONS UNDER THE LOAN DOCUMENTS SHALL REMAIN UNCHANGED, (ii) LENDER SHALL REMAIN SOLELY RESPONSIBLE TO THE BORROWER FOR THE PERFORMANCE OF SUCH OBLIGATIONS, (iii) THE BORROWER SHALL CONTINUE TO DEAL SOLELY AND DIRECTLY WITH LENDER IN CONNECTION WITH LENDER'S RIGHTS AND OBLIGATIONS UNDER THE LOAN DOCUMENTS AND (iv) SUCH PARTICIPANT AND LENDER SHALL ENTER INTO AN AGREEMENT PURSUANT TO WHICH LENDER SHALL RETAIN THE SOLE RIGHT TO ENFORCE THIS AGREEMENT AND APPROVE ANY AMENDMENT, MODIFICATION OR WAIVER OF ANY PROVISION OF THE LOAN DOCUMENTS.

Section 11.7 **HEADINGS**. The headings of articles and sections hereof are inserted for convenience only and shall in no way define or limit the scope or intent of any provision of this Agreement.

Section 11.8 **GOVERNING LAW**. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO ANY RULE OF CONFLICTS OF LAW THAT WOULD RESULT IN THE APPLICATION OF THE SUBSTANTIVE LAW OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK. NOTHING IN THIS LOAN AGREEMENT SHALL REQUIRE ANY UNLAWFUL ACTION OR INACTION BY EITHER PARTY.

Section 11.9 **SUBMISSION TO JURISDICTION; WAIVERS**. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS LOAN AGREEMENT, THE NOTES AND THE OTHER LOAN DOCUMENTS, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE EXCLUSIVE GENERAL JURISDICTION OF ANY COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK;

(b) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO ITS ADDRESS SET FORTH BENEATH ITS SIGNATURE HERETO OR AT SUCH OTHER ADDRESS OF WHICH THE LENDER SHALL HAVE BEEN NOTIFIED; AND

(d) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION.

Section 11.10 **WAIVER OF JURY TRIAL**. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 11.11 **COVENANTS CUMULATIVE**. All covenants, agreements and other undertakings of the Borrower contained in this Agreement shall be deemed cumulative to and not in derogation or substitution of any of the covenants, agreements and other undertakings contained in any other Loan Document. The Borrower may not take any action or fail to take any action which is permitted by this Agreement if such action or failure would result in the breach of any provision of any other Loan Document.

Section 11.12 **COUNTERPARTS; EFFECTIVENESS**. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument, and in making proof of this Agreement it shall not be necessary to produce or account for more than one such counterpart. This Agreement shall become effective when the Lender shall have received counterparts hereof signed by all of the parties hereto.

Section 11.13 **LIABILITY OF THE LENDER**. The Lender shall in no event be responsible or liable to any person other than the Borrower for the disbursement of or failure to disburse the proceeds of the Loan or any part thereof and no subcontractor, laborer or material supplier shall have any right or claim against the Lender under this Agreement, or the administration thereof.

Section 11.14 **REINSTATEMENT**. Each Loan Document shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of all or a portion of the obligations of any Loan Party under such Loan Document is rescinded or reduced in amount, or must otherwise be restored or returned by Lender for any reason (whether in connection with any bankruptcy, insolvency, as a result of any Governmental Judgment, or otherwise). In the event that any payment or any part thereof is so rescinded, reduced, restored or returned, such obligations shall be reinstated and deemed reduced only to the extent of the amount paid and not so rescinded, restored or returned.

Section 11.15 **CONFIDENTIALITY**.

11.15.1 Each party to this Agreement agrees to maintain the confidentiality of the Confidential Information, except that Confidential Information may be disclosed (i) to its Affiliates, and to its and its Affiliates' directors, officers, employees, trustees and agents, including accountants, legal counsel and other agents and advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential and any failure of such Persons acting on behalf of such party to comply with this Section shall constitute a breach of this Section by the relevant party, as applicable), (ii) to the extent requested by any regulatory authority or self-regulatory authority, required by Applicable Law or by any subpoena or similar legal process; provided that solely to the extent permitted by law and other than in connection with routine audits and reviews by regulatory and self-regulatory authorities, each party shall notify the other parties hereto as promptly as practicable of any such requested or required disclosure in connection with any legal or regulatory proceeding (it being acknowledged and agreed that Borrower shall provide Lender with notice of any filing or disclosure by the Sponsor of this Agreement or any other Loan Document which the Sponsor determines is necessary or advisable pursuant to the Exchange Act or the Securities Act as soon as practicable after such determination is made by the Sponsor and prior to any such filing or disclosure); provided further that in no event shall any party hereto be obligated or required to return any materials furnished by any other party hereto, (iii) to any other party to this Agreement or under the other Loan Documents, (iv) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the other Loan Documents or the enforcement of rights hereunder or thereunder, (v) subject to an agreement containing confidentiality undertakings substantially similar to those of this Section 11.15, to (A) any assignee of, or participant in, or any prospective assignee of or participant in, the Lender's rights or obligations under this Agreement, (B) any rating agency, insurer or purchaser of securities in respect of the Loan, or (C) any pledgee of the Lender referred to in Section 11.6, or (vi) to the extent such Confidential Information (x) becomes publicly available other than as a result of a breach of this Section 11.15.1 or (y) becomes available to such party or its Affiliates on a nonconfidential basis from a source other than HA SunStrong Capital LLC, the Lender, the Borrower or the Parent Guarantor (or any of its Affiliates).

11.15.2 With respect to Confidential Information related to any Project Company or any Investor (including the financial statements of a Portfolio Entity delivered pursuant to this Agreement), the Lender acknowledges that such Confidential Information is subject to the applicable Project Company LLC Agreement) and Lender acknowledges and agrees that it has reviewed the same and agrees to be bound by the provisions thereof as if set forth herein.

11.15.3 The Lender shall, and shall cause its Affiliates and their respective stockholders, members, investors, subsidiaries and eligible assignees to, use any information relating to a Host Customer or a Lease that is obtained in connection with this transaction solely for the purpose of completing this transaction and/or exercising its rights under the Loan Documents.

11.15.4 THE LENDER ACKNOWLEDGES THAT CONFIDENTIAL INFORMATION FURNISHED TO IT PURSUANT TO THIS AGREEMENT MAY INCLUDE MATERIAL NON-PUBLIC CONFIDENTIAL INFORMATION CONCERNING THE LOAN PARTIES AND THEIR RELATED PARTIES OR THEIR RESPECTIVE SECURITIES AND CONFIRMS THAT IT HAS DEVELOPED COMPLIANCE PROCEDURES REGARDING THE USE OF MATERIAL NON-PUBLIC CONFIDENTIAL INFORMATION AND THAT IT WILL HANDLE SUCH MATERIAL NON-PUBLIC CONFIDENTIAL INFORMATION IN ACCORDANCE WITH THOSE PROCEDURES AND APPLICABLE LAW, INCLUDING FEDERAL AND STATE SECURITIES LAWS.

[THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be duly executed by their respective authorized officers as of the date first above written.

SUNSTRONG CAPITAL ACQUISITION, LLC,
as Borrower

By: SunStrong Capital Holdings, LLC, its sole member

By:_____
Name: Brad Harmon
Title: Chief Executive Officer

Address of Borrower:

2900 Esperanza Crossing, 3rd Floor
Austin, Texas 78758
Attention: Christopher Couture, Vice President
Telephone: (512) 735-0100
Facsimile: (512) 857-1155
Email: christopher.couture@sunpower.com

SUNSTRONG CAPITAL LENDER LLC,
as the Lender

By:_____
Name: Jeffrey W. Eckel
Title: President

Address of Lender:

1906 Towne Centre Boulevard, Suite 370
Annapolis, MD 21401
(Tel) 410-571-9860
(Fax) 410-571-6199
(email) generalcounsel@hannonarmstrong.com
Attn: General Counsel

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-130340, 333-140197, 333-142679, 333-150789, 333-172477, 333-178027, 333-179833, 333-186821, 333-195608, 333-186821, 333-195608, 333-205207, 333-209593, 333-216114, 333-224759, 333-179833, 333-178027, 333-172477, 333-150789, 333-142679, 333-140197 and 333-130340) of SunPower Corporation, of our reports dated February 13, 2018, with respect to the consolidated financial statements of SunPower Corporation and the effectiveness of internal control over financial reporting of SunPower Corporation included in this Annual Report (Form 10-K) for the year ended December 30, 2018.

/s/ Ernst & Young LLP

San Jose, California
February 13, 2019

Exhibit 24.1

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENT: That the undersigned officers and directors of SunPower Corporation do hereby constitute and appoint Thomas H. Werner, Manavendra S. Sial, and Kenneth Mahaffey, and any one of them, the lawful attorney and agent or attorneys and agents with power and authority to do any and all acts and things and to execute any and all instruments which said attorneys and agents, or either of them, determine may be necessary or advisable or required to enable SunPower Corporation to comply with the Securities and Exchange Act of 1934, as amended, and any rules or regulations or requirements of the Securities and Exchange Commission in connection with its annual report on Form 10-K for the fiscal year ended December 30, 2018 (the "Report"). Without limiting the generality of the foregoing power and authority, the powers granted include the power and authority to sign the names of the undersigned officers and directors in the capacities indicated below to the Report or amendments or supplements thereto, and each of the undersigned hereby ratifies and confirms all that said attorneys and agents, or either of them, shall do or cause to be done by virtue hereof. This Power of Attorney may be signed in several counterparts.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney as of the date indicated opposite the name.

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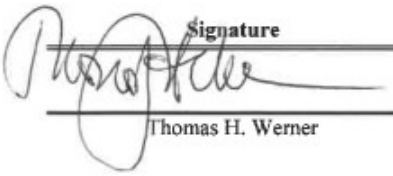 Thomas H. Werner	Chief Executive Officer and Director (Principal Executive Officer)	February ___, 2019
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EXHIBIT 31.1

CERTIFICATIONS

I, Thomas H. Werner, certify that:

I have reviewed this Annual Report on Form 10-K 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: February 13, 2019

/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 Annual Report on Form 10-K 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: February 13, 2019

/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 Annual Report of SunPower Corporation (the "Company") on Form 10-K for the period ended December 30, 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: February 13, 2019

/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.