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

FORM 10-Q

T **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended July 2, 2017

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 Corporation
(Exact Name of Registrant as Specified in Its Charter)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes T No o

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

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o	Emerging growth company o

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

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

The total number of outstanding shares of the registrant’s common stock as of July 28, 2017 was 139,491,294.

TABLE OF CONTENTS

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

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

	July 2, 2017	January 1, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 327,281	$ 425,309
Restricted cash and cash equivalents, current portion	20,313	33,657
Accounts receivable, net[1]	195,871	219,638
Costs and estimated earnings in excess of billings[1]	19,623	32,780
Inventories	444,990	401,707
Advances to suppliers, current portion	106,820	111,479
Project assets - plants and land, current portion[1]	373,751	374,459
Prepaid expenses and other current assets[1]	175,005	315,670
Total current assets	1,663,654	1,914,699
Restricted cash and cash equivalents, net of current portion	53,429	55,246
Restricted long-term marketable securities	4,860	4,971
Property, plant and equipment, net	1,049,856	1,027,066
Solar power systems leased and to be leased, net	677,515	621,267
Project assets - plants and land, net of current portion	40,771	33,571
Advances to suppliers, net of current portion	145,154	173,277
Long-term financing receivables, net	569,848	507,333
Other intangible assets, net	36,713	44,218
Other long-term assets[1]	114,920	185,519
Total assets	$ 4,356,720	$ 4,567,167
Liabilities and Equity		
Current liabilities:		
Accounts payable[1]	$ 425,909	$ 540,295
Accrued liabilities[1]	243,254	391,226
Billings in excess of costs and estimated earnings	11,707	77,140
Short-term debt	127,565	71,376
Convertible debt, current portion[1]	299,235	—
Customer advances, current portion[1]	41,261	10,138
Total current liabilities	1,148,931	1,090,175
Long-term debt	550,973	451,243
Convertible debt, net of current portion[1]	815,503	1,113,478
Customer advances, net of current portion[1]	74,331	298
Other long-term liabilities[1]	785,549	721,032
Total liabilities	3,375,287	3,376,226
Commitments and contingencies (Note 8)		
Redeemable noncontrolling interests in subsidiaries	114,045	103,621
Equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; none issued and outstanding as of both July 2, 2017 and January 1, 2017	—	—
Common stock, $0.001 par value, 367,500,000 shares authorized; 149,570,870 shares issued, and 139,479,270 outstanding as of July 2, 2017; 148,079,718 shares issued, and 138,510,325 outstanding as of January 1, 2017	139	139
Additional paid-in capital	2,426,134	2,410,395
Accumulated deficit	(1,492,264)	(1,218,681)
Accumulated other comprehensive loss	(6,635)	(7,238)
Treasury stock, at cost; 10,091,600 shares of common stock as of July 2, 2017; 9,569,393 shares of common stock as of January 1, 2017	(180,998)	(176,783)
Total stockholders' equity	746,376	1,007,832
Noncontrolling interests in subsidiaries	121,012	79,488
Total equity	867,388	1,087,320
Total liabilities and equity	$ 4,356,720	$ 4,567,167

[1] The Company has related-party balances for transactions made with Total S.A. and its affiliates as well as unconsolidated entities in which the Company has a direct equity investment. These related-party balances are recorded within the "Accounts receivable, net," "Costs and estimated earnings in excess of billings," "Project assets - plants and land, current portion," "Prepaid expenses and other current assets," "Other long-term assets," "Accounts payable," "Accrued liabilities," "Customer advances, current portion," "Convertible debt, current portion," "Convertible debt, net of current portion," "Customer advances, net of current portion," and "Other long-term liabilities" financial statement line items in the Consolidated Balance Sheets (see Note 2, Note 6, Note 9, Note 10, and Note 11).

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

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

	Three Months Ended		Six Months Ended	
	July 2, 2017	**July 3, 2016**	**July 2, 2017**	**July 3, 2016**
Revenue[1]				
Solar power systems, components, and other	$ 286,724	$ 356,011	$ 636,573	$ 684,711
Residential leasing	50,722	64,441	99,949	120,616
	$ 337,446	$ 420,452	$ 736,522	$ 805,327
Cost of revenue[1]				
Solar power systems, components, and other	288,022	331,194	685,113	621,435
Residential leasing	34,189	47,964	67,106	91,061
	322,211	379,158	752,219	712,496
Gross margin	15,235	41,294	(15,697)	92,831
Operating expenses:				
Research and development[1]	19,754	31,411	40,269	64,117
Sales, general and administrative[1]	68,703	84,683	136,106	182,474
Restructuring charges	4,969	117	14,759	213
Total operating expenses	93,426	116,211	191,134	246,804
Operating loss	(78,191)	(74,917)	(206,831)	(153,973)
Other income (expense), net:				
Interest income	387	806	1,325	1,503
Interest expense[1]	(22,370)	(13,950)	(43,139)	(26,831)
Other, net	(15,744)	(5,822)	(17,934)	(12,054)
Other expense, net	(37,727)	(18,966)	(59,748)	(37,382)
Loss before income taxes and equity in earnings of unconsolidated investees	(115,918)	(93,883)	(266,579)	(191,355)
Provision for income taxes	(2,353)	(6,648)	(4,384)	(9,829)
Equity in earnings of unconsolidated investees	5,449	8,350	6,501	7,586
Net loss	(112,822)	(92,181)	(264,462)	(193,598)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	19,062	22,189	36,223	38,197
Net loss attributable to stockholders	$ (93,760)	$ (69,992)	$ (228,239)	$ (155,401)
Net loss per share attributable to stockholders:				
Basic	$ (0.67)	$ (0.51)	$ (1.64)	$ (1.13)
Diluted	$ (0.67)	$ (0.51)	$ (1.64)	$ (1.13)
Weighted-average shares:				
Basic	139,448	138,084	139,175	137,644
Diluted	139,448	138,084	139,175	137,644

[1] The Company has related-party transactions with Total S.A. and its affiliates as well as unconsolidated entities in which the Company has a direct equity investment. These related-party transactions are recorded within the "Revenue: Solar power systems, components, and other," "Cost of revenue: Solar power systems, components, and other," "Operating expenses: Research and development," "Operating expenses: Sales, general and administrative," and "Other income (expense), net: Interest expense" financial statement line items in the Consolidated Statements of Operations (see Note 2 and Note 9).

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

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

	Three Months Ended		Six Months Ended	
	July 2, 2017	**July 3, 2016**	**July 2, 2017**	**July 3, 2016**
Net loss	$ (112,822)	$ (92,181)	$ (264,462)	$ (193,598)
Components of comprehensive loss:				
Translation adjustment	3,412	138	1,424	1,557
Net change in derivatives (Note 11)	(16)	(136)	(1,278)	(6,881)
Income taxes	114	(4)	457	746
Net change in accumulated other comprehensive loss	3,510	(2)	603	(4,578)
Total comprehensive loss	(109,312)	(92,183)	(263,859)	(198,176)
Comprehensive loss attributable to noncontrolling interests and redeemable noncontrolling interests	19,062	22,189	36,223	38,197
Comprehensive loss attributable to stockholders	$ (90,250)	$ (69,994)	$ (227,636)	$ (159,979)

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

SunPower Corporation
Consolidated Statements of Equity
(In thousands)
(unaudited)

	Redeemable Noncontrolling Interests	Common Stock Shares	Common Stock Value	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings(Accumulated Deficit)	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balances at January 1, 2017	**$ 103,621**	**138,508**	**$139**	**$2,410,395**	**$(176,783)**	**$ (7,238)**	**$ (1,218,681)**	**$ 1,007,832**	**$ 79,488**	**$1,087,320**
Cumulative-effect upon adoption of ASU 2016-09 and ASU 2016-16 (Note 1)	—	—	—	—	—	—	(45,344)	(45,344)	—	(45,344)
Net loss	(14,044)	—	—	—	—	—	(228,239)	(228,239)	(22,180)	(250,419)
Other comprehensive loss	—	—	—	—	—	603	—	603	—	603
Issuance of restricted stock to employees, net of cancellations	—	1,491	1	—	—	—	—	1	—	1
Stock-based compensation expense	—	—	—	15,739	—	—	—	15,739	—	15,739
Contributions from noncontrolling interests	28,057	—	—	—	—	—	—	—	68,568	68,568
Distributions to noncontrolling interests	(3,589)	—	—	—	—	—	—	—	(4,864)	(4,864)
Purchases of treasury stock	—	(523)	(1)	—	(4,215)	—	—	(4,216)	—	(4,216)
Balances at July 2, 2017	**$ 114,045**	**139,476**	**$139**	**$2,426,134**	**$(180,998)**	**$ (6,635)**	**$ (1,492,264)**	**$ 746,376**	**$ 121,012**	**$ 867,388**

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

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

	Six Months Ended	
	July 2, 2017	**July 3, 2016**
Cash flows from operating activities:		
Net loss	$ (264,462)	$ (193,598)
Adjustments to reconcile net loss to net cash used in operating activities, net of effect of acquisitions:		
Depreciation and amortization	87,353	83,015
Stock-based compensation	15,981	32,995
Non-cash interest expense	7,735	655
Impairment of equity method investment	8,607	—
Dividend from 8point3 Energy Partners LP	14,601	—
Equity in earnings of unconsolidated investees	(6,501)	(7,586)
Deferred income taxes	1,285	939
Other, net	4,160	1,799
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	24,445	(23,295)
Costs and estimated earnings in excess of billings	13,157	6,301
Inventories	(76,444)	(115,047)
Project assets	(59,830)	(433,383)
Prepaid expenses and other assets	139,103	48,619
Long-term financing receivables, net	(62,515)	(95,119)
Advances to suppliers	32,782	40,569
Accounts payable and other accrued liabilities	(207,873)	12,077
Billings in excess of costs and estimated earnings	(65,433)	(23,049)
Customer advances	105,157	(5,884)
Net cash used in operating activities	(288,692)	(669,992)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(45,123)	(93,325)
Cash paid for solar power systems, leased and to be leased	(41,028)	(46,156)
Cash paid for solar power systems	(8,012)	(2,282)
Payments to 8point3 Energy Partners LP	—	(9,838)
Dividend from equity method investees	1,421	—
Cash paid for investments in unconsolidated investees	(11,603)	(10,309)
Net cash used in investing activities	(104,345)	(161,910)
Cash flows from financing activities:		
Proceeds from bank loans and other debt	201,400	—
Repayment of bank loans and other debt	(228,940)	(7,887)
Proceeds from issuance of non-recourse residential financing, net of issuance costs	30,642	53,228
Repayment of non-recourse residential financing	(3,024)	(2,166)
Contributions from noncontrolling interests and redeemable noncontrolling interests attributable to residential projects	96,625	57,165
Distributions to noncontrolling interests and redeemable noncontrolling interests attributable to residential projects	(8,454)	(6,905)
Proceeds from issuance of non-recourse power plant and commercial financing, net of issuance costs	226,661	433,492
Repayment of non-recourse power plant and commercial financing	(32,021)	(37,352)
Purchases of stock for tax withholding obligations on vested restricted stock	(4,215)	(19,671)
Net cash provided by financing activities	278,674	469,904
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	1,174	307
Net decrease in cash, cash equivalents, restricted cash and restricted cash equivalents	(113,189)	(361,691)
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period[1]	514,212	1,020,764
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period[1]	$ 401,023	$ 659,073
Non-cash transactions:		
Assignment of residential lease receivables to third parties	$ 25	$ 2,476
Costs of solar power systems, leased and to be leased, sourced from existing inventory	$ 27,467	$ 29,891
Costs of solar power systems, leased and to be leased, funded by liabilities	$ 7,016	$ 6,282
Costs of solar power systems under sale-leaseback financing arrangements, sourced from project assets	$ 55,619	$ 7,375
Acquisitions of property, plant and equipment included in accounts payable and accrued liabilities	$ 40,669	$ 73,247

Net reclassification of cash proceeds offset by project assets in connection with the deconsolidation of assets sold to the 8point3 Group	$	4,473	$	8,726
Exchange of receivables for an investment in an unconsolidated investee	$	—	$	2,890
Contractual obligations satisfied with inventory	$	6,668	$	—

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

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

Notes to the Consolidated Financial Statements

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

The Company

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

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

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

Liquidity

The Company continues to face challenging industry conditions and a competitive environment. While the Company continues to focus on improving overall operating performance and liquidity, including managing cash flow and working capital, notably with cash savings resulting from restructuring actions and cost reduction initiatives put in place in the third and fourth quarters of 2016, the Company's net losses continued through the second quarter of 2017 and are expected to continue through 2017. The Company has the ability to enhance its available cash by borrowing up to $95.0 million under its revolving credit facility with Credit Agricole pursuant to the Letter Agreement executed by the Company and Total S.A. on May 8, 2017 (see Note 2). However, the Company’s $300.0 million 0.75% senior convertible debentures due 2018 (the “0.75% debentures due 2018”), $200.0 million of which are held by Total, mature on June 1, 2018. These events and conditions indicate the Company may not have the liquid funds necessary to repay the existing 0.75% debentures due 2018 at maturity and satisfy its estimated liquidity needs within the 12 months from the date of issuance of these interim financial statements. The Company has a history of successfully refinancing and extending the maturity date of its debts; however, there is no assurance that the 0.75% debentures due 2018 will be refinanced or their maturity extended to sufficiently meet the Company’s obligations as they become due or on terms acceptable to the Company. Given its current share price compared to the conversion price of $24.95 per share for the 0.75% debentures due 2018, the Company anticipates that bondholders will choose to select repayment in cash. Independent from the refinancing or repayment of the 0.75% debentures due 2018, the Company has decided to divest certain assets, such as its equity interest in 8point3 Group, and join the sale process initiated by First Solar, Inc. The Company anticipates that it could repay the 0.75% debentures due 2018 with proceeds from these divestitures. Regarding the 8point3 Group sale process, while the Company believes both parties are committed to proceeding, this transaction is in the early stages, and no final decision on any particular alternative has yet been reached.

While the Company believes it is probable that it can effectively implement plans to sell its investment in 8point3 Group, which mitigates the conditions and events giving rise to uncertainty regarding repayment of the 0.75% debentures due 2018, there are a number of factors that may defer or otherwise limit the Company’s ability to sell this investment including, among others, (i) final approval of a transaction, once a partner, structure, and price are finalized, by the Company’s Board of Directors, (ii) legal and regulatory approvals, and (iii) approval by various classes of equity owners and/or the Board of Directors of 8point3 Energy Partners (or a subcommittee thereof), as required based on the final transaction structure. The

Company believes it has sufficiently evaluated these conditions in concluding that the sale of the Company's equity interests in 8point3 Group is considered probable of occurring prior to the maturity of the 0.75% debentures due 2018. The Company cannot predict, with certainty, the outcome of its actions to generate liquidity, including the outcome of the 8point3 Group divestiture, or whether such actions would generate the necessary liquidity as currently anticipated to fulfill its obligations within the 12 months from the date of issuance of these interim financial statements.

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 include the accounts of the Company, all of its subsidiaries and special purpose entities, as appropriate under consolidation accounting guidelines. Intercompany transactions and balances have been eliminated in consolidation. The assets of the special purpose entities that the Company establishes in connection with certain project financing arrangements for customers are not designed to be available to service the general liabilities and obligations of the Company.

Reclassifications

Certain prior period balances have been reclassified to conform to the current period presentation in the Company's consolidated financial statements and the accompanying notes. Such reclassifications had no effect on previously reported results of operations or accumulated deficit.

Fiscal Years

The Company has a 52-to-53-week fiscal year that ends on the Sunday closest to December 31. Accordingly, every fifth or sixth year will be a 53-week fiscal year. Both fiscal 2017 and 2016 are 52-week fiscal years. The second quarter of fiscal 2017 ended on July 2, 2017, while the second quarter of fiscal 2016 ended on July 3, 2016. The second quarters of fiscal 2017 and 2016 were both 13-week quarters.

Management Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates in these consolidated financial statements include percentage-of-completion for construction projects; allowances for doubtful accounts receivable and sales returns; inventory and project asset write-downs; stock-based compensation; estimates for valuation assumptions including discount rates, future cash flows and economic useful lives of property, plant and equipment, valuations for business combinations, other intangible assets, investments, and other long-term assets; fair value and residual value of solar power systems; fair value of financial instruments; valuation of contingencies and certain accrued liabilities such as accrued warranty; and income taxes and tax valuation allowances and indemnities. Actual results could materially differ from those estimates.

Recently Adopted Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board ("FASB") issued an update to the standards to require companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard is effective for the Company no later than the first quarter of fiscal 2018. The Company elected early adoption of the updated accounting standard in the first quarter of fiscal 2017. The Company had restricted cash and cash equivalents held by various banks to secure our letter of credit facilities and deposits designated for the construction of various residential, commercial and power plant solar energy projects. The adoption of this accounting standard did not result in a significant impact to the Company’s consolidated financial statements and related disclosures.

In October 2016, the FASB issued an update to the standards to amend how a reporting entity considers indirect interests held by related parties under common control when evaluating whether it is the primary beneficiary of a VIE. The Company adopted the updated accounting standard in the first quarter of fiscal 2017. Adoption of the new accounting standard did not have a material impact to the Company's consolidated financial statements.

In October 2016, the FASB issued an update to the standards to require entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new guidance is effective for the Company no later than the first quarter of fiscal 2018. The Company elected early adoption of the accounting standard in the first quarter of fiscal 2017, resulting in a cumulative-effect adjustment of a $61.0 million increase in accumulated deficit as of January 1, 2017, with corresponding adjustments to Prepaid expenses and other current assets, and Other long-term assets of $4.9 million and $56.1 million, respectively.

In August 2016, the FASB issued an update to the standards to clarify the classification of certain cash receipts and cash payments in the statement of cash flows, including debt prepayment or extinguishment costs, settlement of contingent consideration arising from a business combination, insurance settlement proceeds, and distributions from certain equity method investees. The new guidance is effective for the Company no later than the first quarter of fiscal 2018. The Company elected early adoption of the updated accounting standard on a retrospective basis in the first quarter of fiscal 2017. The adoption of this updated accounting standard did not result in a significant impact to the Company's consolidated financial statements.

In March 2016, the FASB issued an update to the standards to simplify certain aspects of the accounting for share-based payment transactions to employees. The new standard requires excess tax benefits and tax deficiencies to be recorded in the statements of income as a component of the provision for income taxes when stock awards vest or are settled. In addition, it eliminates the requirement to reclassify cash flows related to excess tax benefits from operating activities to financing activities on the consolidated statements of cash flows. The standard also provides an accounting policy election to account for forfeitures as they occur, allows companies to withhold more of an employee's vesting shares for tax withholding purposes without triggering liability accounting, and clarifies that all cash payments made to tax authorities on an employee's behalf for withheld shares should be presented as a financing activity on the cash flows statement.

The Company adopted the new guidance in the first quarter of fiscal 2017. Upon adoption on a prospective basis, excess tax benefits or deficiencies from share-based award activity are reflected in the consolidated statements of income as a component of the provision for income taxes, whereas they were previously recognized in equity. The Company also elected to continue to estimate expected forfeitures to determine stock-based compensation expense and to present excess tax benefits as an operating activity in the statement of cash flows retrospectively. Adoption of the new accounting standard resulted in a decrease of net cumulative-effect adjustment of $15.7 million, primarily related to the recognition of the previously unrecognized excess tax benefits which decreased the accumulated deficit with a corresponding adjustment to long-term tax liabilities as of January 1, 2017. The Company adopted the guidance on a modified retrospective basis.

In March 2016, the FASB issued an update to the standards to eliminate the retroactive adoption of the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence. The new guidance is effective for the Company no later than the first quarter of fiscal 2017 and requires a prospective approach to adoption. The Company adopted the guidance in the first quarter of 2017, which impacted its investment in Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd., given it qualified for equity method treatment during the quarter (see Note 9).

Recent Accounting Pronouncements Not Yet Adopted

In May 2017, the FASB issued an update to the standards to clarify which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The new guidance is effective for the Company no later than the first quarter of 2018. Early adoption is permitted. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

In February 2017, the FASB issued new guidance to clarify the scope and application of the sale or transfer of nonfinancial assets to noncustomers, including partial sales and also defines what constitutes an "in substance nonfinancial asset" which can include financial assets. The new guidance eliminates several accounting differences between transactions involving assets and transactions involving businesses. Further, the guidance aligns the accounting for derecognition of a nonfinancial asset with that of a business. The new guidance is effective for the Company no later than the first quarter of 2018. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

In January 2017, the FASB issued an update to the standards to clarify the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new guidance is effective for the Company no later than the first quarter of fiscal 2018 and requires a prospective approach to adoption. Early adoption is permitted. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

In June 2016, the FASB issued an update to the standards to amend the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. The new guidance is effective for the Company no later than the first quarter of fiscal 2020. Early adoption is permitted beginning in the first quarter of fiscal 2019. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

In February 2016, the FASB issued an update to the standards to require lessees to recognize a lease liability and a right-of-use asset for all leases (lease terms of more than 12 months) at the commencement date. The new guidance is effective for the Company no later than the first quarter of fiscal 2019 and requires a modified retrospective approach to adoption. Early adoption is permitted. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

In January 2016, the FASB issued an update to the standards 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). The new guidance is effective for the Company no later than the first quarter of fiscal 2018 and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is permitted for the accounting guidance on financial liabilities under the fair value option. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

In May 2014, the FASB issued a new revenue recognition standard ("ASC 606") based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The FASB has issued several updates to the standard which i) clarify the application of the principal versus agent guidance; ii) clarify the guidance relating to performance obligations and licensing; and iii) clarify the assessment of the collectability criterion, presentation of sales taxes, measurement date for non-cash consideration and completed contracts at transaction; and iv) clarify narrow aspects of ASC 606 or corrects unintended application of the guidance. The new revenue recognition standard, amended by the updates, becomes effective for the Company in the first quarter of fiscal 2018 and is to be applied retrospectively using one of two prescribed methods. Early adoption is permitted. The Company will adopt ASC 606 on January 1, 2018 retrospectively, applying the amendments to each prior reporting period presented. The Company's ability to adopt retrospectively is dependent upon the completion of the analysis of information necessary to restate prior period financial statements and disclosures. The Company is in the process of reviewing historical contracts to quantify the impact of adoption on its consolidated financial statements. The Company is also in the process of assessing the appropriate changes to its business processes and upgrading its systems and controls to support recognition and disclosure under ASC 606.

The Company expects the adoption of ASC 606 to primarily affect its Power Plants and Commercial segments. Sales of solar power systems that include the sale or lease of related real estate, which occur under both segments, are currently accounted for under the guidance for real estate sales ("ASC 360-20"). ASC 360-20 requires the Company to evaluate whether such arrangements have any forms of continuing involvement that may affect 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 Company anticipates that ASC 606, which supersedes the real estate sales guidance under ASC 360-20, will result in the earlier recognition of revenue and profit. In addition, the Company’s investment in the 8point3 Group currently has a negative carrying value of $78.8 million primarily as a result of profit deferred under ASC 360-20. Under ASC 606, the Company expects that a material amount of this deferred profit will have been recognized prior to January 1, 2018, and as a result the Company’s carrying value in the 8point3 Group will materially increase upon adoption. The Company expects that revenue recognition for our other sales arrangements, including the sales of components, sales and construction of solar systems, and operations and maintenance services, will remain materially consistent.

The Company continues to assess the potential impacts of the new standard, including the areas described above, and anticipates that this standard will have a material impact on its consolidated financial statements. However, the Company does 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 the Company's then outstanding shares of common stock at a price of $23.25 per share, for a total cost of approximately $1.4 billion. In December 2011, the Company entered into a Private Placement Agreement with Total, under which Total purchased, and the Company issued and sold, 18.6 million shares of the Company's common stock for a purchase price of $8.80 per share, thereby increasing Total's ownership to approximately 66% of the Company's outstanding common stock as of that date. As of July 2, 2017, through the increase of the Company's total outstanding common stock due to the exercise of warrants and issuance of restricted and performance stock units, Total's ownership of the Company's outstanding common stock has decreased to approximately 56%.

Supply Agreement

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

The Company recognizes revenue for the solar panels consistent with its revenue recognition policy for solar power components: when persuasive evidence of an arrangement exists, delivery of the product has occurred, title and risk of loss has passed to Total, the sales price is fixed or determinable, collectability of the resulting receivable is reasonably assured, and the risks and rewards of ownership have passed. In the second quarter of fiscal 2017, the Company started to supply Total with panels under the supply agreement and as of July 2, 2017, the Company had $11.6 million of "Customer advances, current portion" and $74.1 million of "Customer advances, net of current portion" on its Consolidated Balance Sheets related to the aforementioned supply agreement.

Amended and Restated Credit Support Agreement

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

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

In addition to the Credit Support Agreement, the Company and Total S.A. entered into a letter agreement (the "Letter Agreement") in May 2017 to facilitate the issuance by Total S.A. of one or more guaranties of the Company's payment obligations (the "Guaranties") of up to $100.0 million ("Support Amount") under the Amended and Restated Revolving Credit Agreement with Credit Agricole Corporate and Investment Bank, as "Administrative Agent," and the other lenders party thereto; see Note 10 for additional information on the Amended and Restated Revolving Credit Agreement with Credit Agricole. In consideration for the commitments of Total S.A. pursuant to the Letter Agreement, the Company is required to pay a guarantor commitment fee of 0.50% per annum for the unutilized Support Amount and a guaranty fee of 2.35% per annum of the Guaranty outstanding. The maturity date of the Letter Agreement is August 26, 2019.

Affiliation Agreement

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

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

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

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

Research & Collaboration Agreement

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

Upfront Warrant

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

0.75% Debentures Due 2018

In May 2013, the Company issued $300.0 million in principal amount of its 0.75% senior convertible debentures due 2018 (the "0.75% debentures due 2018"). $200.0 million in aggregate principal amount of the 0.75% debentures due 2018 were acquired by Total. The 0.75% debentures due 2018 are convertible into shares of the Company's common stock at any time based on an initial conversion price equal to $24.95 per share, which provides Total the right to acquire up to 8,017,420 shares of the Company's common stock. The applicable conversion rate may adjust in certain circumstances, including a fundamental change, as described in the indenture governing the 0.75% debentures due 2018.

0.875% Debentures Due 2021

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

4.00% Debentures Due 2023

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

Joint Projects with Total and its Affiliates:

The Company enters into various EPC and O&M agreements relating to solar projects, including EPC and O&M services agreements relating to projects owned or partially owned by Total and its affiliates. As of July 2, 2017, the Company had $2.6 million of "Billings in excess of costs and estimated earnings", $0.3 million of "Costs and estimated earnings in excess of billings" and $1.8 million of "Accounts receivable, net" on its Consolidated Balance Sheets related to projects in which Total and its affiliates have a direct or indirect material interest.

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

Related-Party Transactions with Total and its Affiliates:

	Three Months Ended		Six Months Ended	
(In thousands)	**July 2, 2017**	**July 3, 2016**	**July 2, 2017**	**July 3, 2016**
Revenue:				
EPC, O&M, and components revenue under joint projects	$ 3,051	$ 20,613	$ 7,183	$ 61,529
Research and development expense:				
Offsetting contributions received under the R&D Agreement	$ (37)	$ (421)	$ (104)	$ (421)
Interest expense:				
Guarantee fees incurred under the Credit Support Agreement	$ 1,580	$ 1,622	$ 3,379	$ 3,268
Interest expense incurred on the 0.75% debentures due 2018	$ 375	$ 375	$ 750	$ 750
Interest expense incurred on the 0.875% debentures due 2021	$ 547	$ 547	$ 1,094	$ 1,094
Interest expense incurred on the 4.00% debentures due 2023	$ 1,000	$ 1,000	$ 2,000	$ 2,000

Note 3. *OTHER INTANGIBLE ASSETS*

Other Intangible Assets

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

(In thousands)	Gross	Accumulated Amortization	Net
As of July 2, 2017			
Patents and purchased technology	$ 51,140	$ (21,150)	$ 29,990
Project pipeline assets	9,446	(2,723)	6,723
Purchased in-process research and development	1,200	(1,200)	—
Other	1,000	(1,000)	—
	$ 62,786	$ (26,073)	$ 36,713
As of January 1, 2017			
Patents and purchased technology	$ 51,140	$ (16,014)	$ 35,126
Project pipeline assets	9,446	(1,804)	7,642
Purchased in-process research and development	1,200	—	1,200
Other	1,000	(750)	250
	$ 62,786	$ (18,568)	$ 44,218

During the three and six months ended July 2, 2017, aggregate amortization expense for intangible assets totaled $4.4 million and $7.5 million, respectively. During the three and six months ended July 3, 2016, aggregate amortization expense for intangible assets totaled $3.2 million and $11.5 million, respectively.

As of July 2, 2017, the estimated future amortization expense related to intangible assets with finite useful lives is as follows:

(In thousands)	Amount
Fiscal Year	
2017 (remaining six months)	$ 5,991
2018	14,407
2019	9,963
2020	6,317
2021	23
Thereafter	12
	$ 36,713

Note 4. ***BALANCE SHEET COMPONENTS***

	As of	
(In thousands)	July 2, 2017	January 1, 2017
Accounts receivable, net:		
Accounts receivable, gross[1,2]	$ 231,747	$ 242,451
Less: allowance for doubtful accounts	(33,483)	(20,380)
Less: allowance for sales returns	(2,393)	(2,433)
	$ 195,871	$ 219,638

[1] Includes short-term financing receivables associated with solar power systems leased of $22.0 million and $19.3 million as of July 2, 2017 and January 1, 2017, respectively (see Note 5).

[2] Includes short-term retainage of $9.5 million and $8.8 million as of July 2, 2017 and January 1, 2017, respectively. Retainage refers to 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.

(In thousands)	As of July 2, 2017	As of January 1, 2017
Inventories:		
Raw materials	$ 139,175	$ 136,906
Work-in-process	177,028	184,967
Finished goods	128,787	79,834
	$ 444,990	$ 401,707

(In thousands)	As of July 2, 2017	As of January 1, 2017
Prepaid expenses and other current assets:		
Deferred project costs	$ 15,481	$ 68,338
VAT receivables, current portion	21,548	14,260
Deferred costs for solar power systems to be leased	20,742	28,705
Derivative financial instruments	2,737	4,802
Prepaid inventory	31,991	83,943
Other receivables	59,011	85,834
Prepaid taxes	115	5,468
Other prepaid expenses	22,890	24,260
Other current assets	490	60
	$ 175,005	$ 315,670

(In thousands)	As of July 2, 2017	As of January 1, 2017
Project assets - plants and land:		
Project assets — plants	$ 402,357	$ 389,103
Project assets — land	12,165	18,927
	$ 414,522	$ 408,030
Project assets - plants and land, current portion	$ 373,751	$ 374,459
Project assets - plants and land, net of current portion	$ 40,771	$ 33,571

(In thousands)	As of July 2, 2017	As of January 1, 2017
Property, plant and equipment, net:		
Manufacturing equipment[1]	$ 419,694	$ 403,808
Land and buildings	196,596	130,080
Leasehold improvements	299,888	280,620
Solar power systems[2]	272,428	207,277
Computer equipment	126,065	185,518
Furniture and fixtures	12,705	12,591
Construction-in-process	18,779	39,849
	1,346,155	1,259,743
Less: accumulated depreciation	(296,299)	(232,677)
	$ 1,049,856	$ 1,027,066

[1] The Company's mortgage loan agreement with International Finance Corporation ("IFC") was collateralized by certain manufacturing equipment with a net book value of $14.3 million as of January 1, 2017. As of July 2, 2017, the entire outstanding balance, and the associated interest, of the mortgage loan agreement with IFC has been repaid.

[2] Includes $240.7 million and $177.1 million of solar power systems associated with sale-leaseback transactions under the financing method as of July 2, 2017 and January 1, 2017, respectively, which are depreciated using the straight-line method to their estimated residual values over the lease terms of up to 20 years (see Note 5).

	As of	
(In thousands)	**July 2, 2017**	**January 1, 2017**
Property, plant and equipment, net by geography[1]:		
Philippines	$ 355,021	$ 373,286
United States	331,087	276,053
Malaysia	256,818	275,980
Mexico	86,764	81,419
Europe	19,813	20,154
Other	353	174
	$ 1,049,856	$ 1,027,066

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

	As of	
(In thousands)	**July 2, 2017**	**January 1, 2017**
Other long-term assets:		
Equity method investments[1]	$ (15,751)	$ (6,931)
Derivative financial instruments	9,432	11,429
Cost method investments	33,146	39,423
Other	88,093	141,598
	$ 114,920	$ 185,519

[1] Includes the carrying value of the Company's investment in the 8point3 Group, which had a negative value of $78.8 million and $60.6 million as of July 2, 2017 and January 1, 2017, respectively (see Note 9).

	As of	
(In thousands)	**July 2, 2017**	**January 1, 2017**
Accrued liabilities:		
Employee compensation and employee benefits	$ 47,217	$ 43,370
Deferred revenue	23,626	27,649
Interest payable	15,242	15,329
Short-term warranty reserves	18,780	4,894
Restructuring reserve	3,330	18,001
VAT payables	7,569	4,743
Derivative financial instruments	1,902	2,023
Inventory payable	31,991	83,943
Proceeds from 8point3 Energy Partners attributable to projects prior to Commercial Operation Date ("COD")	1,675	3,665
Contributions from noncontrolling interests attributable to projects prior to COD	295	93,875
Taxes payable	20,896	25,602
Liability due to AU Optronics	36,055	31,714
Other	34,676	36,418
	$ 243,254	$ 391,226

(In thousands)	As of July 2, 2017	As of January 1, 2017
Other long-term liabilities:		
Deferred revenue	$ 187,383	$ 188,932
Long-term warranty reserves	153,686	156,315
Long-term sale-leaseback financing	263,928	204,879
Long-term residential lease financing with 8point3 Energy Partners	29,340	29,370
Unrecognized tax benefits	32,523	47,203
Long-term pension liability	3,875	3,381
Derivative financial instruments	1,129	448
Long-term liability due to AU Optronics	65,353	71,639
Other	48,332	18,865
	$ 785,549	$ 721,032

(In thousands)	As of July 2, 2017	As of January 1, 2017
Accumulated other comprehensive loss:		
Cumulative translation adjustment	$ (10,825)	$ (12,249)
Net unrealized gain (loss) on derivatives	(75)	1,203
Net gain on long-term pension liability adjustment	4,228	4,228
Deferred taxes	37	(420)
	$ (6,635)	$ (7,238)

Note 5. *LEASING*

Residential Lease Program

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

Operating Leases

The following table summarizes "Solar power systems leased and to be leased, net" under operating leases on the Company's Consolidated Balance Sheets as of July 2, 2017 and January 1, 2017:

(In thousands)	As of July 2, 2017	As of January 1, 2017
Solar power systems leased and to be leased, net[1,2]:		
Solar power systems leased	$ 741,270	$ 666,700
Solar power systems to be leased	21,531	25,367
	762,801	692,067
Less: accumulated depreciation	(85,286)	(70,800)
	$ 677,515	$ 621,267

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

[2] As of July 2, 2017 and January 1, 2017, the Company had pledged solar assets with an aggregate book value of $25.6 million and $13.1 million, respectively, to third-party investors as security for the Company's contractual obligations.

The following table presents the Company's minimum future rental receipts on operating leases placed in service as of July 2, 2017:

(In thousands)	Fiscal 2017 (remaining six months)	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Thereafter	Total
Minimum future rentals on operating leases placed in service[1]	$ 14,330	28,323	28,378	28,437	28,497	394,047	$ 522,012

[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 nor does it include rent receivables on operating leases sold to the 8point3 Group.

Sales-Type Leases

As of July 2, 2017 and January 1, 2017, the Company's net investment in sales-type leases presented in "Accounts receivable, net" and "Long-term financing receivables, net" on the Company's Consolidated Balance Sheets was as follows:

	As of	
(In thousands)	July 2, 2017	January 1, 2017
Financing receivables[1]:		
Minimum lease payments receivable[2]	$ 626,395	$ 560,582
Unguaranteed residual value	78,367	70,636
Unearned income	(112,889)	(104,624)
Net financing receivables	$ 591,873	$ 526,594
Current	$ 22,025	$ 19,261
Long-term	$ 569,848	$ 507,333

[1] As of July 2, 2017 and January 1, 2017, the Company had pledged financing receivables of $32.5 million and $18.6 million, respectively, to third-party investors as security for the Company's contractual obligations.

[2] Net of allowance for doubtful accounts amounting to $5.1 million and $4.5 million, as of July 2, 2017 and January 1, 2017, respectively.

As of July 2, 2017, future maturities of net financing receivables for sales-type leases are as follows:

(In thousands)	Fiscal 2017 (remaining six months)	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Thereafter	Total
Scheduled maturities of minimum lease payments receivable[1]	$ 16,915	32,006	32,278	32,558	32,844	479,794	$ 626,395

[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.

Sale-Leaseback Arrangements

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

The Company has classified its sale-leaseback arrangements of solar power systems not involving integral equipment as operating leases. The deferred profit on the sale of these systems is recognized over the term of the lease. As of July 2, 2017, future minimum lease obligations associated with these systems were $75.1 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 be recognized over the lease terms of up to 20 years and are contingent upon the amounts of energy produced by the solar power systems.

The Company enters into certain sale-leaseback arrangements under which the systems subject to the sale-leaseback arrangements have been determined to be integral equipment as defined under the accounting guidance for such transactions. The Company has continuing involvement with the solar power systems throughout the lease due to purchase option rights in the arrangements. As a result of such continuing involvement, the Company accounts for each of these transactions as a financing. Under the financing method, the proceeds received from the sale of the solar power systems are recorded by the Company as financing liabilities. The financing liabilities are subsequently reduced by the Company's payments to lease back the solar power systems, less interest expense calculated based on the Company's incremental borrowing rate adjusted to the rate required to prevent negative amortization. The solar power systems under the sale-leaseback arrangements remain on the Company's balance sheet and are classified within "Property, plant and equipment, net" (see Note 4). As of July 2, 2017, future minimum lease obligations for the sale-leaseback arrangements accounted for under the financing method were $221.2 million, which will be recognized over the lease terms of up to 25 years. During the three and six months ended July 2, 2017, the Company had net financing proceeds of $3.9 million and $42.1 million, respectively, in connection with these sale-leaseback arrangements. During both the three and six months ended July 3, 2016, the Company had net financing proceeds of $15.7 million, in connection with these sale-leaseback arrangements. As of July 2, 2017 and January 1, 2017, the carrying amount of the sale-leaseback financing liabilities, presented in "Other long-term liabilities" on the Company's Consolidated Balance Sheets, was $263.9 million and $204.9 million, respectively (see Note 4).

Note 6. *FAIR VALUE MEASUREMENTS*

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company measures certain assets and liabilities at fair value on a recurring basis. There were no transfers between fair value measurement levels during any presented period. The Company did not have any assets or liabilities measured at fair value on a recurring basis requiring Level 3 inputs as of July 2, 2017 or January 1, 2017.

The following table summarizes the Company's assets and liabilities measured and recorded at fair value on a recurring basis as of July 2, 2017 and January 1, 2017:

	July 2, 2017			January 1, 2017		
(In thousands)	**Total**	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**
Assets						
Restricted cash and cash equivalents[1]:						
Money market funds	$ 3,005	$ 3,005	$ —	$ 3,002	$ 3,002	$ —
Prepaid expenses and other current assets:						
Derivative financial instruments (Note 11)	2,737	—	2,737	4,802	—	4,802
Other long-term assets:						
Derivative financial instruments (Note 11)	9,432	—	9,432	11,429	—	11,429
Total assets	$ 15,174	$ 3,005	$ 12,169	$ 19,233	$ 3,002	$ 16,231
Liabilities						
Accrued liabilities:						
Derivative financial instruments (Note 11)	$ 1,902	$ —	$ 1,902	$ 2,023	$ —	$ 2,023
Other long-term liabilities:						
Derivative financial instruments (Note 11)	1,129	—	1,129	448	—	448
Total liabilities	$ 3,031	$ —	$ 3,031	$ 2,471	$ —	$ 2,471

[1] The Company's restricted cash and cash equivalents consist of money market fund instruments and commercial paper that are classified as available-for-sale and are highly liquid investments with original maturities of 90 days or less. The Company's money market fund instruments are categorized within Level 1 of the fair value hierarchy because they are valued using quoted market prices for identical instruments in active markets.

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

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

The Company measures certain investments and non-financial assets (including property, plant and equipment, and other intangible assets) at fair value on a non-recurring basis in periods after initial measurement in circumstances when the fair value of such asset is impaired below its recorded cost. As of July 2, 2017 and July 3, 2016, there were no such items recorded at fair value.

Held-to-Maturity Debt Securities

The Company's debt securities, classified as held-to-maturity, are Philippine government bonds that the Company maintains as collateral for business transactions within the Philippines. These bonds have various maturity dates and are classified as "Restricted long-term marketable securities" on the Company's Consolidated Balance Sheets. As of July 2, 2017 and January 1, 2017 these bonds had a carrying value of $4.9 million and $5.0 million, respectively. The Company records such held-to-maturity investments at amortized cost based on its ability and intent to hold the securities until maturity. The Company monitors for changes in circumstances and events that would affect its ability and intent to hold such securities until the recorded amortized costs are recovered. No other-than-temporary impairment loss was incurred during any presented period. The held-to-maturity debt securities were categorized in Level 2 of the fair value hierarchy.

Equity and Cost Method Investments

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

As of July 2, 2017 and January 1, 2017, the Company had $(15.8) million and $(6.9) million, respectively, in investments accounted for under the equity method (see Note 9). As of July 2, 2017 and January 1, 2017, the Company had $33.1 million and $39.4 million respectively, in investments accounted for under the cost method.

Note 7. *RESTRUCTURING*

December 2016 Restructuring Plan

On December 2, 2016, the Company adopted a restructuring plan to reduce costs and focus on improving cash flow. As part of the plan, the Board of Directors approved the closure of the Company's Philippine-based Fab 2 manufacturing facility. In connection with the plan, which is expected to be completed by the end of fiscal 2017, the Company expects approximately 2,500 employees to be affected, primarily in the Philippines. The Company expects to incur restructuring charges in connection with the plan totaling approximately $225 million to $275 million, consisting primarily of asset impairments, severance benefits, lease and related termination costs, and other associated costs. The Company expects approximately 30% of such total restructuring charges to be cash. The actual timing and costs of the plan may differ from the Company's current expectations and estimates.

August 2016 Restructuring Plan

On August 9, 2016, the Company adopted a restructuring plan in response to expected near-term challenges primarily relating to the Company's Power Plant Segment. In connection with the realignment, which is expected to be completed by the end of fiscal 2017, the Company expects approximately 1,200 employees to be affected, primarily in the Philippines. The Company expects to incur restructuring charges totaling approximately $35 million to $45 million, consisting primarily of severance benefits, asset impairments, lease and related termination costs, and other associated costs. The Company expects more than 50% of total charges to be cash. The actual timing and costs of the plan may differ from the Company's current expectations and estimates due to a number of factors, including uncertainties related to required consultations with employee representatives as well as other local labor law requirements and mandatory processes in the relevant jurisdictions.

Legacy Restructuring Plans

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

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

(In thousands)	Six Months Ended July 2, 2017	Six Months Ended July 3, 2016	Cumulative To Date
December 2016 Plan:			
Non-cash impairment charges (benefits)	$ (741)	$ —	$ 148,050
Severance and benefits	2,707	—	18,608
Lease and related termination costs	557	—	557
Other costs[1]	12,569	—	20,388
	$ 15,092	$ —	$ 187,603
August 2016 Plan:			
Non-cash impairment charges	$ —	$ —	$ 17,926
Severance and benefits	(984)	—	14,607
Lease and related termination costs	2	—	559
Other costs[1]	637	$ —	1,001
	$ (345)	$ —	$ 34,093
Legacy Restructuring Plans:			
Non-cash impairment charges	$ —	$ —	$ 61,320
Severance and benefits	14	350	61,963
Lease and related termination costs	—	(280)	6,813
Other costs[1]	(1)	143	13,598
	13	213	143,694
Total restructuring charges	$ 14,760	$ 213	$ 365,390

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

The following table summarizes the restructuring reserve activity during the six months ended July 2, 2017:

(In thousands)	January 1, 2017	Six Months Ended Charges (Benefits)	Six Months Ended Payments	July 2, 2017
December 2016 Plan:				
Non-cash impairment charges (benefits)	$ —	$ (741)	$ —	$ —
Severance and benefits	8,111	2,707	(9,461)	1,357
Lease and related termination costs	—	557	(557)	—
Other costs[1]	5,932	12,569	(18,114)	387
	$ 14,043	$ 15,092	$ (28,132)	$ 1,744
August 2016 Plan:				
Severance and benefits	3,448	(984)	(1,179)	1,285
Lease and related termination costs	—	2	(2)	—
Other costs[1]	86	637	(718)	5
	$ 3,534	$ (345)	$ (1,899)	1,290
Legacy Restructuring Plans:				
Severance and benefits	$ 299	$ 14	$ (124)	$ 189
Lease and related termination costs	52	—	(15)	37
Other costs[1]	73	(1)	(2)	70
	424	13	(141)	296
Total restructuring liability	$ 18,001	$ 14,760	$ (30,172)	$ 3,330

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

The following table summarizes the restructuring reserve activity during the six months ended July 3, 2016:

(In thousands)	January 3, 2016	Charges (Benefits)	Payments	July 3, 2016
	Six Months Ended			
Legacy Restructuring Plans:				
Severance and benefits	$ 395	$ 350	$ (157)	$ 588
Lease and related termination costs	743	(280)	(203)	260
Other costs[1]	685	143	(611)	217
Total restructuring liability	$ 1,823	$ 213	$ (971)	$ 1,065

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

Note 8. ***COMMITMENTS AND CONTINGENCIES***

Facility and Equipment Lease Commitments

The Company leases certain facilities under non-cancellable operating leases from unaffiliated third parties. As of July 2, 2017, future minimum lease payments for facilities under operating leases were $47.8 million, to be paid over the remaining contractual terms of up to 9 years. The Company also leases certain buildings, machinery and equipment under non-cancellable capital leases. As of July 2, 2017, future minimum lease payments for assets under capital leases were $4.3 million, to be paid over the remaining contractual terms of up to 7 years.

Purchase Commitments

The Company purchases raw materials for inventory and manufacturing equipment from a variety of vendors. During the normal course of business, in order to manage manufacturing lead times and help assure adequate supply, the Company enters into agreements with contract manufacturers and suppliers that either allow them to procure goods and services based on specifications defined by the Company, or that establish parameters defining the Company's requirements. In certain instances, these agreements allow the Company the option to cancel, reschedule or adjust the Company's requirements based on its business needs before firm orders are placed. Consequently, not all of the Company's disclosed purchase commitments arising from these agreements are firm, non-cancellable, and unconditional commitments.

The Company also has agreements with several suppliers, including some of its non-consolidated investees, for the procurement of polysilicon, ingots, wafers, and Solar Renewable Energy Credits, among others, which specify future quantities and pricing of products to be supplied by the vendors for periods up to 4 years and provide for certain consequences, such as forfeiture of advanced deposits and liquidated damages relating to previous purchases, in the event that the Company terminates the arrangements.

Future purchase obligations under non-cancellable purchase orders and long-term supply agreements as of July 2, 2017 are as follows:

(In thousands)	Fiscal 2017 (remaining six months)	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Thereafter	Total[12]
Future purchase obligations	$ 579,475	200,647	175,694	161,846	1,000	2,000	$ 1,120,662

[1] Total future purchase obligations were composed of $206.7 million related to non-cancellable purchase orders and $914.0 million related to long-term supply agreements.

[2] During fiscal 2016, the Company did not fulfill all of the purchase commitments it was otherwise obligated to take by December 31, 2016, as specified in related contracts with a supplier. As of July 2, 2017, the Company has recorded an offsetting asset, recorded within "Prepaid expenses and other current assets," and liability, recorded within "Accrued liabilities," totaling $32.0 million. This amount represents the unfulfilled amount as of that date as the Company expects to satisfy the obligation via purchases of inventory in fiscal 2017, within the applicable contractual cure period.

The Company expects that all obligations related to non-cancellable purchase orders for manufacturing equipment will be recovered through future cash flows of the solar cell manufacturing lines and solar panel assembly lines when such long-lived assets are placed in service. Factors considered important that could result in an impairment review include significant under-performance relative to expected historical or projected future operating results, significant changes in the manner of use of acquired assets, and significant negative industry or economic trends. Obligations related to non-cancellable purchase orders for inventories match current and forecasted sales orders that will consume these ordered materials and actual consumption of these ordered materials are compared to expected demand regularly. The Company anticipates total obligations related to long-term supply agreements for inventories, which in the case of polysilicon are at purchase prices significantly above current market prices for similar materials, will be recovered because quantities are less than management's expected demand for its solar power products over the next several years. The terms of the long-term supply agreements are reviewed by management and the Company assesses the need for any accruals for estimated losses on adverse purchase commitments, such as lower of cost or net realizable value adjustments that will not be recovered by future sales prices, forfeiture of advanced deposits and liquidated damages, as necessary.

Advances to Suppliers

As noted above, the Company has entered into agreements with various vendors, some of which are structured as "take or pay" contracts, that specify future quantities and pricing of products to be supplied. Certain agreements also provide for penalties or forfeiture of advanced deposits in the event the Company terminates the arrangements. Under certain agreements, the Company was required to make prepayments to the vendors over the terms of the arrangements. As of July 2, 2017 and January 1, 2017, advances to suppliers totaled $252.0 million and $284.8 million, respectively, of which $106.8 million and $111.5 million, respectively, is classified as short-term in the Company's Consolidated Balance Sheets. Two suppliers accounted for 95% and 5% of total advances to suppliers, respectively, as of July 2, 2017, and 90% and 10%, respectively, as of January 1, 2017.

Advances from Customers

The estimated utilization of advances from customers as of July 2, 2017 is as follows:

(In thousands)	Fiscal 2017 (remaining six months)	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Thereafter	Total
Estimated utilization of advances from customers	$ 10,388	37,531	37,288	30,385	—	—	$ 115,592

The Company has entered into other agreements with customers who have made advance payments for solar power products and systems. These advances will be applied as shipments of product occur or upon completion of certain project milestones. In November 2016, the Company and Total entered into a four-year, up to 200-MW supply agreement to support the solarization of Total facilities (see Note 2); in March 2017, the Company received a prepayment totaling $88.5 million. As of July 2, 2017, the Company had $85.7 million advance payments received from Total, of which $11.6 million was classified as short-term in the Company's Consolidated Balance Sheets, based on projected shipment dates.

Product Warranties

The following table summarizes accrued warranty activity for the three and six months ended July 2, 2017 and July 3, 2016, respectively:

	Three Months Ended		Six Months Ended	
(In thousands)	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
Balance at the beginning of the period	$ 168,113	$ 166,440	$ 161,209	$ 164,127
Accruals for warranties issued during the period	5,776	3,235	15,436	9,114
Settlements and adjustments during the period	(1,423)	(4,891)	(4,179)	(8,457)
Balance at the end of the period	$ 172,466	$ 164,784	$ 172,466	$ 164,784

Contingent Obligations

Project agreements entered into with the Company's Commercial and Power Plant customers often require the Company to undertake obligations including: (i) system output performance warranties; (ii) system maintenance; (iii) penalty payments or customer termination rights if the system the Company is constructing is not commissioned within specified timeframes or other milestones are not achieved; and (iv) system put-rights whereby the Company 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, the Company's systems have performed significantly above the performance warranty thresholds, and there have been no cases in which the Company has had to buy back a system.

Future Financing Commitments

The Company is required to provide certain funding under agreements with unconsolidated investees, subject to certain conditions (see Note 9). As of July 2, 2017, the Company has future financing obligations related to these agreements as follows:

(In thousands)	Amount
Year	
2017 (remaining six months)	$ 18,190
2018	13,066
	$ 31,256

Liabilities Associated with Uncertain Tax Positions

Total liabilities associated with uncertain tax positions were $32.5 million and $47.2 million as of July 2, 2017 and January 1, 2017, respectively. These amounts are included in "Other long-term liabilities" in the Company's Consolidated Balance Sheets in their respective periods as they are not expected to be paid within the next 12 months. Due to the complexity and uncertainty associated with its tax positions, the Company cannot make a reasonably reliable estimate of the period in which cash settlement, if any, would be made for its liabilities associated with uncertain tax positions in other long-term liabilities.

Indemnifications

The Company is a party to a variety of agreements under which it may be obligated to indemnify the counterparty with respect to certain matters. Typically, these obligations arise in connection with contracts and license agreements or the sale of assets, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of warranties, representations and covenants related to such matters as title to assets sold, negligent acts, damage to property, validity of certain intellectual property rights, non-infringement of third-party rights, and certain tax related matters including indemnification to customers under §48(c) solar commercial investment tax credit ("ITC") and U.S. Treasury Department ("Treasury Department") grant payments under Section 1603 of the American Recovery and Reinvestment Act (each a "Cash Grant"). In each of these circumstances, payment by the Company is typically subject to the other party making a claim to the Company that is contemplated by and valid under the indemnification provisions of the particular contract, which provisions are typically contract-specific, as well as bringing the claim under the procedures specified in the particular contract. These procedures usually allow the Company to challenge the other party's claims or, in case of breach of intellectual property representations or covenants, to control the defense or settlement of any third-party claims brought against the other party. Further, the Company's obligations under these agreements may be limited in terms of activity (typically to replace or correct the products or terminate the agreement with a refund to the other party), duration and/or amounts. In some instances, the Company may have recourse against third parties and/or insurance covering certain payments made by the Company.

In certain circumstances, the Company has provided indemnification to customers and investors under which the Company is contractually obligated to compensate these parties for losses they may suffer as a result of reductions in benefits received under ITC and Treasury Cash Grant programs. The Company applies for ITC and Cash Grant incentives based on guidance provided by the Internal Revenue Service ("IRS") and the Treasury Department, which include assumptions regarding the fair value of the qualified solar power systems, among others. Certain of the Company’s development agreements, sale-leaseback arrangements, and financing arrangements with tax equity investors, incorporate assumptions regarding the future level of incentives to be received, which in some instances may be claimed directly by the Company's customers and investors. Generally, such obligations would arise as a result of reductions to the value of the underlying solar power systems as assessed by the IRS. At each balance sheet date, the Company assesses and recognizes, when applicable, the potential exposure from these obligations based on all the information available at that time, including any audits undertaken by the IRS. The maximum potential future payments that the Company could have to make under this obligation would depend on the difference between the eligible basis claimed on the tax filing for the solar energy systems sold or transferred to indemnified parties and the values that the IRS may redetermine as the eligible basis for the systems for purposes of claiming ITCs or U.S. Treasury grants. The Company uses the eligible basis for tax filing purposes determined with the assistance of independent third-party appraisals to determine the ITCs that are passed-through to and claimed by the indemnified parties. Since the Company cannot determine future revisions to Treasury Department guidelines governing system values, how the IRS will evaluate system values used in claiming ITCs, or U.S. Treasury grants, or how its customers and investors have utilized or will utilize these benefits in their own filings, the Company is unable to reliably estimate the maximum potential future payments that it could have to make under the Company's contractual investor obligation as of each reporting date.

Defined Benefit Pension Plans

The Company maintains defined benefit pension plans for the majority of its non-U.S. employees. Benefits under these plans are generally based on an employee's years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances. The funded status of the pension plans, which represents the difference between the benefit obligation and fair value of plan assets, is calculated on a plan-by-plan basis. The benefit obligation and related funded status are determined using assumptions as of the end of each fiscal year. The Company recognizes the overfunded or underfunded status of its pension plans as an asset or liability on its Consolidated Balance Sheets. As of July 2, 2017 and January 1, 2017, the underfunded status of the Company's pension plans, presented in "Other long-term liabilities" on the Company's Consolidated Balance Sheets, was $3.9 million and $3.4 million, respectively. The impact of transition assets and obligations and actuarial gains and losses are recorded in "Accumulated other comprehensive loss", and are generally amortized as a component of net periodic cost over the average remaining service period of participating employees. Total other comprehensive gain related to the Company's benefit plans was zero for the three and six months ended July 2, 2017.

Legal Matters

Tax Benefit Indemnification Litigation

On March 19, 2014, a lawsuit was filed by NRG Solar LLC, now known as NRG Renew LLC ("NRG"), against SunPower Corporation, Systems, a wholly-owned subsidiary of the Company ("SunPower Systems"), in the Superior Court of Contra Costa County, California. The complaint asserts that, according to the indemnification provisions in the contract pertaining to SunPower Systems' sale of a large California solar project to NRG, SunPower Systems owes NRG $75.0 million in connection with certain benefits associated with the project that were approved by the Treasury Department for an amount that was less than expected. Additionally, SunPower Systems filed a cross-complaint against NRG seeking damages in excess of $7.5 million for breach of contract and related claims arising from NRG's failure to fulfill its obligations under the contract, including its obligation to take "reasonable, available steps" to engage the Treasury Department. In April 2017, SunPower Systems and NRG entered into a binding term sheet to resolve the matter by settlement and the Company consequently recorded a litigation accrual of $43.9 million in its April 2, 2017 financial statements related to this matter.

On June 27, 2017 (the "Effective Date"), SunPower Systems entered into a final settlement agreement (the "Settlement Agreement") with NRG to settle all claims, counterclaims, disputes and damages that have been asserted in connection with the events underlying the California litigation. Pursuant to the terms of the Settlement Agreement, SunPower Systems was required to pay NRG $10.0 million in cash (the "Initial Payment") within ten days of the Effective Date and will be required to pay $15.0 million in cash (the "Second Payment") on or before December 15, 2018. In addition, NRG is entitled to receive, at NRG's direction and at no cost to NRG, modules over the period between the Effective Date and December 31, 2019 (the "Settlement Period"). On June 29, 2017, the Company made the Initial Payment. On July 6, 2017, the court dismissed the case with prejudice.

Class Action and Derivative Suits

On August 16, 2016 and August 26, 2016, two securities class action lawsuits were filed against the Company and certain of its officers and directors (the "Defendants") in the United States District Court for the Northern District of California on behalf of a class consisting of those who acquired the Company's securities from February 17, 2016 through August 9, 2016 (the "Class Period"). The substantially identical complaints allege violations of Sections 10(b) and 20(a) of the Exchange Act,
15 U.S.C. §§78j(b) and 78t(a) and SEC Rule 10b-5, 17 C.F.R. §240.10b-5. The complaints were filed following the issuance of the Company's August 9, 2016 earnings release and revised guidance and generally allege that throughout the Class Period, Defendants made materially false and/or misleading statements and failed to disclose material adverse facts about the Company's business, operations, and prospects. On December 9, 2016, the court consolidated the cases and appointed a lead plaintiff. On March 31, 2017, the court granted the lead plaintiff's motion to withdraw as lead plaintiff. Two investor groups comprised of individual investors filed new motions to be appointed lead plaintiff, which are set for hearing on August 31, 2017. No operative complaint has been filed.

Four shareholder derivative actions have been filed in federal court, purporting to be brought on the Company's behalf against certain of the Company's current and former officers and directors based on the same events alleged in the securities class action lawsuits described above. The Company is named as a nominal defendant. The plaintiffs assert claims for alleged breaches of fiduciary duties, unjust enrichment, and waste of corporate assets for the period from February 2016 through the present and generally allege that the defendants made or caused the Company to make materially false and/or misleading statements and failed to disclose material adverse facts about the Company's business, operations, and prospects. The plaintiffs also claim that the alleged conduct is a breach of the Company's Code of Business Conduct and Ethics, and that defendants, including members of the Company's Audit Committee, breached their fiduciary duties by failing to ensure the adequacy of the Company's internal controls, and by causing or allowing the Company to disseminate false and misleading statements in the Company's SEC filings and other disclosures. The securities class action lawsuits and the federal derivative actions have all been related by the Court and assigned to one judge. The derivative cases are stayed pending the outcome of an anticipated motion to dismiss the not yet filed class action complaint.

Shareholder derivative actions purporting to be brought on the Company's behalf were brought in the Superior Court of California for the County of Santa Clara against certain of the Company's current and former officers and directors based on the same events alleged in the securities class action and federal derivative lawsuits described above, and alleging breaches of fiduciary duties. The state court cases are stayed pending the outcome of an anticipated motion to dismiss the not yet filed class action complaint.

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

Other Litigation

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

Note 9. *EQUITY METHOD INVESTMENTS*

As of July 2, 2017 and January 1, 2017, the Company's carrying value of its equity method investments totaled $(15.8) million and $(6.9) million, respectively, and is classified as "Other long-term assets" in its Consolidated Balance Sheets. These balances include the carrying value of the Company's investment in the 8point3 Group, which had a negative value of $78.8 million and $60.6 million as of July 2, 2017 and January 1, 2017, respectively (see below). The Company's share of its earnings (loss) from equity method investments is reflected as "Equity in earnings of unconsolidated investees" in its Consolidated Statements of Operations.

Equity Investment and Joint Venture with AUOSP

In fiscal 2010, the Company and AU Optronics Singapore Pte. Ltd. ("AUO") formed a joint venture, AUO SunPower Sdn. Bhd. ("AUOSP"). On September 29, 2016, the Company completed its acquisition of AUOSP pursuant to a stock purchase agreement, under which the Company acquired 100% of the voting equity interest in AUOSP (see Note 3 in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017), and AUOSP is now known as SunPower Solar Manufacturing Malaysia Sdn. Bhd. Prior to the acquisition, the Company and AUO each owned 50% of the equity in the former AUOSP, which is now a wholly-owned subsidiary of the Company. The former AUOSP owns a solar cell manufacturing facility in Malaysia and manufactures solar cells and, prior to the acquisition, sold them on a "cost-plus" basis to the Company and AUO. Prior to the acquisition, the Company accounted for its investment in AUOSP using the equity method as a result of the shared power arrangement. As a result of the acquisition, AUOSP became a consolidated subsidiary of the Company and the results of operations of AUOSP have been included in the Consolidated Statement of Operations of the Company since September 29, 2016.

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

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

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

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

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

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

Equity Investment in 8point3 Energy Partners

In June 2015, 8point3 Energy Partners, LP ("8point3"), a joint YieldCo vehicle formed by the Company and First Solar, Inc. ("First Solar" and, together with the Company, the "Sponsors") to own, operate and acquire solar energy generation assets, consummated its initial public offering ("IPO"). 8point3's Class A shares are now listed on the NASDAQ Global Select Market under the trading symbol "CAFD".

Immediately after the IPO, the Company contributed a portfolio of solar generation assets (the "SPWR Projects") to 8point3 Operating Company, LLC ("OpCo"), 8point3's primary operating subsidiary. In exchange for the SPWR Projects, the Company received cash proceeds of $371 million as well as equity interests in several 8point3 affiliated entities: primarily common and subordinated units representing a 40.7% stake in OpCo (since reduced to 36.5% via a secondary issuance of shares in fiscal 2016) and a 50.0% economic and management stake in 8point3 Holding Company, LLC ("Holdings"), the parent company of the general partner of 8point3 and the owner of incentive distribution rights ("IDRs") in OpCo. Holdings, OpCo, 8point3 and their respective subsidiaries are referred to herein as the "8point3 Group." Additionally, pursuant to a Right of First Offer Agreement between the Company and OpCo, the 8point3 Group has rights of first offer on interests in an additional portfolio of the Company's solar energy projects that are currently contracted or are expected to be contracted before being sold by the Company to other parties (the "ROFO Projects"). In connection with the IPO, the Company also entered into O&M, asset management and management services agreements with the 8point3 Group. The services the Company provides under these agreements are priced consistently with market rates for such services and the agreements are terminable by the 8point3 Group for convenience.

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

Future quarterly distributions from OpCo were subject to certain forbearance periods and are subject to certain subordination periods. During the forbearance period, the Sponsors agreed to forego any distributions declared on their common and subordinated units. The forbearance period ended during fiscal 2016 and the OpCo units held by the Company were entitled to distributions beginning in the fourth fiscal quarter of 2016. During the three and six months ended July 2, 2017, the Company received $7.4 million and $14.6 million, respectively, in dividend distributions from the 8point3 Group.

During the subordination period, holders of the subordinated units are not entitled to receive any distributions until the common units have received their minimum quarterly distribution plus any arrearages in the payment of minimum distributions from prior quarters. Approximately 70% of the Company's OpCo units are subject to subordination. The subordination period will end after OpCo has earned and paid minimum quarterly distributions for three years ending on or after August 31, 2018 and there are no outstanding arrearages on common units. Notwithstanding the foregoing, the subordination period could end after OpCo has earned and paid 150% of minimum quarterly distributions, plus the related distribution on the incentive distribution rights ("IDRs"), for one year ending on or after August 31, 2016 and there are no outstanding arrearages on common units. At the end of the subordination period, all subordinated units will convert to common units on a one-for-one basis. The Company also, through its interests in Holdings, holds IDRs in OpCo, which represent rights to incremental distributions after certain distribution thresholds are met.

In June 2015, OpCo entered into a $525.0 million senior secured credit facility, consisting of a $300.0 million term loan facility, a $25.0 million delayed draw term loan facility, and a $200.0 million revolving credit facility (the “8point3 Credit Facility”). Proceeds from the term loan were used to make initial distributions to the Sponsors. The 8point3 Credit Facility is secured by a pledge of the Sponsors’ equity interests in OpCo. On September 30, 2016, OpCo entered into an amendment and joinder agreement under its existing senior secured credit facility, pursuant to which OpCo obtained a new $250.0 million incremental term loan facility, increasing the maximum borrowing capacity under the credit facility to $775.0 million.

Under relevant guidance for leasing transactions, the Company treated the portion of the sale of the residential lease portfolio originally sold to the 8point3 Group in connection with the IPO transaction, composed of operating leases and unguaranteed sales-type lease residual values, as a borrowing and reflected the cash proceeds attributable to this portion of the residential lease portfolio as liabilities recorded within “Accrued liabilities” and “Other long-term liabilities” in the Consolidated Balance Sheets (see Note 4). As of July 2, 2017 and January 1, 2017, the operating leases and the unguaranteed sales-type lease residual values which were sold to the 8point3 Group had an aggregate carrying value of $72.9 million and $74.4 million, respectively, on the Company's Consolidated Balance Sheets.

During fiscal 2016, the Company sold several ROFO Projects to 8point3, including a noncontrolling interest in the 128 MW Henrietta utility-scale power plant in California (the "Henrietta Project") and controlling interests in the 60 MW Hooper utility-scale power plant in Colorado and several commercial projects. The Company accounted for these sales as partial sales of real estate and recognized revenue equal to total project costs when such projects reached their commercial operation date. No profit on these sales was recognized, as unconditional cash proceeds did not exceed total project costs, and such derecognition resulted in a net $50.3 million reduction in the carrying value of the Company’s investments in the 8point3 Group as of July 2, 2017. Some of the commercial projects have not yet reached their commercial operation date and therefore, the Company continues to record these projects on its Consolidated Balance Sheet as of July 2, 2017. The net cash proceeds from the sales of these projects to the 8point3 Group as well as related proceeds from tax equity investors were classified as operating cash inflows in the Consolidated Statement of Cash Flows. In addition to the treatment above with respect to the transactions with the 8point3 Group, the sale of the controlling interest in the Henrietta project in the third quarter of fiscal 2016 was accounted for as a partial sale of real estate pursuant to which the Company recognized revenue equal to the sales value.

As of July 2, 2017 and January 1, 2017, the Company's investment in the 8point3 Group had a negative carrying value of $78.8 million and $60.6 million, respectively, resulting from the continued deferral of profit recognition for projects sold to the 8point3 Group that included the sale or lease of real estate. The Company owns approximately 29 million shares in OpCo as well as exchange rights to convert these shares on a 1:1 basis to the publicly traded Class A shares of 8point3. Based on the closing stock price of Class A shares as of June 30, 2017, the final trading day prior to the end of the Company’s fiscal quarter, the Company’s investment in OpCo has an estimated market value of $429.5 million.

On April 5, 2017, the Company announced that it is evaluating strategic options for 8point3, following the announcement by First Solar that it had notified the board of directors of the partnership that it is reviewing alternatives for the sale of its interest in 8point3. Since the announcement on April 5, 2017, the Company received significant initial interest in the acquisition of its interest in the 8point3 Group or in the sale of the entire partnership, and thus has made the strategic decision not to actively seek a replacement partner for First Solar and to focus its efforts on divesting its equity interest in 8point3 Group, and join the sale process initiated by First Solar. While the Company believes both parties are committed to proceeding, this transaction is in the early stages, and no final decision on any particular alternative has yet been reached.

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

In March 2016, the Company entered into an agreement with Dongfang Electric Corporation and Tianjin Zhonghuan Semiconductor Co., Ltd. to form Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd., a jointly owned cell manufacturing facility to manufacture the Company's P-series modules in China. The joint venture is based in Yixing City in Jiangsu Province, China. In March 2016, the Company made an initial $9.2 million investment for a 15% equity ownership interest in the joint venture, which was accounted for under the cost method. In February 2017, the Company invested an additional $9.0 million which included an investment of $7.7 million and reinvested dividends of $1.3 million, bringing the Company's equity ownership to 20% of the joint venture. The Company has concluded that it is not the primary beneficiary of the joint venture since, although the Company is obligated to absorb losses and has the right to receive benefits, the Company alone does not have the power to direct the activities of the joint venture that most significantly impact its economic performance. The Company accounts for its investment in the joint venture using the equity method since the Company is able to exercise significant influence over the joint venture due to its board position.

Equity Investments in Project Entities

The Company has from time to time maintained noncontrolling interests in project entities, which may be accounted for as either cost or equity method investments depending on the magnitude of the Company's investment and whether the Company exercises significant influence over the investee. The Company's involvement in these entities primarily takes two forms: first, the Company may take a noncontrolling interest in an early-stage project and maintain that investment over the development cycle, often in situations in which the Company's products are also sold to the entity under separate agreements. Second, the Company may retain a noncontrolling interest in a development project after a controlling interest is sold to a third party. In either form, the Company may maintain its investment for all or part of the operational life of the project or may seek to subsequently dispose of its investment. As of July 2, 2017, the Company's investments in such projects have a carrying value of $44.9 million, of which $40.6 million is accounted for under the equity method and the remainder under the cost method. The majority of this balance relates to the Boulder Solar Project, which is a ROFO project that the Company plans to sell to the 8point3 Group. In the event the 8point3 Group waives its rights to acquire this project, the Company may sell them to third parties. As of January 1, 2017, the Company's investments in such projects have a carrying value of $45.5 million, of which $41.2 million is accounted for under the equity method and the remainder under the cost method.

Related-Party Transactions with Investees:

	As of	
(In thousands)	**July 2, 2017**	**January 1, 2017**
Accounts receivable	$ 698	$ 3,397
Other long-term assets	$ 768	$ 723
Accrued liabilities	$ 1,675	$ 3,665
Customer advances	$ 175	$ 57
Other long-term liabilities	$ 29,340	$ 29,370

	Three Months Ended		Six Months Ended	
(In thousands)	**July 2, 2017**	**July 3, 2016**	**July 2, 2017**	**July 3, 2016**
Payments made to investees for products/services	$ —	$ 115,879	$ —	$ 239,509
Revenues and fees received from investees for products/services[1]	$ 8,439	$ 17,404	$ 25,208	$ 132,049

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

Cost Method Investment in Tendril Networks, Inc.

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

In connection with the initial investment in Tendril, the Company also entered into commercial agreements with Tendril under a Master Services Agreement and related Statements of Work. Under these commercial agreements, Tendril will use up to $13.0 million of the Company's initial investment to develop, jointly with the Company, certain solar software solution products.

Note 10. *DEBT AND CREDIT SOURCES*

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

	July 2, 2017				January 1, 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	$ —	$ 418,094	$ 418,094	$ 425,000	$ —	$ 417,473	$ 417,473
0.875% debentures due 2021	400,000	—	397,409	397,409	400,000	—	397,079	397,079
0.75% debentures due 2018	300,000	299,235	—	299,235	300,000	—	298,926	298,926
IFC mortgage loan	—	—	—	—	17,500	17,121	—	17,121
CEDA loan	30,000	—	28,364	28,364	30,000	—	28,191	28,191
Non-recourse financing and other debt[1]	650,376	126,469	519,386	645,855	477,594	52,892	419,905	472,797
	$ 1,805,376	$ 425,704	$ 1,363,253	$ 1,788,957	$ 1,650,094	$ 70,013	$ 1,561,574	$ 1,631,587

[1] Other debt excludes payments related to capital leases, which are disclosed in Note 8.

As of July 2, 2017, the aggregate future contractual maturities of the Company's outstanding debt, at face value, were as follows:

(In thousands)	Fiscal 2017 (remaining six months)	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Thereafter	Total
Aggregate future maturities of outstanding debt	$ 118,245	314,759	21,889	20,915	422,311	907,257	$ 1,805,376

Convertible Debt

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

	July 2, 2017			January 1, 2017		
(In thousands)	Carrying Value	Face Value	Fair Value[1]	Carrying Value	Face Value	Fair Value[1]
Convertible debt:						
4.00% debentures due 2023	$ 418,094	$ 425,000	$ 373,775	$ 417,473	$ 425,000	$ 301,555
0.875% debentures due 2021	397,409	400,000	320,668	397,079	400,000	266,996
0.75% debentures due 2018	299,235	300,000	289,875	298,926	300,000	270,627
	$ 1,114,738	$ 1,125,000	$ 984,318	$ 1,113,478	$ 1,125,000	$ 839,178

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

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

4.00% Debentures Due 2023

In December 2015, the Company issued $425.0 million in principal amount of its 4.00% debentures due 2023. Interest is payable semi-annually, beginning on July 15, 2016. Holders may exercise their right to convert the debentures at any time into shares of the Company's common stock at an initial conversion price approximately equal to $30.53 per share, subject to adjustment in certain circumstances. If not earlier repurchased or converted, the 4.00% debentures due 2023 mature on January 15, 2023.

0.875% Debentures Due 2021

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

0.75% Debentures Due 2018

In May 2013, the Company issued $300.0 million in principal amount of its 0.75% debentures due 2018. Interest is payable semi-annually, beginning on December 1, 2013. Holders may exercise their right to convert the debentures at any time into shares of the Company's common stock at an initial conversion price approximately equal to $24.95 per share, subject to adjustment in certain circumstances. If not earlier repurchased or converted, the 0.75% debentures due 2018 mature on June 1, 2018.

Other Debt and Credit Sources

Mortgage Loan Agreement with IFC

In May 2010, the Company entered into a mortgage loan agreement with IFC. Under the loan agreement, the Company borrowed $75.0 million and was required to repay the amount borrowed starting two years after the date of borrowing, in 10 equal semi-annual installments. The Company was 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. The Company was able to prepay all or a part of the outstanding principal, subject to a 1% prepayment premium. The Company had pledged certain assets as collateral supporting its repayment obligations (see Note 4). As of July 2, 2017 and January 1, 2017, the Company had restricted cash and cash equivalents of zero and $9.2 million 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, the Company 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, the Company borrowed the proceeds of the $30.0 million aggregate principal amount of CEDA's tax-exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (the "Bonds") maturing April 1, 2031 under a loan agreement with CEDA. The Bonds mature on April 1, 2031, bear interest at a fixed rate of 8.50% through maturity, and include customary covenants and other restrictions on the Company.

Revolving Credit Facility with Credit Agricole

In July 2013, the Company entered into a revolving credit agreement with Credit Agricole Corporate and Investment Bank ("Credit Agricole"), as administrative agent, and certain financial institutions, under which the Company may borrow up to $250.0 million. On August 26, 2014, the Company 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, the Company 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, the Company entered into an Amended and Restated Revolving Credit Agreement (the “Restated Credit Agreement”) with Credit Agricole Corporate and Investment Bank, as administrative agent, and the other lenders party thereto, which amends and restates the Revolving Credit Agreement dated July 3, 2013, as amended, by and between the Company, the Administrative Agent and the other parties thereto, as amended to date.

The Restated Credit Agreement was entered into in connection with the Letter Agreement between the Company and Total S.A. dated May 8, 2017 (the "Letter Agreement"), which was entered into to facilitate the issuance by Total S.A. of one or more guaranties of the Company's payment obligations (the "Guaranties") of up to $100.0 million under the Restated Credit Agreement. The maturity date of the Letter Agreement is August 26, 2019.

The maturity date of the facility under the Restated Credit Agreement remains August 26, 2019 (the "Maturity Date"), and amounts borrowed under the facility may be repaid and reborrowed until the Maturity Date. Available borrowings under the Restated Credit Agreement 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 under the Letter Agreement.

The Restated Credit Agreement (a) removes the ability of the Company to request the issuance of performance and financial letters of credit, (b) removes certain covenants, including covenants related to a maximum leverage ratio and a minimum consolidated liquidity, (c) removes the negative pledge on certain assets of the Company, (d) removes certain domestic subsidiaries of the Company as guarantors, and (e) effects other revisions to the terms thereof. All collateral previously pledged to secure the Company's obligations to the lenders has been released.

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

As of July 2, 2017, the Company had no outstanding borrowings under the restated revolving credit facility. As of January 1, 2017, the Company had $4.7 million of outstanding borrowings under the revolving credit facility, all of which were related to letters of credit that were fully cash collateralized at the time.

August 2016 Letter of Credit Facility Agreement

In August 2016, the Company entered into a letter of credit facility with Banco Santander, S.A. which provides for the issuance, upon request by the Company, of letters of credit to support obligations of the Company in an aggregate amount not to exceed $85 million. As of July 2, 2017 and January 1, 2017, there were no letters of credit issued and outstanding under the facility with Banco Santander, S.A.

2016 Letter of Credit Facility Agreements

In June 2016, the Company entered into a Continuing Agreement for Standby Letters of Credit and Demand Guarantees with Deutsche Bank AG New York Branch and Deutsche Bank Trust Company Americas (the "2016 Non-Guaranteed LC Facility") which provides for the issuance, upon request by the Company, of letters of credit to support the Company's obligations in an aggregate amount not to exceed $50.0 million. The 2016 Non-Guaranteed LC Facility will terminate on June 29, 2018. As of July 2, 2017 and January 1, 2017, letters of credit issued and outstanding under the 2016 Non-Guaranteed LC Facility totaled $34.6 million and $45.8 million, respectively.

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

In June 2016, in connection with the 2016 Guaranteed LC Facilities, the Company entered into a transfer agreement to transfer to the 2016 Guaranteed LC Facilities all existing outstanding letters of credit issued under the Company's letter of credit facility agreement with Deutsche Bank AG New York Branch and Deutsche Bank Trust Company Americas, as administrative agent, and certain financial institutions, entered into in August 2011 and amended from time to time. In connection with the transfer of the existing outstanding letters of credit, the aggregate commitment amount under the August 2011 letter of credit facility was permanently reduced to zero on June 29, 2016. As of July 2, 2017 and January 1, 2017, letters of credit issued and outstanding under the 2016 Guaranteed LC Facilities totaled $197.0 million and $244.8 million, respectively.

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

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

As of July 2, 2017 and January 1, 2017, letters of credit issued and outstanding under the Deutsche Bank Trust facility totaled $1.4 million and $3.1 million, respectively, which were fully collateralized with restricted cash on the Consolidated Balance Sheets.

Revolving Credit Facility with Mizuho and Goldman Sachs

On May 4, 2016, the Company entered into a revolving credit facility (the “Construction Revolver”) with Mizuho Bank Ltd., as administrative agent, and Goldman Sachs Bank USA, under which the Company may borrow up to $200 million. The Construction Revolver also includes a $100 million accordion feature. Amounts borrowed under the facility may be repaid and reborrowed in support of the Company’s commercial and small-scale utility projects in the United States until the May 4, 2021 maturity date. The facility includes representations, covenants, and events of default customary for financing transactions of this type.

Borrowings under the Construction Revolver bear interest at the applicable LIBOR rate plus 1.50% for the first two years, with the final year at LIBOR plus 1.75%. All outstanding indebtedness under the facility may be voluntarily prepaid in whole or in part without premium or penalty (with certain limitations to partial repayments), other than customary breakage costs. The facility is secured by the assets of, and equity in, the various project companies to which the borrowings relate, but is otherwise non-recourse to the Company and its other affiliates.

As of July 2, 2017 and January 1, 2017, the aggregate carrying value of the Construction Revolver totaled $1.7 million and $10.5 million, respectively.

Non-recourse Financing and Other Debt

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

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

(In thousands)	Aggregate Carrying Value[1] July 2, 2017	January 1, 2017	Balance Sheet Classification
Residential Lease Program			
Bridge loans	$ 12,337	$ 6,718	Short-term debt and Long-term debt
Long-term loans	306,164	283,852	Short-term debt and Long-term debt
Financing arrangements with third parties	29,340	29,370	Other long-term liabilities
Tax equity partnership flip facilities	235,057	183,109	Redeemable non-controlling interests in subsidiaries and Non-controlling interests in subsidiaries
Power Plant and Commercial Projects			
Boulder I credit facility	28,775	28,775	Short-term debt and Long-term debt
El Pelicano credit facility	174,787	90,474	Short-term debt and Long-term debt
Gala credit facility	79,565	—	Short-term debt
Construction Revolver	1,679	10,469	Long-term debt
Arizona loan	7,554	7,649	Short-term debt and Long-term debt

[1] Based on the nature of the debt arrangements included in the table above, and the Company's intention to fully repay or transfer the obligations at their face values plus any applicable interest, the Company believes their carrying value materially approximates fair value, thus non-recurring fair value measurements have not been performed.

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

In fiscal 2016, the Company entered into bridge loans to finance solar power systems and leases under its residential lease program. The loans are repaid over terms ranging from two to seven years. Some loans may be prepaid without penalties at the Company's option at any time, while other loans may be prepaid, subject to a prepayment fee, after one year. During the three and six months ended July 2, 2017, the Company had net proceeds of $3.5 million and $5.6 million, respectively, in connection with these loans. During the three and six months ended July 3, 2016, the Company had net proceeds of $17.1 million and $34.1 million, respectively, in connection with these loans. As of July 2, 2017 and January 1, 2017, the aggregate carrying amount of these loans, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $12.3 million and $6.7 million, respectively.

The Company enters into long-term loans to finance solar power systems and leases under its residential lease program. The loans are repaid over their terms of between 17 and 18 years, and may be prepaid without penalty at the Company’s option beginning seven years after the original issuance of the loan. During the three and six months ended July 2, 2017, the Company had net proceeds of $4.8 million and $22.0 million, respectively, in connection with these loans. During the three and six months ended July 3, 2016, the Company had net proceeds (repayments) of $(1.1) million and $2.1 million, respectively, in connection with these loans. As of July 2, 2017, and January 1, 2017, the aggregate carrying amount of these loans, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $306.2 million and $283.9 million, respectively.

The Company has entered into multiple arrangements under which solar power systems are financed by third-party investors or customers, including by a legal sale of the underlying asset that is accounted for as a borrowing under relevant accounting guidelines as the requirements to recognize the transfer of the asset were not met. Under the terms of these arrangements, the third parties make an upfront payment to the Company, which the Company recognizes as a liability that will be reduced over the term of the arrangement as lease receivables and government incentives are received by the third party. As the liability is reduced, the Company makes a corresponding reduction in receivables. We use this approach to account for both operating and sales-type leases with our residential lease customers in our consolidated financial statements. During the three and six months ended July 3, 2016, the Company had net proceeds of $7.8 million and $14.9 million, respectively, in connection with these facilities. As of July 2, 2017 and January 1, 2017, the aggregate carrying amount of these facilities, presented in "Other long-term liabilities" on the Company's Consolidated Balance Sheets, was $29.3 million and $29.4 million, respectively (see Note 4).

The Company also enters into facilities with third-party tax equity investors under which the investors invest in a structure known as a partnership flip. The Company holds controlling interests in these less-than-wholly-owned entities and therefore fully consolidates these entities. The Company accounts for the portion of net assets in the consolidated entities attributable to the investors as noncontrolling interests in its consolidated financial statements. Noncontrolling interests in subsidiaries that are redeemable at the option of the noncontrolling interest holder are classified accordingly as redeemable, between liabilities and equity on the Company's Consolidated Balance Sheets. During the three and six months ended July 2, 2017, the Company had net contributions of $42.9 million and $88.2 million, respectively, under these facilities and attributed losses of $19.0 million and $36.3 million, respectively, to the non-controlling interests corresponding principally to certain assets, including tax credits, which were allocated to the non-controlling interests during the periods. During the three and six months ended July 3, 2016, the Company had net contributions of $31.5 million and $50.3 million, respectively, under these facilities and attributed losses of $20.2 million and $36.8 million, respectively, to the non-controlling interests corresponding principally to certain assets, including tax credits, that were allocated to the non-controlling interests during the periods. As of July 2, 2017 and January 1, 2017, the aggregate carrying amount of these facilities, presented in “Redeemable non-controlling interests in subsidiaries” and “Non-controlling interests in subsidiaries” on the Company’s Consolidated Balance Sheets, was $235.1 million and $183.1 million, respectively.

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

In fiscal 2017, the Company entered into a short-term credit facility to finance the 70 MW utility-scale Gala power plant project in Oregon. During the three and six months ended July 2, 2017, the Company had net proceeds of $54.0 million and $77.5 million, respectively, in connection with the facility. As of July 2, 2017, the aggregate carrying amount of this facility, presented in "Short-term debt" on the Company's Consolidated Balance Sheets, was $79.6 million.

In fiscal 2016, the Company entered into the Construction Revolver credit facility to support the construction of the Company’s commercial and small-scale utility projects in the United States. During the three and six months ended July 2, 2017, the Company had net proceeds (repayments) of $(3.0) million and $9.1 million, respectively, in connection with the facility. As of July 2, 2017, and January 1, 2017, the aggregate carrying amount of the Construction Revolver, presented in "Long-term debt" on the Company's Consolidated Balance Sheets, was $1.7 million and $10.5 million, respectively.

In fiscal 2016, the Company entered into a long-term credit facility to finance the 125 MW utility-scale Boulder power plant project in Nevada. As of July 2, 2017 and January 1, 2017, the aggregate carrying amount of this facility, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $28.8 million.

In fiscal 2016, the Company entered into a long-term credit facility to finance the 111 MW utility-scale El Pelicano power plant project in Chile. During the three and six months ended July 2, 2017, the Company had net proceeds of $46.9 million and $84.3 million, respectively, in connection with the facility. As of July 2, 2017 and January 1, 2017, the aggregate carrying amount of this facility, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $174.8 million and $90.5 million, respectively.

In fiscal 2013, the Company entered into a long-term loan agreement to finance a 5.4 MW utility and power plant operating in Arizona. As of both July 2, 2017 and January 1, 2017, the aggregate carrying amount under this loan, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $7.6 million.

Other debt is further composed of non-recourse project loans in EMEA, which are scheduled to mature through 2028.

See Note 5 for discussion of the Company’s sale-leaseback arrangements accounted for under the financing method.

Note 11. ***DERIVATIVE FINANCIAL INSTRUMENTS***

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

(In thousands)	Balance Sheet Classification	July 2, 2017	January 1, 2017
Assets:			
Derivatives designated as hedging instruments:			
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	$ 398	$ 1,711
		$ 398	$ 1,711
Derivatives not designated as hedging instruments:			
Foreign currency option contracts	Prepaid expenses and other current assets	$ 970	$ 1,076
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	1,369	2,015
Interest rate contracts	Other long-term assets	9,432	11,429
		$ 11,771	$ 14,520
Liabilities:			
Derivatives designated as hedging instruments:			
Foreign currency option contracts	Accrued liabilities	$ —	$ 71
Interest rate contracts	Other long-term liabilities	434	448
		$ 434	$ 519
Derivatives not designated as hedging instruments:			
Foreign currency option contracts	Accrued liabilities	$ 968	$ 15
Foreign currency forward exchange contracts	Accrued liabilities	934	1,937
Interest rate contracts	Other long-term liabilities	695	—
		$ 2,597	$ 1,952

	July 2, 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	$ 12,169	$ —	$ 12,169	$ 1,888	$ —	$ 10,281
Derivative liabilities	$ 3,031	$ —	$ 3,031	$ 1,888	$ —	$ 1,143

	January 1, 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	$ 16,231	$ —	$ 16,231	$ 1,694	$ —	$ 14,537
Derivative liabilities	$ 2,471	$ —	$ 2,471	$ 1,694	$ —	$ 777

The following table summarizes the pre-tax amount of unrealized gain or loss recognized in "Accumulated other comprehensive income" ("OCI") in "Stockholders' equity" in the Consolidated Balance Sheets:

	Three Months Ended		Six Months Ended	
(In thousands)	**July 2, 2017**	**July 3, 2016**	**July 2, 2017**	**July 3, 2016**
Derivatives designated as cash flow hedges:				
Gain (loss) in OCI at the beginning of the period	$ (59)	$ (803)	$ 1,203	$ 5,942
Unrealized gain (loss) recognized in OCI (effective portion)	511	(326)	(425)	(11)
Less: Loss (gain) reclassified from OCI to revenue (effective portion)	(527)	190	(853)	(6,870)
Net loss on derivatives	$ (16)	$ (136)	$ (1,278)	$ (6,881)
Loss in OCI at the end of the period	$ (75)	$ (939)	$ (75)	$ (939)

The following table summarizes the amount of gain or loss recognized in "Other, net" in the Consolidated Statements of Operations in the three and six months ended July 2, 2017 and July 3, 2016:

	Three Months Ended		Six Months Ended	
(In thousands)	**July 2, 2017**	**July 3, 2016**	**July 2, 2017**	**July 3, 2016**
Derivatives designated as cash flow hedges:				
Gain (loss) recognized in "Other, net" on derivatives (ineffective portion and amount excluded from effectiveness testing)	$ 71	$ (1,211)	$ 103	$ (1,671)
Derivatives not designated as hedging instruments:				
Gain (loss) recognized in "Other, net"	$ 328	$ (5,394)	$ (1,068)	$ (11,709)

Foreign Currency Exchange Risk

Designated Derivatives Hedging Cash Flow Exposure

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

As of July 2, 2017, the Company had designated outstanding cash flow hedge forward contracts with an aggregate notional value of $21.9 million. As of January 1, 2017, the Company had designated outstanding cash flow hedge option contracts with an aggregate notional value of $17.3 million. The Company designates either gross external or intercompany revenue up to its net economic exposure. These derivatives have a maturity of 12 months or less and consist of foreign currency option and forward contracts. The effective portion of these cash flow hedges is reclassified into revenue when third-party revenue is recognized in the Consolidated Statements of Operations.

Non-Designated Derivatives Hedging Transaction Exposure

Derivatives not designated as hedging instruments consist of forward and option contracts used to hedge re-measurement of foreign currency denominated monetary assets and liabilities primarily for intercompany transactions, receivables from customers, and payables to third parties. Changes in exchange rates between the Company's subsidiaries' functional currencies and the currencies in which these assets and liabilities are denominated can create fluctuations in the Company's reported consolidated financial position, results of operations and cash flows. As of July 2, 2017, to hedge balance sheet exposure, the Company held option contracts and forward contracts with an aggregate notional value of $1.6 million and $26.8 million, respectively. The maturity dates of these contracts range from July 2017 to September 2017. As of January 1, 2017, to hedge balance sheet exposure, the Company held option contracts and forward contracts with an aggregate notional value of $11.0 million and $42.9 million, respectively. The maturity dates of these contracts ranged from January 2017 to June 2017.

Interest Rate Risk

The Company also enters into interest rate swap agreements to reduce the impact of changes in interest rates on its project specific non-recourse floating rate debt. As of both July 2, 2017 and January 1, 2017, the Company had interest rate swap agreements designated as cash flow hedges with an aggregate notional value of $7.6 million, and interest rate swap agreements not designated as cash flow hedges with an aggregate notional value of $191.9 million and $170.3 million, respectively. These swap agreements allow the Company to effectively convert floating-rate payments into fixed rate payments periodically over the life of the agreements. These derivatives have a maturity of more than 12 months. The effective portion of these swap agreements designated as cash flow hedges is reclassified into interest expense when the hedged transactions are recognized in the Consolidated Statements of Operations. The Company analyzes its designated interest rate swaps quarterly to determine if the hedge transaction remains effective or ineffective. The Company may discontinue hedge accounting for interest rate swaps prospectively if certain criteria are no longer met, the interest rate swap is terminated or exercised, or if the Company elects to remove the cash flow hedge designation. If hedge accounting is discontinued, and the forecasted hedged transaction is considered possible to occur, the previously recognized gain or loss on the interest rate swaps will remain in accumulated other comprehensive loss and will be reclassified into earnings during the same period the forecasted hedged transaction affects earnings or is otherwise deemed improbable to occur. All changes in the fair value of non-designated interest rate swap agreements are recognized immediately in current period earnings.

Credit Risk

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

Note 12. *INCOME TAXES*

In the three and six months ended July 2, 2017, the Company's income tax provision of $2.4 million and $4.4 million, respectively, on a loss before income taxes and equity in earnings of unconsolidated investees of $115.9 million and $266.6 million, respectively, was primarily due to projected tax expense in profitable jurisdictions, whereas its income tax provision of $6.6 million and $9.8 million in the three and six months ended July 3, 2016 on a loss before income taxes and equity in earnings of unconsolidated investees of $93.9 million and $191.4 million, respectively, also included the recognition of U.S. prepaid income tax due to intercompany transactions in addition to projected tax expense in profitable jurisdictions.

For the reporting period ended July 2, 2017, in accordance with FASB guidance for interim reporting of income tax, the Company has computed its provision for income taxes based on a projected annual effective tax rate while excluding loss jurisdictions which cannot be benefited.

The Company adopted the guidance under ASU 2016-09 “Improvements to Employee Share-Based Payment Accounting” in the first quarter of fiscal 2017 and as a result, excess tax benefits from share-based award activity for the three and six months ended July 2, 2017 are reflected as a reduction of the provision for income taxes whereas they were previously recognized in equity. The Company did not recognize any tax benefit during the three and six months ended July 2, 2017 because the Company has forecasted a current year loss in the United States. The Company also early adopted the guidance under ASU 2016-16 “Intra-Entity Transfers of Assets Other than Inventory” in the first quarter of fiscal 2017 and as a result, tax effects of intercompany transactions are recognized when the transfers occur whereas they were previously deferred and amortized.

Note 13. ***NET INCOME (LOSS) PER SHARE***

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

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

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

	Three Months Ended		Six Months Ended	
(In thousands, except per share amounts)	**July 2, 2017**	**July 3, 2016**	**July 2, 2017**	**July 3, 2016**
Basic net loss per share:				
Numerator				
Net loss attributable to stockholders	$ (93,760)	$ (69,992)	$ (228,239)	$ (155,401)
Denominator				
Basic weighted-average common shares	139,448	138,084	139,175	137,644
Basic net loss per share	$ (0.67)	$ (0.51)	$ (1.64)	$ (1.13)
Diluted net loss per share:				
Numerator				
Net loss available to common stockholders	$ (93,760)	$ (69,992)	$ (228,239)	$ (155,401)
Denominator				
Dilutive weighted-average common shares	139,448	138,084	139,175	137,644
Diluted net loss per share	$ (0.67)	$ (0.51)	$ (1.64)	$ (1.13)

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

	Three Months Ended		Six Months Ended	
(In thousands)	**July 2, 2017[1]**	**July 3, 2016[1]**	**July 2, 2017[1]**	**July 3, 2016[1]**
Stock options	106	147	106	147
Restricted stock units	3,585	5,502	3,585	5,502
Upfront Warrants (held by Total)	—	5,338	—	5,853
4.00% debentures due 2023	13,922	13,922	13,922	13,922
0.75% debentures due 2018	12,026	12,026	12,026	12,026
0.875% debentures due 2021	8,203	8,203	8,203	8,203

[1] As a result of the net loss per share for the three and six months ended July 2, 2017 and July 3, 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.

Note 14. ***STOCK-BASED COMPENSATION***

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

(In thousands)	Three Months Ended July 2, 2017	Three Months Ended July 3, 2016	Six Months Ended July 2, 2017	Six Months Ended July 3, 2016
Cost of Residential revenue	$ 314	$ 1,652	$ 524	$ 2,479
Cost of Commercial revenue	293	745	542	1,397
Cost of Power Plant revenue	445	3,066	1,170	5,712
Research and development	1,036	2,966	2,564	5,998
Sales, general and administrative	6,518	8,046	11,181	17,409
Total stock-based compensation expense	$ 8,606	$ 16,475	$ 15,981	$ 32,995

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

(In thousands)	Three Months Ended July 2, 2017	Three Months Ended July 3, 2016	Six Months Ended July 2, 2017	Six Months Ended July 3, 2016
Restricted stock units	$ 9,675	$ 15,734	$ 16,911	$ 33,167
Change in stock-based compensation capitalized in inventory	(1,069)	741	(930)	(172)
Total stock-based compensation expense	$ 8,606	$ 16,475	$ 15,981	$ 32,995

Note 15. ***SEGMENT AND GEOGRAPHICAL INFORMATION***

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

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

Adjustments Made for Segment Purposes

8point3 Energy Partners

The Company includes adjustments related to the sales of projects contributed to 8point3 based on the difference between the fair market value of the consideration received and the net carrying value of the projects contributed, of which, a portion is deferred in proportion to the Company's retained equity interest in 8point3. Under U.S. GAAP ("GAAP"), these sales are recognized under either real estate, lease, or consolidation accounting guidance depending upon the nature of the individual asset contributed, with outcomes ranging from no, partial, or full profit recognition.

Utility and power plant projects

The Company includes adjustments related to the revenue recognition of certain utility and power plant projects based on percentage-of-completion accounting and, when relevant, the allocation of segment revenue and margin to the Company's project development efforts at the time of initial project sale. Under GAAP, such projects are accounted for under real estate accounting guidance, under which no separate allocation to the Company's project development efforts occurs and the amount of revenue and margin that is recognized may be limited in circumstances where the Company has certain forms of continuing involvement in the project. Over the life of each project, cumulative revenue and gross margin will eventually be equivalent under both the GAAP and segment treatments; however, revenue and gross margin will generally be recognized earlier under the Company's segment treatment. Within each project, the relationship between the adjustments to revenue and gross margins is generally consistent. However, as the Company may have multiple utility and power plant projects in differing stages of progress at any given time, the relationship in the aggregate will occasionally appear otherwise.

Sale of operating lease assets

The Company includes adjustments related to the revenue recognition on the sale of certain solar assets subject to an operating lease (or of solar assets that are leased by or intended to be leased by the third-party purchaser to another party) based on the net proceeds received from the purchaser. Under GAAP, these sales are accounted for as borrowing transactions in accordance with lease accounting guidance. Under such guidance, revenue and profit recognition is based on rental payments made by the end lessee, and the net proceeds from the purchaser are recorded as a non-recourse borrowing liability, with imputed interest expense recorded on the liability. This treatment continues until the Company has transferred the substantial risks of ownership, as defined by lease accounting guidance, to the purchaser, at which point the sale is recognized.

Sale-leaseback transactions

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

Stock-based compensation

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

Amortization of intangible assets

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

Non-cash interest expense

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

Restructuring expense

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

Arbitration ruling

On January 28, 2015, an arbitral tribunal of the International Court of Arbitration of the International Chamber of Commerce declared a binding partial award in the matter of an arbitration between First Philippine Electric Corporation (“FPEC”) and First Philippine Solar Corporation (“FPSC”) against SunPower Philippines Manufacturing, Ltd. (“SPML”), the Company’s wholly-owned subsidiary. The tribunal found SPML in breach of its obligations under its supply agreement with FPSC, and in breach of its joint venture agreement with FPEC. The second partial and final awards dated July 14, 2015 and September 30, 2015, respectively, reduced the estimated amounts to be paid to FPEC, and on July 22, 2016, SPML entered into a settlement with FPEC and FPSC and paid a total of $50.5 million in settlement of all claims between the parties. As a result, the Company recorded its best estimate of probable loss related to this case at the time of the initial ruling and updated the estimate as circumstances warranted. The Company excludes these amounts from its segment results.

IPO-related costs

The Company incurred legal, accounting, advisory, valuation, and other costs related to the IPO of 8point3, as well as modifications to or terminations of certain existing financing structures in preparation for the sale to 8point3. The Company excludes these costs from its segment results.

Cost of above-market polysilicon

As described in Note 8, the Company has entered in previous years into multiple long-term, fixed-price supply agreements to purchase polysilicon for periods of up to 10 years. The prices in these supply agreements, which incorporate a cash portion and a non-cash portion attributable to the amortization of prepayments made under the agreements, significantly exceed market prices. Additionally, in order to reduce inventory and improve working capital, the Company has periodically elected to sell polysilicon inventory in the marketplace at prices below the Company’s purchase price, thereby incurring a loss. Starting in the first quarter of fiscal 2017, the Company has excluded the impact of its above-market cost of polysilicon, including the effect of above-market polysilicon on product costs, losses incurred on sales of polysilicon to third parties, and inventory reserves and project asset impairments recorded as a result of above-market polysilicon, from its segment results.

Other

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

Segment and Geographical Information

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

	Three Months Ended July 2, 2017								
	Revenue			Gross margin					
Revenue and Gross margin by segment (in thousands, except percentages):	Residential	Commercial	Power Plant	Residential		Commercial		Power Plant	
As reviewed by CODM	$ 155,806	$ 105,829	$ 79,850	$ 31,578	20.3%	$ 7,535	7.1%	$ 2,555	3.2 %
8point3 Energy Partners	1,319	(1,470)	374	477		(891)		(456)	
Utility and power plant projects	—	(327)	(8)	—		(327)		(2,051)	
Sale-leaseback transactions	—	(3,927)	—	—		2,225		45	
Stock-based compensation	—	—	—	(314)		(293)		(445)	
Amortization of intangible assets	—	—	—	(870)		(672)		(1,025)	
Non-cash interest expense	—	—	—	(2)		(2)		(6)	
Cost of above-market polysilicon	—	—	—	(4,731)		(5,000)		(12,095)	
GAAP	$ 157,125	$ 100,105	$ 80,216	$ 26,138	16.6%	$ 2,575	2.6%	$ (13,478)	(16.8)%

	Three Months Ended July 3, 2016								
	Revenue			Gross margin					
Revenue and Gross margin by segment (in thousands, except percentages):	Residential	Commercial	Power Plant	Residential		Commercial		Power Plant	
As reviewed by CODM	$ 186,611	$ 110,492	$ 104,693	$ 45,868	24.6%	$ 14,504	13.1%	$ 8,121	7.8 %
8point3 Energy Partners	1,287	—	113	419		(179)		(30)	
Utility and power plant projects	—	—	40,085	—		—		(4,128)	
Sale of operating lease assets	(10,183)	—	—	(2,966)		—		—	
Sale-leaseback transactions	—	(12,646)	—	—		(2,988)		—	
Stock-based compensation	—	—	—	(1,652)		(745)		(3,067)	
Amortization of intangible assets	—	—	—	(576)		(608)		(346)	
Non-cash interest expense	—	—	—	(63)		(52)		(169)	
Cost of above-market polysilicon	—	—	—	(3,619)		(2,531)		(9,751)	
Arbitration ruling	—	—	—	1,345		922		3,585	
GAAP	$ 177,715	$ 97,846	$ 144,891	$ 38,756	21.8%	$ 8,323	8.5%	$ (5,785)	(4.0)%

	Six Months Ended July 2, 2017								
	Revenue			Gross margin					
Revenue and Gross margin by segment (in thousands, except percentages):	Residential	Commercial	Power Plant	Residential		Commercial		Power Plant	
As reviewed by CODM	$ 290,500	$ 239,800	$ 240,672	$ 52,128	17.9%	$ 12,417	5.2%	$ 4,986	2.1 %
8point3 Energy Partners	2,656	(4,137)	991	980		(2,584)		(455)	
Utility and power plant projects	—	(327)	23,772	—		(327)		(29,225)	
Sale-leaseback transactions	—	(26,968)	(30,437)	—		4,890		524	
Stock-based compensation	—	—	—	(524)		(542)		(1,170)	
Amortization of intangible assets	—	—	—	(2,084)		(1,508)		(1,542)	
Non-cash interest expense	—	—	—	(6)		(5)		(9)	
Cost of above-market polysilicon	—	—	—	(9,082)		(12,132)		(30,427)	
GAAP	$ 293,156	$ 208,368	$ 234,998	$ 41,412	14.1%	$ 209	0.1%	$ (57,318)	(24.4)%

	Six Months Ended July 3, 2016					
	Revenue			Gross margin		
Revenue and Gross margin by segment (in thousands, except	Residential	Commercial	Power Plant	Residential	Commercial	Power Plant

percentages):

As reviewed by CODM	$ 347,509	$ 162,733	$ 325,196	$ 86,886	25.0%	$ 24,375	15.0%	$ 28,968	8.9%
8point3 Energy Partners	2,599	—	13,975	904		(179)		4,127	
Utility and power plant projects	—	—	(13,453)	—		—		(7,685)	
Sale of operating lease assets	(20,586)	—	—	(6,078)		—		—	
Sale-leaseback transactions	—	(12,646)	—	—		(2,988)		—	
Stock-based compensation	—	—	—	(2,479)		(1,397)		(5,713)	
Amortization of intangible assets	—	—	—	(987)		(1,234)		(323)	
Non-cash interest expense	—	—	—	(134)		(91)		(378)	
Cost of above-market polysilicon	—	—	—	(7,054)		(4,070)		(17,491)	
Arbitration ruling	—	—	—	1,345		922		3,585	
GAAP	$ 329,522	$ 150,087	$ 325,718	$ 72,403	22.0%	$ 15,338	10.2%	$ 5,090	1.6%

(In thousands):	Three Months Ended July 2, 2017	Three Months Ended July 3, 2016	Six Months Ended July 2, 2017	Six Months Ended July 3, 2016
Adjusted EBITDA as reviewed by CODM				
Distributed Generation				
Residential	$ 44,874	$ 45,643	$ 86,812	$ 82,876
Commercial	3,004	7,020	7,293	8,661
Power Plant	4,006	9,310	4,072	21,454
Total Segment Adjusted EBITDA as reviewed by CODM	$ 51,884	$ 61,973	$ 98,177	$ 112,991
Reconciliation to Consolidated Statements of Loss				
8point3 Energy Partners	(2,458)	(18,039)	(10,559)	(28,758)
Utility and power plant projects	(2,378)	(4,128)	(29,552)	(7,685)
Sale of operating lease assets	—	(2,979)	—	(6,099)
Sale-leaseback transactions	173	(2,988)	2,015	(2,988)
Stock-based compensation	(8,606)	(16,475)	(15,981)	(32,995)
Amortization of intangible assets	(4,227)	(3,168)	(7,253)	(11,333)
Non-cash interest expense	(35)	(309)	(70)	(655)
Restructuring expense	(4,969)	(117)	(14,759)	(213)
Arbitration ruling	—	5,852	—	5,852
IPO-related costs	196	(35)	82	(35)
Cost of above-market polysilicon	(21,826)	(15,901)	(51,641)	(28,615)
Other	—	12	—	11
Equity in earnings of unconsolidated investees	(5,449)	(8,350)	(6,501)	(7,585)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(19,062)	(22,189)	(36,223)	(38,197)
Cash interest expense, net of interest income	(19,886)	(13,144)	(38,415)	(25,328)
Depreciation	(40,917)	(37,730)	(79,849)	(71,556)
Corporate and unallocated items	(38,358)	(16,168)	(76,050)	(48,167)
Loss before taxes and equity in earnings of unconsolidated investees	$ (115,918)	$ (93,883)	$ (266,579)	$ (191,355)

(As a percentage of total revenue):		Three Months Ended July 2, 2017	Three Months Ended July 3, 2016	Six Months Ended July 2, 2017	Six Months Ended July 3, 2016
Significant Customers:	**Business Segment**				
8point3 Energy Partners	Power Plant	*	*	*	14%
Customer C	Power Plant	*	19%	*	10%
AEP Renewables, LLC	Power Plant	*	n/a	14%	n/a

*denotes less than 10% during the period

(As a percentage of total revenue):	Three Months Ended July 2, 2017	Three Months Ended July 3, 2016	Six Months Ended July 2, 2017	Six Months Ended July 3, 2016
Revenue by geography:				
United States	72%	79%	80%	78%
Rest of World	28%	21%	20%	22%
	100%	100%	100%	100%

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

Cautionary Statement Regarding Forward-Looking Statements

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended January 1, 2017 filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that do not represent historical facts 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 Quarterly Report on Form 10-Q include, but are not limited to, our plans and expectations regarding future financial results, expected operating results, business strategies, projected costs and cost reduction, development of new products and improvements to our existing products, our manufacturing capacity and manufacturing costs, the adequacy of our agreements with our suppliers, our ability to monetize utility projects, competitive positions, management's plans and objectives for future operations, the sufficiency of our cash and our liquidity, our ability to obtain financing, our ability to comply with debt covenants or cure any defaults, our ability to repay our obligations as they com due (and in particular our 0.75% debentures due 2018), our ability to continue as a going concern, 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, and the likelihood of any impairment of project assets, long-lived assets, and investments. These forward-looking statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q and current expectations, forecasts and assumptions and involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks and uncertainties include a variety of factors, some of which are beyond our control. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, those discussed in the section titled "Risk Factors" included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended January 1, 2017, and our other filings with the Securities and Exchange Commission ("SEC"). These forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we are under no obligation to, and expressly disclaim any responsibility to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

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

Overview

SunPower 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, O&M services, and "Smart Energy" solutions. Our Smart Energy initiative is designed to add layers of intelligent control to homes, buildings and grids—all personalized through easy-to-use customer interfaces. Of all the solar cells commercially available to the mass market, we believe our solar cells have the highest conversion efficiency, a measurement of the amount of sunlight converted by the solar cell into electricity. For more information about our business, please refer to the section titled "Part I. Item 1. *Business*" in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017.

Segments Overview

We operate in three end-customer segments: (i) Residential Segment, (ii) Commercial Segment and (iii) Power Plant Segment. Our President and Chief Executive Officer, as the chief operating decision maker, reviews our business and manages resource allocations and measures performance of our activities among these three end-customer segments. The Residential and Commercial Segments combined are referred to as Distributed Generation. For more information about our business segments, see the section titled "Part I. Item 1. *Business*" in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017. For more segment information, see "Item 1. Financial Statements and Supplementary Data—Note 15. Segment Information" in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Unit of Power

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

Levelized Cost of Energy ("LCOE")

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

Customer Cost of Energy ("CCOE™")

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

Seasonal Trends

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

Fiscal Years

We have a 52-to-53-week fiscal year that ends on the Sunday closest to December 31. Accordingly, every fifth or sixth year will be a 53-week fiscal year. Both fiscal 2017 and 2016 are 52-week fiscal years. The second quarter of fiscal 2017 ended on July 2, 2017, while the second quarter of fiscal 2016 ended on July 3, 2016. The second quarters of fiscal 2017 and 2016 were both 13-week quarters.

Outlook

Demand

In fiscal 2016 we faced market challenges, primarily in our Power Plant Segment, which impacted our margins and prompted us to implement changes to our business in order to realign our downstream investments, optimize our supply chain, and reduce operating expenses. Our actions included the consolidation of our manufacturing operations in order to accelerate operating cost reductions and improve overall operating efficiency. Factors that impacted our margins included write-downs totaling $46.2 million on certain solar power development projects during 2016 because of adjustments to pricing assumptions, as well as charges totaling $58.2 million that were recorded in fiscal 2016 in connection with the contracted sale of raw material inventory to third parties as we sought to improve our working capital. In fiscal 2017, we are continuing to focus on projects that we expect will be profitable; however, market conditions can deteriorate after we have committed to projects. For example, shifts in the timing of demand and changes in the internal rate of return ("IRR") that our customers expect can significantly affect project sale prices. A pronounced increase in expected customer and investor IRR rates in light of market conditions may continue to drive lower overall project sale prices in fiscal 2017. For more information see "Part I. Item 1A. Risk Factors—Risks Related to Our Sales Channels—Our operating results are subject to significant fluctuations and are inherently unpredictable" in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017.

In the face of these near-term challenges, we remain focused on each of our three business segments as well as on continued investment in next-generation technology. We plan to continue to expand the footprint of our Equinox™ and Helix™ complete solutions in our Residential and Commercial businesses. We plan to continue to focus our Power Plant business development resources on a limited number of core markets, primarily in the Americas, where we believe we have a sustainable competitive advantage. Outside of these core markets, we will continue to focus our Power Plant business on the sale of our new Oasis® complete solution, incorporating Performance Series (P-Series) panel technology, to developers and EPC companies in global markets. We have used and expect to continue to use additional financing structures and sources of demand in order to maximize economic returns. For additional information on transactions with 8point3 Energy Partners and associated revenue recognition, see "Item 1. Financial Statements and Supplementary Data—Note 9. Equity Method Investments—*Equity Investment in 8point3 Energy Partners*" in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

In late fiscal 2015, the U.S. government enacted a budget bill that extended the solar commercial investment tax credit (the “Commercial ITC”) under Section 48(c) of the Internal Revenue Code of 1986 (the “IRC”) and the individual solar investment tax credit under Section 25D of the IRC (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%. We also saw other recent developments that contributed to a favorable policy environment, including (i) a significant focus on reducing world-wide carbon emissions through such events as the COP21 sustainable innovation forum held in Paris and the announcement of the Clean Power Plan in the United States, and (ii) domestic policy measures such as the extension of bonus depreciation and the approval of California Net Metering. We believe these factors will strengthen long-term demand for our products in all three business segments in U.S. and global markets and provide us an opportunity to expand our suite of energy solutions. However, in the near term, the extension of the ITC has had adverse impacts on our business, as it has reduced the pressure for commercial or residential customers to make purchases before the end of 2016, which was the time when the ITC had previously been set to expire, and instead has pushed demand from these customers into future periods that may now extend through 2021. In addition, the new administration and Congress have expressed interest in comprehensive reform of the U.S. tax code, which could result 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" in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017. For more information about how we avail ourselves of the benefits of public policies and the risks related to public policies, please see the risk factors set forth under the caption "Part I. Item 1A. Risk Factors—Risks Related to Our Sales Channels" in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017, 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."

Supply

We are focused on delivering complete solutions to customers in all three of our business segments. As part of our complete solution approach, we launched our SunPower® Helix™ product for our Commercial Segment during fiscal 2015 and our SunPower® Equinox™ product for our Residential Segment during fiscal 2016. The Equinox and Helix systems are pre-engineered modular solutions for residential and commercial applications, respectively, that combine our high-efficiency solar module technology with integrated plug-and-play power stations, cable management systems, and mounting hardware that enable our customers to quickly and easily complete system installations and manage their energy production. Our Equinox systems utilize our latest X-Series cell and ACPV technology for residential applications, where we are also expanding our initiatives on storage and Smart Energy solutions. During fiscal 2016 we also launched our new generation technology for our existing Oasis modular solar power blocks for power plant applications. With the addition of these modular solutions in our residential and commercial applications, we are able to provide complete solutions across all end-customer segments. Additionally, we continue to focus on producing our new lower cost, high efficiency Performance Series product line, which will enhance our ability to rapidly expand our global footprint with minimal capital cost.

We continue to see significant and increasing opportunities in technologies and capabilities adjacent to our core product offerings that can significantly reduce our customers' CCOE, including the integration of energy storage and energy management functionality into our systems, and have made investments to realize those opportunities, including our investment in a data-driven Energy Services Management Platform from Tendril Networks, Inc., and our strategic partnership with EnerNOC to deploy their Software as a Service energy intelligence software solution to our commercial and power plant customers, 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 are developing next generation microinverter technology and 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 also continue to work on making combined solar and distributed energy storage solutions broadly commercially available to certain customers in the United States through our agreement to offer Sunverge SIS energy solutions comprising batteries, power electronics, and multiple energy inputs controlled by software in the cloud.

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, have reached production panel efficiencies over 24%, and have started up our high-volume Performance Series production lines in Mexico.

We plan to reduce our overall solar cell manufacturing output to match profitable demand levels, with increasing bias toward our highest efficiency X-Series product platform, which utilizes our latest solar cell technology, and our Performance Series product, which utilizes conventional cell technology that we purchase from third parties in low-cost supply chain ecosystems such as China. We recently 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 expect to reduce our back-contact panel assembly capacity while ramping production of our new Performance Series technology.

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

We also work with our suppliers and partners to ensure the reliability of our supply chain. We have contracted with some of our suppliers for multi-year supply agreements, under which we have annual minimum purchase obligations. For more information about our purchase commitments and obligations, see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations" and "Item 1. Financial Statements and Supplementary Data—Note 8. Commitments and Contingencies" in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

We currently believe our supplier relationships and various short- and long-term contracts will afford us the volume of material and services required to meet our planned output; however, we face the risk that the pricing of our long-term contracts may exceed market value. We purchase our polysilicon under fixed-price long-term supply agreements; purchases in fiscal 2016 under these agreements significantly exceeded market value, which may result in inventory write-downs based on expected net realizable value, and the volume contracted to be purchased in fiscal 2017 exceeds our planned utilization, which may result in higher inventory balances until we are able to fully utilize the polysilicon inventory in future periods. We have also elected to sell polysilicon inventory in excess of short-term needs to third parties at a loss, and may enter into further similar transactions in future periods. For more information about these risks, please see "—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 "—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" under "Part 1. Item 1A. Risk Factors—Risks Related to Our Supply Chain" in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017.

Projects Under Contract

The table below presents significant construction and development projects under contract as of July 2, 2017:

Project	Location	Size (MW)	Third-Party Owner / Purchaser(s)	Power Purchase Agreement(s)	Expected Substantial Completion of Project[1]
Iberdrola Gala Solar Project	Oregon, USA	71	Avangrid Renewables, LLC	Customer C	2017

[1]Expected completion of revenue recognition assumes completion of construction in the stated fiscal year.

As of July 2, 2017, an aggregate of approximately $121.3 million of remaining revenue is expected to be recognized on projects reflected in the table above through the expected completion dates noted. Projects will be removed from the table above in the period in which substantially all of the revenue for such project has been recognized.

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

The table below presents significant construction and development projects with executed PPAs, but not sold or under contract as of July 2, 2017:

Project	Location	Size (MW)	Power Purchase Agreement(s)	Expected Substantial Completion of Project[1]
Ticul Solar Projects	Mexico	399	Comision Federal Electricidad	2018
Border Solar Project	Mexico	192	Comision Federal Electricidad	2018
Guajiro Solar Project	Mexico	117	Comision Federal Electricidad	2018
El Pelicano Solar Project	Chile	111	Empresa de Transporte de Pasajeros Metro S.A.	2017

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

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

Results of Operations

Revenue

	Three Months Ended			Six Months Ended		
(In thousands)	**July 2, 2017**	**July 3, 2016**	**% Change**	**July 2, 2017**	**July 3, 2016**	**% Change**
Distributed Generation						
Residential	$ 157,125	$ 177,715	(12)%	$ 293,156	$ 329,522	(11)%
Commercial	100,105	97,846	2%	208,368	150,087	39%
Power Plant	80,216	144,891	(45)%	234,998	325,718	(28)%
Total revenue	$ 337,446	$ 420,452	(20)%	$ 736,522	$ 805,327	(9)%

Total Revenue: Our total revenue decreased by 20% and 9% during the three and six months ended July 2, 2017, as compared to three and six months ended July 3, 2016, respectively, primarily due to a decline in the revenue recognized in our Power Plant Segment as we shift away from global power plant development and number of large-scale solar power projects in our project pipeline has decreased. Also contributing to the decrease in overall revenue is the decline in sales of solar power components and systems to our residential customers in North America in our Residential Segment, partially offset by stronger sales of solar power systems and components to customers in our Commercial Segment, particularly in North America.

Concentrations: The Power Plant Segment as a percentage of total revenue recognized was approximately 24% and 32% during the three and six months ended July 2, 2017, as compared to 34% and 40% during the three and six months ended July 3, 2016, respectively. The revenue for the Power Plant Segment as a percentage of total revenue recognized has decreased as we have shifted our focus away from global power plant development and the number of large-scale solar power projects in our project pipeline has decreased, and because we simultaneously experienced an overall increase in sales of solar power systems and components in our Commercial Segment during the three and six months ended July 2, 2017.

As Power Plant revenue declined and total Commercial revenue increased, but remained less than total revenue from our Residential Segment, the Residential Segment as a percentage of total revenue recognized was approximately 47% and 40% during the three and six months ended July 2, 2017, respectively, as compared to 42% and 41% during the three and six months ended July 3, 2016, respectively.

The table below represents our significant customers that accounted for greater than 10 percent of total revenue in each of the three and six months ended July 2, 2017 and July 3, 2016.

		Three Months Ended		Six Months Ended	
Revenue		**July 2, 2017**	**July 3, 2016**	**July 2, 2017**	**July 3, 2016**
Significant Customers:	**Business Segment**				
8point3 Energy Partners	Power Plant	*	*	*	14%
AEP Renewables, LLC	Power Plant	*	n/a	14%	n/a
Customer C	Power Plant	*	19%	*	10%

* denotes less than 10% during the period

Residential Revenue: Residential revenue decreased 12% and 11% during the three and six months ended July 2, 2017 as compared to the three and six months ended July 3, 2016, respectively, primarily due to a decline in the sales of solar power components and systems to our residential customers in North America as well as a decrease in the proportion of capital leases placed in service relative to total leases placed in service under our residential leasing program within the United States.

Commercial Revenue: Commercial revenue increased 2% and 39% during the three and six months ended July 2, 2017 as compared to the three and six months ended July 3, 2016, respectively, primarily because of stronger sales of commercial systems in North America.

Power Plant Revenue: Power Plant revenue decreased 45% and 28% during the three and six months ended July 2, 2017 as compared to the three and six months ended July 3, 2016, respectively, primarily due to the substantial completion of certain large-scale solar power projects and the associated revenue recognition late in fiscal 2016 and an overall decrease in the number of large-scale solar power projects in our pipeline on which we recognized revenue in the first half of fiscal 2017 as we shift away from global power plant development.

Cost of Revenue

	Three Months Ended			Six Months Ended		
(In thousands)	**July 2, 2017**	**July 3, 2016**	**% Change**	**July 2, 2017**	**July 3, 2016**	**% Change**
Distributed Generation						
Residential	$ 130,987	$ 138,959	(6)%	$ 251,744	$ 257,119	(2)%
Commercial	97,530	89,523	9%	208,159	134,749	54%
Power Plant	93,694	150,676	(38)%	292,316	320,628	(9)%
Total cost of revenue	$ 322,211	$ 379,158	(15)%	$ 752,219	$ 712,496	6%
Total cost of revenue as a percentage of revenue	95%	90%		102 %	88%	
Total gross margin percentage	5%	10%		(2)%	12%	

Total Cost of Revenue: Our total cost of revenue decreased 15% during the three months ended July 2, 2017 as compared to the three months ended July 3, 2016 primarily as a result of the decrease in the recognition of revenue and corresponding costs of solar power systems sold to Power Plant and Residential customers, partially offset by increases to cost of revenue from charges totaling $4.5 million recorded in connection with the contracted sale of raw material inventory to third parties as well as $9.2 million in inventory write-downs and additional write-downs totaling $2.0 million on certain solar power development projects in the second quarter of fiscal 2017, both of 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 $4.1 million of inventory write-downs as a result of higher manufacturing costs as well as pre-operating costs associated with the ramp of our Performance Series product.

Our total cost of revenue increased 6% during the six months ended July 2, 2017 as compared to the six months ended July 3, 2016 primarily as a result of the charge recorded in the first quarter of fiscal 2017 in connection with a legal accrual related to NRG, as described in "Item1. Financial Statements and Supplementary Data—Note 8. Commitments and Contingencies—Legal Matters," in addition to $28.1 million in inventory write-downs and additional write-downs totaling $5.8 million on certain solar power development projects in the first half of fiscal 2017, both of which were the result of our above-market cost of polysilicon and lower expected selling prices of our projects, in addition to charges totaling $6.3 million recorded in connection with the contracted sale of raw material inventory to third parties. We also experienced an increase to cost of revenue due to $4.1 million of inventory write-downs as a result of higher manufacturing costs as well as pre-operating costs associated with the ramp of our Performance Series product.

Gross Margin

	Three Months Ended			Six Months Ended		
	July 2, 2017	**July 3, 2016**	**% Change**	**July 2, 2017**	**July 3, 2016**	**% Change**
Distributed Generation						
Residential	17%	22%	(5)%	14%	22%	(8)%
Commercial	3%	9%	(6)%	—%	10%	(10)%
Power Plant	(17)%	(4)%	(13)%	(24)%	2%	(26)%

Residential Gross Margin: Gross margin for our Residential Segment decreased 5 and 8 percentage points during the three and six months ended July 2, 2017 as compared to the three and six months ended July 3, 2016, respectively, primarily as a result of declining average selling prices in North America and Japan.

Commercial Gross Margin: Gross margin for our Commercial Segment decreased 6 and 10 percentage points during the three and six months ended July 2, 2017 as compared to the three and six months ended July 3, 2016, respectively, because of declining margins on sales of solar power projects primarily because 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 customers in light of market conditions as well as $4.0 million in inventory write-downs during the first half of fiscal 2017 as a result of our above-market cost of polysilicon and the lower expected selling prices of our projects.

Power Plant Gross Margin: Gross margin for our Power Plant Segment decreased 13 and 26 percentage points during the three and six months ended July 2, 2017 as compared to the three and six months ended July 3, 2016, respectively, 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, which led to $24.1 million in inventory write-downs and additional write-downs totaling $5.8 million on certain solar power development projects in the first half of fiscal 2017 as a result of our above-market cost of polysilicon and lower expected selling prices of our projects, in addition to $4.1 million of inventory write-downs as a result of higher manufacturing costs as well as pre-operating costs associated with the ramp of our Performance 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 accrual related to NRG, as described in "Item1. Financial Statements and Supplementary Data—Note 8. Commitments and Contingencies—Legal Matters."

Research and Development ("R&D")

	Three Months Ended			Six Months Ended		
(In thousands)	**July 2, 2017**	**July 3, 2016**	**% Change**	**July 2, 2017**	**July 3, 2016**	**% Change**
R&D	$ 19,754	$ 31,411	(37)%	$ 40,269	$ 64,117	(37)%
As a percentage of revenue	6%	7%		5%	8%	

R&D expense decreased $11.7 million and $23.8 million, during the three and six months ended July 2, 2017 as compared to the three and six months ended July 3, 2016, respectively, 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")

	Three Months Ended			Six Months Ended		
(In thousands)	**July 2, 2017**	**July 3, 2016**	**% Change**	**July 2, 2017**	**July 3, 2016**	**% Change**
SG&A	$ 68,703	$ 84,683	(19)%	$ 136,106	$ 182,474	(25)%
As a percentage of revenue	20%	20%		18%	23%	

SG&A expense decreased $16.0 million and $46.4 million, during the three and six months ended July 2, 2017 as compared to the three and six months ended July 3, 2016, respectively, primarily due to decreased marketing activity in North America and through digital media, a reduction in legal costs due to the settlement of certain legal proceedings, a reduction in both cash and non-cash compensation expenses, and a decrease in other non-cash charges.

Restructuring Charges

	Three Months Ended			Six Months Ended		
(In thousands)	**July 2, 2017**	**July 3, 2016**	**% Change**	**July 2, 2017**	**July 3, 2016**	**% Change**
Restructuring charges	$ 4,969	$ 117	4,147%	$ 14,759	$ 213	6,829%
As a percentage of revenue	1%	—%		2%	—%	

Restructuring charges increased $4.9 million and $14.5 million during the three and six months ended July 2, 2017 as compared to the three and six months ended July 3, 2016, respectively, primarily because we incurred severance, legal, advisory, and other expenses related to our December 2016 restructuring plan. See "Item 1. Financial Statements and Supplementary Data—Note 7. Restructuring" for further information regarding our restructuring plans.

Other Income (Expense), Net

	Three Months Ended			Six Months Ended		
(In thousands)	**July 2, 2017**	**July 3, 2016**	**% Change**	**July 2, 2017**	**July 3, 2016**	**% Change**
Interest income	$ 387	$ 806	(52)%	$ 1,325	$ 1,503	(12)%
Interest expense	(22,370)	(13,950)	60%	(43,139)	(26,831)	61%
Other, net	(15,744)	(5,822)	170%	(17,934)	(12,054)	49%
Other expense, net	$ (37,727)	$ (18,966)	99%	$ (59,748)	$ (37,382)	60%
As a percentage of revenue	(11)%	(5)%		(8)%	(5)%	

Other expense, net increased $18.8 million and $22.4 million, in the three and six months ended July 2, 2017 as compared to the three and six months ended July 3, 2016, respectively, primarily driven by an $8.6 million write-down of one of our equity method investments, as well as unfavorable changes in the fair value of foreign currency derivatives, an increase in cash interest expense, primarily related to our residential lease business, an increase in non-cash interest expense, and an increase in other net expenses.

Income Taxes

(In thousands)	Three Months Ended July 2, 2017	Three Months Ended July 3, 2016	% Change	Six Months Ended July 2, 2017	Six Months Ended July 3, 2016	% Change
Provision for income taxes	$ (2,353)	$ (6,648)	(65)%	$ (4,384)	$ (9,829)	(55)%
As a percentage of revenue	(1)%	(2)%		(1)%	(1)%	

In the three and six months ended July 2, 2017, our income tax provision of $2.4 million and $4.4 million on a loss before income taxes and equity in earnings of unconsolidated investees of $115.9 million and $266.6 million, respectively, was primarily due to projected tax expense in profitable jurisdictions, whereas our income tax provision of $6.6 million and $9.8 million in the three and six months ended July 3, 2016 on a loss before income taxes and equity in earnings of unconsolidated investees of $93.9 million and $191.4 million, respectively, also included the recognition of U.S. prepaid income tax due to intercompany transactions in addition to projected tax expense in profitable jurisdictions. For the reporting period ended July 2, 2017, in accordance with FASB guidance for interim reporting of income tax, we have computed our provision for income taxes based on a projected annual effective tax rate while excluding loss jurisdictions which cannot be benefited.

We adopted the guidance under ASU 2016-09 “Improvements to Employee Share-Based Payment Accounting” in the first quarter of fiscal 2017 and as a result, excess tax benefits from share-based award activity for the three and six months ended July 2, 2017 are reflected as a reduction of the provision for income taxes whereas previously they were recognized in equity. We also early adopted the guidance under ASU 2016-16 “Intra-Entity Transfers of Assets Other than Inventory” in the first quarter of fiscal 2017 and as a result, tax effects of intercompany transactions are recognized when the transfers occur whereas they were previously deferred and amortized. For additional information related to the adoption of the updated accounting guidance, see "Item 1. Financial Statements and Supplementary Data—Note 1. The Company and Summary of Significant Accounting Policies" in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

A material amount of our total revenue is generated from customers located outside of the United States, and a substantial portion of our assets and employees are located outside of the United States. U.S. income taxes and foreign withholding taxes have not been provided on the undistributed earnings of our non-U.S. subsidiaries as such earnings are intended to be indefinitely reinvested in operations outside the United States to the extent that such earnings have not been currently or previously subjected to taxation of the United States.

We record a valuation allowance to reduce our deferred tax assets in the U.S., France, 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. As of July 2, 2017, we believe there is insufficient evidence to realize additional deferred tax assets other than U.S. net operating losses that can be carried back for a refund on prior year tax returns.

Equity in Earnings (loss) of Unconsolidated Investees

(In thousands)	Three Months Ended July 2, 2017	Three Months Ended July 3, 2016	% Change	Six Months Ended July 2, 2017	Six Months Ended July 3, 2016	% Change
Equity in earnings of unconsolidated investees	$ 5,449	$ 8,350	(35)%	$ 6,501	$ 7,586	(14)%
As a percentage of revenue	2%	2%		1%	1%	

In the three and six months ended July 2, 2017 and July 3, 2016, our equity in earnings of unconsolidated investees decreased by net earnings of $2.9 million and $1.1 million, respectively, primarily due to the absence of our share of equity in earnings of unconsolidated investees during fiscal 2017 that was included in fiscal 2016 from our then equity method investment in AUOSP, which we acquired and subsequently consolidated late in the third quarter of fiscal 2016 (see "Item 1. Financial Statements and Supplementary Data—Note 9. Equity Method Investments"). The decrease in net earnings was also due to a decrease in our share of the equity in earnings generated by the activities the 8point3 Group during the second quarter of fiscal 2017 but was partially offset by a decrease in our share of the equity in loss of unconsolidated investees from our investment in CCPV during the first half of fiscal 2017.

Net Loss

	Three Months Ended			Six Months Ended		
(In thousands)	**July 2, 2017**	**July 3, 2016**	**% Change**	**July 2, 2017**	**July 3, 2016**	**% Change**
Net loss	$ (112,822)	$ (92,181)	22%	$ (264,462)	$ (193,598)	37%

Net loss increased by $20.6 million in the three months ended July 2, 2017 as compared to the three months ended July 3, 2016. The increase in net loss was primarily driven by: (i) a decrease in gross margin of $26.1 million 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, which led to $9.2 million in inventory write-downs and additional write-downs totaling $2.0 million on certain solar power development projects during the second quarter of fiscal 2017, both of which were the result of our above-market cost of polysilicon and lower expected selling prices of our projects, in addition to charges totaling $4.5 million recorded in connection with the contracted sale of raw material inventory to third parties and $4.1 million of inventory write-downs as a result of higher manufacturing costs as well as pre-operating costs associated with the ramp of our Performance Series product; the decrease in gross margin was also a result of declines in the margins of our Residential and Commercial Segments due to lower average selling prices in some markets; (ii) a $18.8 million increase in other expense, net primarily driven by an $8.6 million write-down of one of our equity method investments, as well as unfavorable changes in the fair value of foreign currency derivatives, an increase in cash interest expense, primarily related to our residential lease business, an increase in non-cash interest expense, and an increase in other net expenses; (iii) a $4.9 million increase in restructuring expense primarily because we incurred severance, legal, advisory, and other expenses related to our December 2016 restructuring plan; and (iv) a $2.9 million decrease in our equity in earnings of unconsolidated investees primarily due to the absence of our share of equity in earnings of unconsolidated investees during fiscal 2017 that was included in fiscal 2016 from our then equity method investment in AUOSP, which we acquired and subsequently consolidated late in the third quarter of fiscal 2016. The increase in net loss was partially offset by: (i) a $16.0 million decrease in SG&A expense due to decreased marketing activity in North America and through digital media, a reduction in legal costs due to the settlement of certain legal proceedings, a reduction in both cash and non-cash compensation expenses, and a decrease in other non-cash charges; (ii) a $11.7 million decrease in R&D expense 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; and (iii) a $4.3 million decrease in provision for income taxes primarily due to a decrease in projected tax expense in profitable jurisdictions and the absence of recognition of U.S. prepaid income tax due to intercompany transactions.

Net loss increased by $70.9 million in the six months ended July 2, 2017 as compared to the six months ended July 3, 2016. The increase in net loss was primarily driven by: (i) a decrease in gross margin of $108.5 million primarily due to the charge to cost of revenue which we recorded in the first quarter of fiscal 2017 in connection with a legal accrual related to NRG and also 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, which led to $28.1 million in inventory write-downs and additional write-downs totaling $5.8 million on certain solar power development projects during the first half of fiscal 2017, both of which were the result of our above-market cost of polysilicon and lower expected selling prices of our projects, in addition to charges totaling $6.3 million recorded in connection with the contracted sale of raw material inventory to third parties and $4.1 million of inventory write-downs as a result of higher manufacturing costs as well as pre-operating costs associated with the ramp of our Performance Series product; the decrease in gross margin was also a result of declines in the margins of our Residential and Commercial Segments due to lower average selling prices in some markets; (ii) a $22.4 million increase in other expense, net primarily driven by an $8.6 million write-down of one of our equity method investments, as well as unfavorable changes in the fair value of foreign currency derivatives, an increase in cash interest expense, primarily related to our residential lease business, an increase in non-cash interest expense, and an increase in other net expenses; (iii) a $14.5 million increase in restructuring expense primarily because we incurred severance, legal, advisory, and other expenses related to our December 2016 restructuring plan; and (iv) a $1.1 million decrease in our equity in earnings of unconsolidated investees primarily due to the absence of our share of equity in earnings of unconsolidated investees during fiscal 2017 that was included in fiscal 2016 from our then equity method investment in AUOSP, which we acquired and subsequently consolidated late in the third quarter of fiscal 2016, but was partially offset by a decrease in our share of the equity in loss of unconsolidated investees from our investment in CCPV during the first half of fiscal 2017. The increase in net loss was partially offset by: (i) a $46.4 million decrease in SG&A expense due to decreased marketing activity in North America and through digital media, a reduction in legal costs due to the settlement of certain legal proceedings, a reduction in both cash and non-cash compensation expenses, and a decrease in other non-cash charges; (ii) a $23.8 million decrease in R&D

expense 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; and (iii) a $5.4 million decrease in provision for income taxes primarily due to a decrease in projected tax expense in profitable jurisdictions and the absence of recognition of U.S. prepaid income tax due to intercompany transactions.

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

Net Loss Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

	Three Months Ended			Six Months Ended		
(In thousands)	**July 2, 2017**	**July 3, 2016**	**% Change**	**July 2, 2017**	**July 3, 2016**	**% Change**
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	$ 19,062	$ 22,189	(14)%	$ 36,223	$ 38,197	(5)%

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 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.

In the three months ended July 2, 2017 and July 3, 2016, we attributed $19.1 million and $22.2 million, respectively, of net losses primarily to the third-party investors as a result of allocating certain assets, including tax credits and accelerated tax depreciation benefits, to the investors. The $3.1 million decrease in net loss attributable to noncontrolling interests and redeemable noncontrolling interests is primarily attributable to a decrease in the total number of leases placed in service under new and existing facilities with third-party investors.

In the six months ended July 2, 2017 and July 3, 2016, we attributed $36.2 million and $38.2 million, respectively, of net losses primarily to the third-party investors as a result of allocating certain assets, including tax credits and accelerated tax depreciation benefits, to the investors. The $2.0 million decrease in net loss attributable to noncontrolling interests and redeemable noncontrolling interests is primarily attributable to a decrease in the total number of leases placed in service under new and existing facilities with third-party investors.

Liquidity and Capital Resources

Cash Flows

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

	Six Months Ended	
(In thousands)	**July 2, 2017**	**July 3, 2016**
Net cash used in operating activities	$ (288,692)	$ (669,992)
Net cash used in investing activities	$ (104,345)	$ (161,910)
Net cash provided by financing activities	$ 278,674	$ 469,904

Operating Activities

Net cash used in operating activities in the six months ended July 2, 2017 was $288.7 million and was primarily the result of: (i) a net loss of $264.5 million; (ii) a $207.9 million decrease in accounts payable and other accrued liabilities, primarily attributable to payments for the procurement of polysilicon; (iii) a $76.4 million increase in inventories to support the construction of our solar energy projects; (iv) a $65.4 million decrease in billings in excess of costs and estimated earnings driven by construction activities; (v) a $62.5 million increase in long-term financing receivables related to our net investment in sales-type leases; (vi) a $59.8 million increase in project assets, primarily related to the construction of our Commercial and Power Plant solar energy projects; and (vii) an $6.5 million increase in equity in earnings of unconsolidated investees. This was partially offset by: (i) other net non-cash charges of $115.2 million related to depreciation, stock-based compensation and other non-cash charges; (ii) a $139.1 million decrease in prepaid expenses and other assets, primarily related to the receipt of prepaid inventory; (iii) a $105.2 million increase in customer advances, primarily from Total; (iv) a $32.8 million decrease in advance payments made to suppliers; (v) a $24.4 million decrease in accounts receivable, primarily driven by collections; (vi) a $14.6 million dividend from 8point3 Energy Partners LP; (vii) a $13.2 million decrease in costs and estimated earnings in excess of billings driven by milestone billings; (viii) an $8.6 million in impairment of equity method investment; and (ix) a $1.3 million increase in deferred income taxes.

Net cash used in operating activities in the six months ended July 3, 2016 was $670.0 million and was primarily the result of: (i) a net loss of $193.6 million; (ii) a $433.4 million increase in project assets primarily related to the construction of our Commercial and Power Plant solar energy projects in North America; (iii) a $115.0 million increase in inventories driven by construction of our solar energy projects; (iv) a $95.1 million increase in long-term financing receivables related to our net investment in sales-type leases; (v) a $23.3 million increase in accounts receivable, primarily driven by billings; (vi) a $23.0 million decrease in billings in excess of costs and estimated earnings driven by the recognition revenue and corresponding costs of certain utility-scale projects; (vii) a $7.6 million increase in equity in earnings of unconsolidated investees; and (viii) a $5.9 million decrease in customer advances. This was partially offset by: (i) other net non-cash charges of $118.4 million related to depreciation, non-cash interest charges and stock-based compensation; (ii) a $48.7 million decrease in prepaid expenses and other assets, primarily related to recognition of revenue and corresponding costs of certain utility-scale projects; (iii) a $40.6 million decrease in advance payments made to suppliers; (iv) a $12.1 million increase in accounts payable and other accrued liabilities, primarily attributable to contributions from noncontrolling interests attributable to pre-COD projects; (v) a $6.3 million decrease in costs and estimated earnings in excess of billings driven by milestone billings; and (vi) a $0.8 million net change in deferred income taxes.

Investing Activities

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

Net cash used in investing activities in the six months ended July 3, 2016 was $161.9 million, which included (i) $141.8 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) $10.3 million paid for investments in consolidated and unconsolidated investees; and (iii) $9.8 million in payments to 8point3 Energy Partners.

Financing Activities

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

Net cash provided by financing activities in the six months ended July 3, 2016 was $469.9 million, which included: (i) $396.1 million in net proceeds from the issuance of non-recourse power plant and commercial financing, net of issuance costs; (ii) $51.1 million in net proceeds from the issuance of non-recourse residential financing, net of issuance costs; and (iii) $50.3 million of net contributions from noncontrolling interests and redeemable noncontrolling interests related to the residential lease projects. This was partially offset by: (i) $19.7 million in purchases of treasury stock for tax withholding obligations on vested restricted stock; and (ii) $7.9 million in repayments of bank loans and other debt.

Debt and Credit Sources

Convertible Debentures

As of July 2, 2017, an aggregate principal amount of $425.0 million of 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 fundamental change, 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 fundamental change, at a cash redemption price equal to 100% of the principal amount plus accrued and unpaid interest. Otherwise, the 4.00% debentures due 2023 are not redeemable at our option prior to the maturity date. In the event of certain events of default, Wells Fargo Bank, National Association ("Wells Fargo"), the trustee, or the holders of a specified amount of then-outstanding 4.00% debentures due 2023 will have the right to declare all amounts then outstanding due and payable.

As of July 2, 2017, an aggregate principal amount of $400.0 million of 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 fundamental change, 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 fundamental change, 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.

As of July 2, 2017, an aggregate principal amount of $300.0 million of the 0.75% debentures due 2018 remained issued and outstanding. The 0.75% debentures due 2018 were issued on May 29, 2013. Interest on the 0.75% debentures due 2018 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 equal to $24.95 per share. The applicable conversion rate may be subject to adjustment in certain circumstances. If not earlier converted, the 0.75% debentures due 2018 mature on June 1, 2018. Holders may require us to repurchase all or a portion of their 0.75% debentures due 2018, 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 fundamental change, as described in the related indenture, the 0.75% debentures due 2018 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 fundamental change, at a cash redemption price equal to 100% of the principal amount plus accrued and unpaid interest. Otherwise, the 0.75% debentures due 2018 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 0.75% debentures due 2018 will have the right to declare all amounts then outstanding due and payable. Please see "Part I. Item 1A. Risk Factors—Risks Related to our Debt and Equity Securities—Conversion of our outstanding 0.75% debentures, 0.875% debentures, 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" in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017.

Mortgage Loan Agreement with IFC

On May 6, 2010, we entered into a mortgage loan agreement with IFC. Under the loan agreement, we borrowed $75.0 million and are required to repay the amount borrowed starting two years after the date of borrowing, in 10 equal semi-annual installments over the following 5 years. We are 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 may prepay all or a part of the outstanding principal, subject to a 1% prepayment premium. We have pledged certain assets as collateral supporting repayment obligations.

On January 17, 2017, the Company repaid the entire outstanding balance, and the associated interest, of the mortgage loan agreement with IFC. As of July 2, 2017, we had no outstanding amounts under the mortgage loan agreement and no restricted cash and cash equivalents related to the IFC debt service reserve.

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

On December 29, 2010, we borrowed from CEDA the proceeds of the $30.0 million aggregate principal amount of CEDA's tax-exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (the "Bonds") maturing April 1, 2031 under a loan agreement with CEDA. Certain of our obligations under the loan agreement were contained in a promissory note dated December 29, 2010 issued by us to CEDA, which assigned the promissory note, along with all right, title and interest in the loan agreement, to Wells Fargo, as trustee, with respect to the Bonds for the benefit of the holders of the Bonds. The Bonds bear interest at a fixed-rate of 8.50% per annum.

As of July 2, 2017, 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 July 3, 2013, we entered into a revolving credit agreement with Credit Agricole Corporate and Investment Bank ("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, the Company 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 with Credit Agricole Corporate and Investment Bank, as administrative agent, and the other lenders party thereto (the "Restated Credit Agreement"), which amends and restates the Revolving Credit Agreement dated July 3, 2013, as amended, by and between us, the Administrative Agent and the other parties thereto, as amended to date.

The Restated Credit Agreement was entered into in connection with the letter agreement between the us and Total S.A. dated May 8, 2017 (the "Letter Agreement"), which, as previously disclosed, was entered into to facilitate the issuance by Total S.A. of one or more guaranties of our payment obligations (the “Guaranties”) of up to $100.0 million under the Restated Credit Agreement. The maturity date of the Letter Agreement 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.

The maturity date of the facility under the Restated Credit Agreement remains August 26, 2019 (the “Maturity Date”), and amounts borrowed under the facility may be repaid and reborrowed until the Maturity Date. Available borrowings under the Restated Credit Agreement 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 S.A. under the Letter Agreement.

The Restated Credit Agreement (a) removes our ability to request the issuance of performance and financial letters of credit, (b) removes certain covenants, including covenants related to a maximum leverage ratio and a minimum consolidated liquidity, (c) removes the negative pledge on certain of our assets, (d) removes certain of our domestic subsidiaries as guarantors, and (e) effects other revisions to the terms thereof. All collateral previously pledged to secure our obligations to the lenders has been released.

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 Restated Credit Agreement includes representations, covenants, and events of default customary for financing transactions of this type.

As of July 2, 2017, we had no outstanding borrowings under the restated revolving credit facility.

August 2016 Letter of Credit Facility Agreement

In August 2016, we entered into a letter of credit facility with Banco Santander, S.A. which provides for the issuance, upon request by us, of letters of credit to support our obligations in an aggregate amount not to exceed $85 million. As of July 2, 2017, there were no letters of credit issued and outstanding under the facility with Banco Santander, S.A.

2016 Letter of Credit Facility Agreements

In June 2016, we entered into a Continuing Agreement for Standby Letters of Credit and Demand Guarantees with Deutsche Bank AG New York Branch and Deutsche Bank Trust Company Americas (the “2016 Non-Guaranteed LC Facility”) which provides for the issuance, upon request by us, of letters of credit to support our obligations in an aggregate amount not to exceed $50.0 million. The 2016 Non-Guaranteed LC Facility will terminate on June 29, 2018. As of July 2, 2017, letters of credit issued and outstanding under the 2016 Non-Guaranteed LC Facility totaled $34.6 million.

In June 2016, we entered into bilateral letter of credit facility agreements (the “2016 Guaranteed LC Facilities”) with each of The Bank of Tokyo-Mitsubishi UFJ ("BTMU"), Credit Agricole, and HSBC USA Bank, National Association ("HSBC"). Each letter of credit facility agreement provides for the issuance, upon our request, of letters of credit by the issuing bank thereunder in order to support certain of our obligations until December 31, 2018. Payment of obligations under each of the letter of credit facilities are guaranteed by Total S.A. pursuant to the Credit Support Agreement. Aggregate letter of credit amounts may be increased upon the agreement of the respective parties but, otherwise, may not exceed $75.0 million with BTMU, $75.0 million with Credit Agricole and $175.0 million with HSBC, for a total capacity of $325.0 million. Each letter of credit issued under one of the letter of credit facilities generally must have an expiration date, subject to certain exceptions, no later than the earlier of (a) two years from completion of the applicable project and (b) March 31, 2020.

In June 2016, in connection with the 2016 Guaranteed LC Facilities, we entered into a transfer agreement to transfer to the 2016 Guaranteed LC Facilities all existing outstanding letters of credit issued under our letter of credit facility agreement with Deutsche Bank AG New York Branch and Deutsche Bank Trust Company Americas, as administrative agent, and certain financial institutions, entered into in August 2011 and amended from time to time. In connection with the transfer of the existing outstanding letters of credit, the aggregate commitment amount under the August 2011 letter of credit facility was permanently reduced to zero on June 29, 2016. As of July 2, 2017, letters of credit issued and outstanding under the 2016 Guaranteed LC Facilities totaled $197.0 million.

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

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

As of July 2, 2017 letters of credit issued under the Deutsche Bank Trust facility totaled $1.4 million, which was fully collateralized with restricted cash as classified on the Consolidated Balance Sheets.

Revolving Credit Facility with Mizuho and Goldman Sachs

On May 4, 2016, we entered into a revolving credit facility (the "Construction Revolver") with Mizuho Bank Ltd., as administrative agent, and Goldman Sachs Bank USA, under which we may borrow up to $200 million. The Construction Revolver also includes a $100 million accordion feature. Amounts borrowed under the Construction Revolver may be repaid and reborrowed in support of our commercial and small scale utility projects in the United States until the May 4, 2021 maturity date. The Construction Revolver includes representations, covenants, and events of default customary for financing transactions of this type.

Borrowings under the Construction Revolver bear interest at the applicable LIBOR rate plus 1.50% for the first two years (with the final year at LIBOR plus 1.75%). All outstanding indebtedness under the facility may be voluntarily prepaid in whole or in part without premium or penalty (with certain limitations to partial repayments), other than customary breakage costs. The Construction Revolver is secured by the assets of, and equity in, the various project companies to which the borrowings relate, but is otherwise non-recourse to us and our other affiliates.

As of July 2, 2017, outstanding borrowings under the Construction Revolver totaled $1.7 million.

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 the general assets of the Company for repayment of such debt obligations, and hence the financings are referred to as non-recourse. Non-recourse financing is typically in the form of loans from third-party financial institutions, but also takes other forms, including "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. The Company has entered into the following non-recourse financings with respect to its residential lease program:

In fiscal 2016, we entered into bridge loans to finance solar power systems and leases under our residential lease program. The loans are repaid over terms ranging from two to seven years. Some loans may be prepaid without penalties at our option at any time, while other loans may be prepaid, subject to a prepayment fee, after one year. During the three and six months ended July 2, 2017, we had net proceeds of $3.5 million and $5.6 million, respectively, in connection with these loans. As of July 2, 2017, the aggregate carrying amount of these loans, presented in "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was $12.3 million.

We enter into long-term loans to finance solar power systems and leases under our residential lease program. The loans are repaid over their terms of between 17 and 18 years, and may be prepaid without penalty at our option beginning seven years after the original issuance of the loan. During the three and six months ended July 2, 2017, we had net proceeds of $4.8 million and $22.0 million, respectively, in connection with these loans. During the three and six months ended July 3, 2016, we had net proceeds (repayments) of $(1.1) million and $2.1 million, respectively, in connection with these loans. As of July 2, 2017, and January 1, 2017, the aggregate carrying amount of these loans, presented in "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was $306.2 million and $283.9 million, respectively.

We have entered into multiple arrangements under which solar power systems are financed by third-party investors or customers, including by a legal sale of the underlying asset that is accounted for as a borrowing under relevant accounting guidelines as the requirements to recognize the transfer of the asset were not met. Under the terms of these arrangements, the third parties make an upfront payment to us, which we recognize as a liability that will be reduced over the term of the arrangement as lease receivables and government incentives are received by the third party. As the liability is reduced, we make a corresponding reduction in receivables. We use this approach to account for both operating and sales-type leases with our residential lease customers in our consolidated financial statements. During the three and six months ended July 3, 2016, we had net proceeds of $7.8 million and $14.9 million, respectively, in connection with these facilities. As of July 2, 2017 and January 1, 2017, the aggregate carrying amount of these facilities, presented in "Other long-term liabilities" on our Consolidated Balance Sheets, was $29.3 million and $29.4 million, respectively (see Note 4).

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 the Company's Consolidated Balance Sheets. During the three and six months ended July 2, 2017, we had net contributions of $42.9 million and $88.2 million, respectively, under these facilities and attributed losses of $19.0 million and $36.3 million, respectively, to the non-controlling interests corresponding principally to certain assets, including tax credits, which were allocated to the non-controlling interests during the periods. During the three and six months ended July 3, 2016, we had net contributions of $31.5 million and $50.3 million, respectively, under these facilities and attributed losses of $20.2 million and $36.8 million, respectively, to the non-controlling interests corresponding principally to certain assets, including tax credits, which were allocated to the non-controlling interests during the periods. As of July 2, 2017 and January 1, 2017, the aggregate carrying amount of these facilities, presented in “Redeemable non-controlling interests in subsidiaries” and “Non-controlling interests in subsidiaries” on our Consolidated Balance Sheets, was $235.1 million and $183.1 million, respectively.

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

In fiscal 2017, we entered into a short-term credit facility to finance the 70 MW utility-scale Gala power plant project in Oregon. During the three and six months ended July 2, 2017, we had net proceeds of $54.0 million and $77.5 million, respectively, in connection with the facility. As of July 2, 2017 the aggregate carrying amount of this facility, presented in "Short-term debt" on the Company's Consolidated Balance Sheets, was $79.6 million.

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 the three and six months ended July 2, 2017, we had net proceeds (repayments) of $(3.0) million and $9.1 million, respectively, in connection with the facility. As of July 2, 2017 and January 1, 2017, the aggregate carrying amount of the Construction Revolver, presented in "Long-term debt" on our Consolidated Balance Sheets, was $1.7 million and $10.5 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. As of both July 2, 2017 and January 1, 2017, the aggregate carrying amount of this facility, presented in "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was $28.8 million.

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. During the three and six months ended July 2, 2017, we had net proceeds of $46.9 million and $84.3 million, respectively, in connection with the facility. As of July 2, 2017 and January 1, 2017, the aggregate carrying amount of this facility, presented in "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was $174.8 million and $90.5 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 both July 2, 2017 and January 1, 2017, the aggregate carrying amount under this loan, presented in "Short-term debt" and "Long-term debt" on our Consolidated Balance Sheets, was $7.6 million.

Other debt is further composed of non-recourse project loans in EMEA, which are scheduled to mature through 2028.

See "Item 1. Financial Statements—Notes to Consolidated Financial Statements—Note 5. Leasing" for a discussion of the Company’s sale-leaseback arrangements accounted for under the financing method.

Liquidity

As of July 2, 2017, we had unrestricted cash and cash equivalents of $327.3 million as compared to $425.3 million as of January 1, 2017. Our cash balances are held in numerous locations throughout the world and as of July 2, 2017, we had approximately $197.2 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, if repatriated to the United States under current law, would be subject to United States federal and state tax less applicable foreign tax credits. Repatriation of earnings that have not been subjected to U.S. or foreign withholding tax and that have been indefinitely reinvested outside the U.S. could result in additional United States federal income tax or foreign withholding tax payments in future years.

We expect total capital expenditures related to purchases of property, plant and equipment in the range of $110 million to $130 million in fiscal 2017 in order to increase our manufacturing capacity for our highest efficiency X-Series product platform and our new Performance Series technology, improve our current and next generation solar cell manufacturing technology, and other projects. In addition, we expect to invest a significant amount of capital to develop solar power systems and plants for sale to customers. The development of solar power plants can require long periods of time and substantial initial investments. Our efforts in this area may consist of all stages of development, including land acquisition, permitting, financing, construction, operation and the eventual sale of the projects. We often choose to bear the costs of such efforts prior to the final sale to a customer, which involves significant upfront investments of resources (including, for example, large transmission deposits or other payments, which may be non-refundable), land acquisition, permitting, legal and other costs, and in some cases the actual costs of constructing a project, in advance of the signing of PPAs and EPC contracts and the receipt of any revenue, much of which is not recognized for several additional months or years following contract signing. Any delays in disposition of one or more projects could have a negative impact on our liquidity.

Certain of our customers also require performance bonds issued by a bonding agency or letters of credit issued by financial institutions, which are returned to us upon satisfaction of contractual requirements. If there is a contractual dispute with the customer, the customer may withhold the security or make a draw under such security, which could have an adverse impact on our liquidity. Obtaining letters of credit may require adequate collateral. All letters of credit issued under our 2016 Guaranteed LC Facilities are guaranteed by Total S.A. pursuant to the Credit Support Agreement. Our September 2011 letter of credit facility with Deutsche Bank Trust is fully collateralized by restricted cash, which reduces the amount of cash available for operations. As of July 2, 2017, letters of credit issued under the Deutsche Bank Trust facility amounted to $1.4 million which were fully collateralized with restricted cash on the Consolidated Balance Sheets.

In fiscal 2011, we launched our residential lease program with dealers in the United States, in partnership with a third-party financial institution, which allows customers to obtain SunPower systems under lease agreements up to 20 years, subject to financing availability. We have entered into facilities with financial institutions that will provide financing to support additional residential solar lease projects. Under the terms of certain programs, we receive upfront payments for periods under which the third-party financial institution has agreed to assume collection risk for certain residential leases. Changes in the amount or timing of upfront payments received from the financial institutions may have an impact on our cash position within the next twelve months. The normal collection of monthly rent payments for leases placed in service is not expected to have a material impact on our cash position within the next twelve months. We have entered into multiple facilities with third-party investors under which both parties will invest in entities that hold SunPower solar power systems and leases with residential customers. We determined that we hold a controlling interest in these less-than-wholly-owned entities and have fully consolidated these entities as a result (see "Item 8. Financial Statements—Notes to Consolidated Financial Statements—Note 5. Leasing"). During the six months ended July 2, 2017, we received $96.6 million in contributions from investors under the related facility agreements. Additionally, during fiscal 2014, 2015 and 2016, we entered into several long-term non-recourse loans to finance solar power systems and leases under our residential lease program. In fiscal 2017, we drew down $30.6 million of proceeds, net of issuance costs, under the loan agreements. The loans have 17- and 18-year terms and as of July 2, 2017, the short-term and long-term balances of the loans were $8.1 million and $310.4 million, respectively. We are actively arranging additional third-party financing for our residential lease program; however, the credit markets are unpredictable, and if they become challenging, we may be unable to arrange additional financing partners for our residential lease program in future periods, which could have a negative impact on our sales. In the unlikely event that we enter into a material number of additional leases without promptly obtaining corresponding third-party financing, our cash and working capital could be negatively affected. Additionally, we have approximately $37.4 million of cash and cash equivalents within our consolidated residential leasing subsidiaries that is used by those subsidiaries for their working capital needs. This cash is typically not available to us to use for general corporate purposes unless certain financial obligations are first settled. In the event that we choose to transfer cash out of these subsidiaries for general corporate purposes in the future, we would first be required to distribute a portion of the cash to lender debt reserves and investors who hold noncontrolling interests in the relevant subsidiaries.

Solar power plant projects often require significant up-front investments. These include payments for preliminary engineering, permitting, legal, and other expenses before we can determine whether a project is feasible. We often make arrangements with third-party financiers to acquire and build solar power systems or to fund project construction using non-recourse project debt. As of July 2, 2017, outstanding amounts related to our project financing totaled $292.4 million.

We continue to face challenging industry conditions and a competitive environment. While we continue to focus on improving overall operating performance and liquidity, including managing cash flow and working capital, notably with cash savings resulting from restructuring actions and cost reduction initiatives put in place in the third and fourth quarters of 2016, our net losses continued through the second quarter of 2017 and are expected to continue through 2017. We have the ability to enhance our available cash by borrowing up to $95.0 million under our revolving credit facility with Credit Agricole pursuant to the Letter Agreement executed by us and Total S.A. on May 8, 2017 (see Note 2). However, our $300.0 million 0.75% senior convertible debentures due 2018 (the “0.75% debentures due 2018”), $200.0 million of which are held by Total, mature on June 1, 2018. These events and conditions indicate we may not have the liquid funds necessary to repay the existing 0.75% debentures due 2018 at maturity and satisfy our estimated liquidity needs within the 12 months from the date of issuance of these interim financial statements. We have a history of successfully refinancing and extending the maturity date of our debts; however, there is no assurance that the 0.75% debentures due 2018 will be refinanced or their maturity extended to sufficiently meet our obligations as they become due or on terms acceptable to us. Given our current share price compared to the conversion price of $24.95 per share for the 0.75% debentures due 2018, we anticipate that bondholders will choose to select repayment in cash. Independent from the refinancing or repayment of the 0.75% debentures due 2018, we have decided to divest certain assets, such as our equity interest in 8point3 Group (see Note 9), and join the sale process initiated by First Solar, Inc. We anticipate that we could repay the 0.75% debentures due 2018 with proceeds from these divestitures. Regarding the 8point3 Group sale process, while we believe both parties are committed to proceeding, this transaction is in the early stages, and no final decision on any particular alternative has yet been reached.

While we believe it is probable that we can effectively implement plans to sell our investment in 8point3 Group, which mitigates the conditions and events giving rise to uncertainty regarding repayment of the 0.75% debentures due 2018, there are a number of factors that may defer or otherwise limit our ability to sell this investment, including, among others, (i) final approval of a transaction, once a partner, structure, and price are finalized, by our Board of Directors, (ii) legal and regulatory approvals, and (iii) approval by various classes of equity owners and/or the Board of Directors of 8point3 Energy Partners (or a subcommittee thereof), as required due to the final transaction structure. We believe we have sufficiently evaluated these conditions in concluding that the sale of our equity interests in 8point3 Group is considered probable of occurring prior to the maturity of the 0.75% debentures due 2018. We cannot predict, with certainty, the outcome of our actions to generate liquidity, including the outcome of the 8point3 Group divestiture, or whether such actions would generate the necessary liquidity as currently anticipated to fulfill our obligations within the 12 months from the date of issuance of these interim financial statements. See also "Risks Related to Our Sales Channels—A limited number of customers and large projects are expected to continue to comprise a significant portion of our 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 "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 in Part I. "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017, and "Part II, Item 1A. Risk Factors" of this Form 10-Q, "We may fail to realize the expected benefits of our YieldCo strategy, including our current plan to divest our interest in 8point3 Energy Partners, which could materially adversely affect our business, financial condition, and results of operations."

On June 23, 2017, we entered into an Amended and Restated Revolving Credit Agreement with Credit Agricole Corporate and Investment Bank, 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 Restated Credit Agreement 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 the Company’s payment obligations of up to $100.0 million under the Restated Credit Agreement. The maturity date of the facility under the Restated Credit Agreement remains August 26, 2019, and amounts borrowed under the facility may be repaid and reborrowed until the Maturity Date. Available borrowings under the Restated Credit Agreement 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 under the Letter Agreement, effectively allowing us to borrow up to a maximum of $95 million under the Restated Credit Agreement. As of July 2, 2017, $300.0 million remained undrawn under our revolving credit facility with Credit Agricole.

Additionally, on May 4, 2016, we entered into the Construction Revolver credit facility, under which we may borrow up to $200 million, with a $100 million accordion feature, in support of our commercial and small scale utility projects in the United States until its May 4, 2021 maturity date, subject to certain conditions. As of July 2, 2017, we had $198.3 million available to us under the Construction Revolver credit facility. There are no assurances, however, that we will have sufficient available cash to repay our indebtedness or that we will be able to refinance such indebtedness on similar terms to the expiring indebtedness. If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain other debt financing. The current economic environment, however, could limit our ability to raise capital by issuing new equity or debt securities on acceptable terms, and lenders may be unwilling to lend funds on acceptable terms in the amounts that would be required to supplement cash flows to support operations. The sale of additional equity securities or convertible debt securities would result in additional dilution to our stockholders (and the potential for further dilution upon the exercise of warrants or the conversion of convertible debt) and may not be available on favorable terms or at all, particularly in light of the current conditions in the financial and credit markets. Additional debt would result in increased expenses and would likely impose new restrictive covenants which may be similar or different than those restrictions contained in the covenants under our current loan agreements and debentures. In addition, financing arrangements, including project financing for our solar power plants and letters of credit facilities, may not be available to us, or may not be available in amounts or on terms acceptable to us.

Contractual Obligations

The following table summarizes our contractual obligations as of July 2, 2017:

		Payments Due by Fiscal Period			
(In thousands)	**Total**	**2017 (remaining six months)**	**2018-2019**	**2020-2021**	**Beyond 2021**
Convertible debt, including interest[1]	$ 1,234,995	$ 11,375	$ 341,944	$ 438,968	$ 442,708
CEDA loan, including interest[2]	65,063	1,275	5,100	5,100	53,588
Other debt, including interest[3]	902,317	129,831	85,426	90,977	596,083
Future financing commitments[4]	31,256	18,190	13,066	—	—
Operating lease commitments[5]	122,915	8,057	29,501	24,427	60,930
Sale-leaseback financing[6]	221,231	8,890	29,955	28,040	154,346
Capital lease commitments[7]	4,318	556	1,633	1,288	841
Non-cancellable purchase orders[8]	206,698	206,698	—	—	—
Purchase commitments under agreements[9]	913,964	372,777	376,341	162,846	2,000
Deferred purchase consideration in connection with acquisition	61,100	—	31,100	30,000	—
Total	$ 3,763,857	$ 757,649	$ 914,066	$ 781,646	$ 1,310,496

[1] Convertible debt, including interest, relates to the aggregate of $1,125.0 million in outstanding principal amount of our senior convertible debentures on July 2, 2017. For the purpose of the table above, we assume that all holders of the outstanding debentures will hold the debentures through the date of maturity, and upon conversion, the values of the senior convertible debentures will be equal to the aggregate principal amount with no premiums.

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

[3] Other debt, including interest, primarily relates to non-recourse finance projects and solar power systems and leases under our residential lease program as described in "Item 1. Financial Statements—Notes to Consolidated Financial Statements—Note 8. Commitments and Contingencies."

[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 $31.3 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 12 years.

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

[9] Purchase commitments under agreements primarily relate to arrangements entered into with several suppliers, including some of our non-consolidated investees, for polysilicon, ingots, wafers, and Solar Renewable Energy Credits, among others. These agreements specify future quantities and pricing of products to be supplied by the vendors for periods up to 4 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. During fiscal 2016, we did not fulfill all of the purchase commitments we were otherwise obligated to take by December 31, 2016, as specified in related contracts with a supplier. As of July 2, 2017, the Company has recorded an offsetting asset, recorded within "Prepaid expenses and other current assets," and liability, recorded within "Accrued liabilities," totaling $32.0 million. This amount represents the unfulfilled amount as of that date as the Company expects to satisfy the obligation via purchases of inventory in fiscal 2017, within the applicable contractual cure period.

Liabilities Associated with Uncertain Tax Positions

Due to the complexity and uncertainty associated with our tax positions, we cannot make a reasonably reliable estimate of the period in which cash settlement will be made for our liabilities associated with uncertain tax positions in other long-term liabilities. Therefore, they have been excluded from the table above. As of July 2, 2017, total liabilities associated with uncertain tax positions were $32.5 million and are included in "Other long-term liabilities" in our Consolidated Balance Sheets as they are not expected to be paid within the next twelve months.

Off-Balance Sheet Arrangements

As of July 2, 2017, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

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

Foreign Currency Exchange Risk

Our exposure to movements in foreign currency exchange rates is primarily related to sales to European customers that are denominated in Euros. Revenue generated from European customers represented 7% and 6% of our total revenue in the three and six months ended July 2, 2017, respectively, and 5% of our total revenue in both the three and six months ended July 3, 2016. A 10% change in the Euro exchange rate would have impacted our revenue by approximately $2.5 million and $4.2 million in the three and six months ended July 2, 2017, respectively, and $2.0 million and $3.8 million in the three and six months ended July 3, 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 forward currency contracts that are designed to address our exposure to changes in the foreign exchange rate between the U.S. dollar and other currencies. As of July 2, 2017, we had outstanding hedge option currency contracts and forward currency contracts with aggregate notional values of $1.6 million and $48.7 million, respectively. As of January 1, 2017, we had outstanding hedge option currency contracts and forward currency contracts with aggregate notional values of $28.3 million and $42.9 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 ineffective gains or losses into earnings. Such a reclassification could adversely impact our revenue, margins and results of operations. We cannot predict the impact of future exchange rate fluctuations on our business and operating results.

Credit Risk

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

We enter into agreements with vendors that specify future quantities and pricing of polysilicon to be supplied for periods up to 10 years. Under certain agreements, we are required to make prepayments to the vendors over the terms of the arrangements. As of July 2, 2017 and January 1, 2017, advances to suppliers totaled $252.0 million and $284.8 million, respectively. Two suppliers accounted for 95% and 5% of total advances to suppliers as of July 2, 2017, and 90% and 10% as of January 1, 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 12 months or less. We regularly evaluate the credit standing of our counterparty financial institutions.

Interest Rate Risk

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

Our interest expense would increase to the extent interest rates rise in connection with our variable interest rate borrowings. As of July 2, 2017, the outstanding principal balance of our variable interest borrowings was $328.7 million. We do not believe that an immediate 10% increase in interest rates would have a material effect on our financial statements. In addition, lower interest rates would have an adverse impact on our interest income. Our investment portfolio primarily consists of $3.0 million in money market funds as of July 2, 2017 which exposes us to interest rate risk. Due to the relatively short-term nature of our investment portfolio, we do not believe that an immediate 10% decrease in interest rates would have a material effect on the fair market value of our money market funds. Since we believe we have the ability to liquidate substantially all of this portfolio, we do not expect our operating results or cash flows to be materially affected to any significant degree by a sudden change in market interest rates on our investment portfolio.

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

Our investments held in joint ventures and other non-public companies expose us to equity price risk. As of July 2, 2017 and January 1, 2017, investments of $(15.8) million and $(6.9) million, respectively, are accounted for using the equity method, and $33.1 million and $39.4 million, respectively, are accounted for using the cost method. The carrying value of our equity method investments as of July 2, 2017 and January 1, 2017 included the negative balance of $78.8 million and $60.6 million, respectively, of our investment in the 8point3 Group (See "Item 1. Financial Statements—Notes to Consolidated Financial Statements—Note 9. Equity Method Investments"). These strategic investments in third parties are subject to risk of changes in market value, which if determined to be other-than-temporary, could result in realized impairment losses. We generally do not attempt to reduce or eliminate our market exposure in equity and cost method 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 and cost method investments will not face risks of loss in the future.

Interest Rate Risk and Market Price Risk Involving Convertible Debt

The fair market value of our outstanding convertible debentures is subject to interest rate risk, market price risk and other factors due to the convertible feature of the debentures. The fair market value of the debentures will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair market value of the debentures will generally increase as the market price of our common stock increases and decrease as the market price of our common stock falls. The interest and market value changes affect the fair market value of the debentures, but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligations, except to the extent increases in the value of our common stock may provide the holders of our 4.00% debentures due 2023, 0.875% debentures due 2021, or 0.75% debentures due 2018 the right to convert such debentures into cash in certain instances. The aggregate estimated fair value of our outstanding convertible debentures was $984.3 million as of July 2, 2017. The aggregate estimated fair value of our outstanding convertible debentures was $839.2 million as of January 1, 2017. Estimated fair values are based on quoted market prices as reported by an independent pricing source. A 10% increase in quoted market prices would increase the estimated fair value of our then-outstanding debentures to $1,082.7 million and $923.1 million as of July 2, 2017 and January 1, 2017, respectively, and a 10% decrease in the quoted market prices would decrease the estimated fair value of our then-outstanding debentures to $885.9 million and $755.3 million as of July 2, 2017 and January 1, 2017, respectively.

ITEM 4: *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

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

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of July 2, 2017 at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

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

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

PART II. OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS*

The disclosure under "Note 8. Commitments and Contingencies—Legal Matters" in "Notes to Consolidated Financial Statements" contained in this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. *RISK FACTORS*

There have been no material changes to the risk factors we previously disclosed in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017, except for the risk factors described and included below.

We may fail to realize the expected benefits of our YieldCo strategy, including our current plan to divest our interest in 8point3 Energy Partners, which could materially adversely affect our business, financial condition, and results of operations.

In June 2015, 8point3 Energy Partners, a joint YieldCo vehicle formed by us and First Solar, Inc. to own, operate and acquire solar energy generation assets, launched an initial public offering of Class A shares representing its limited partner interests. The IPO was consummated on June 24, 2015, whereupon the Class A shares were listed on The NASDAQ Global Select Market under the trading symbol “CAFD.”

Immediately after the IPO, we contributed a portfolio of solar generation assets to 8point3 Energy Partners in exchange for cash proceeds as well as equity interests in several 8point3 Energy Partners affiliated entities (collectively, the “8point3 Group”). Additionally, we entered into a Right of First Offer Agreement with 8point3 Energy Partners in connection with the IPO under which we granted 8point3 Energy Partners a right of first offer to purchase certain of our solar energy projects that are in various stages of development in our project pipeline. We have sold four of these projects to 8point3 Energy Partners to date, including two projects which are currently in the process of being sold in phases.

We may be unable to fully realize our expected strategic and financial benefits from the 8point3 Group on a timely basis or at all. The operations of the 8point3 Group are not consolidated with ours. Instead, we account for our investments in the 8point3 Group using the equity method, whereby the book value of our investments is recorded as a non-current asset and our portion of their earnings is recorded in the Consolidated Statements of Operations under the caption “Equity in earnings (loss) of unconsolidated investees.”

There is no assurance that we will realize a return on our equity investments in the 8point3 Group. The ability of the 8point3 Group to make cash distributions will depend primarily upon its cash flow, which is not solely a function of 8point3 Energy Partners’ profitability. There is no assurance that we will receive any further cash distributions. Accordingly, we may never recover the value of the assets we contribute to the YieldCo vehicle, and we may realize less of a return on such contribution than if we had retained or operated these assets. In addition, 8point3 Energy Partners may be unable to obtain funding through the sale of equity securities or otherwise. If adequate funds and other resources are not available on acceptable terms, 8point3 Group may be unable to purchase assets that we wish to sell, or otherwise function as anticipated and planned. In such event, our YieldCo strategy may not succeed, and our business, financial condition and results of operations would be materially adversely affected.

In addition, First Solar has notified the board of directors of 8point3 Energy Partners that it is reviewing alternatives for the sale of its interest in the 8point3 Group. While our strategic review process is ongoing, there has been significant initial interest in the acquisition of our general partnership stake or in the sale of the entire partnership. As a result, we are currently not actively seeking a replacement partner for First Solar, and are focusing on the sale of our equity interest in the 8point3 Group. We are exploring this divestiture jointly with First Solar in a number of transaction scenarios, but no final decisions or commitments have been made, and the details and timing of any such divestiture transaction are subject to change as the sale process continues.

We believe that the viability of our YieldCo strategy, unless and until the sale of our equity interest in the 8point3 Group is completed, will depend, among other things, upon our ability to continue to develop revenue-generating solar assets, to build and manage relationships with sponsors, and to productively manage our relationship with First Solar (including within the context of the sale process) and the 8point3 Group, which are subject to the project-level, joint venture relationship, business, and industry risks described herein. There can be no assurance that we will be able to successfully close a divestiture transaction. If we are unable to successfully close a divestiture transaction within a reasonable time frame, our business, financial condition, and results of operations could be materially adversely affected. In addition, if we are unable to close a divestiture transaction, there is no assurance that we will be able to realize the strategic and financial benefits that we expect to derive from our YieldCo strategy and our investment in the 8point3 Group in particular, our business, financial condition and results of operations could be materially adversely affected.

A petition filed with the International Trade Commission (“ITC”) under Section 201 of the Trade Act of 1974 seeks remedies that could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows.

Suniva, Inc. has filed a Section 201 petition with the ITC, which Solar World Americas Inc. has joined, regarding foreign-manufactured PV cells and modules. The petitioners seek various remedies including tariffs and restrictions on such cells and modules, which may affect certain of our products and components manufactured outside the United States. Significant uncertainty exists regarding the outcome of this action, and an adverse determination by the ITC and imposition of certain remedies could materially and adversely affect our business and results of operations. Although we are actively engaged in industry efforts to oppose the imposition of remedies that may harm the solar industry in the U.S., and are exploring potential exemptions and other mitigating actions in the event there is an adverse determination, there is no guarantee that these efforts will be successful.

In the near term, the uncertainty surrounding the potential outcome of this case may cause market volatility, price fluctuations, supply shortages, and project delays, any of which could harm our business. In addition, an adverse determination by the ITC and the imposition of certain remedies including tariffs could 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 or similar taxes or duties, or other remedies that may be imposed, 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. Any of these outcomes would materially and adversely affect our business, revenues, margins, results of operations, and cash flows.

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

Issuer Purchases of Equity Securities

The following table sets forth all purchases made by or on behalf of us or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the 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
April 3, 2017 through April 30, 2017	9,524	$ 6.44	—	—
May 1, 2017 through May 28, 2017	4,946	$ 7.12	—	—
May 29, 2017 through July 2, 2017	7,199	$ 7.90	—	—
	21,669	$ 7.08	—	—

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

ITEM 6: ***EXHIBITS***

See the Exhibit Index following the signature page to this Quarterly Report on Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

SIGNATURES

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

	SUNPOWER CORPORATION
Dated: August 1, 2017	By: /s/ CHARLES D. BOYNTON
	Charles D. Boynton **Executive Vice President and** **Chief Financial Officer**

Index to Exhibits

Exhibit Number	Description
10.1*	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.
31.1*	Certification by Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a).
31.2*	Certification by Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a).
32.1**	Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*+	XBRL Instance Document.
101.SCH*+	XBRL Taxonomy Schema Document.
101.CAL*+	XBRL Taxonomy Calculation Linkbase Document.
101.LAB*+	XBRL Taxonomy Label Linkbase Document.
101.PRE*+	XBRL Taxonomy Presentation Linkbase Document.
101.DEF*+	XBRL Taxonomy Definition Linkbase Document.

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

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

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

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

Dated as of June 23, 2017

Among

THE FINANCIAL INSTITUTIONS PARTY HERETO,

as the Lenders,

and

CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK,

as Administrative Agent,

and

SUNPOWER CORPORATION,

as Borrower

CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK,

as Sole Lead Arranger and Sole Bookrunner

TABLE OF CONTENTS

SCHEDULES:

EXHIBITS:

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

This AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT dated as of June 23, 2017 (this "Agreement") is made by and among SunPower Corporation, a Delaware corporation (the "Borrower"), the financial institutions parties hereto from time to time (the "Lenders"), and Crédit Agricole Corporate and Investment Bank ("Crédit Agricole CIB"), as Administrative Agent (in such capacity, the "Agent") and as Security Agent (in such capacity, the "Security Agent").

RECITALS

WHEREAS, the Borrower, the Lenders, the Administrative Agent and the Security Agent are parties to the Revolving Credit Agreement dated as of July 3, 2013 (as amended by the First Amendment dated as of August 26, 2014, the Second Amendment dated as of February 17, 2016, the Third Amendment dated as of March 18, 2016 and the Fourth Amendment dated as of November 8, 2016, the "Existing Credit Agreement");

WHEREAS, the parties hereto have agreed to amend and restate the Existing Credit Agreement in its entirety as set forth herein, which amendment and restatement shall become effective upon the Effective Date;

WHEREAS, it is the intent of the parties hereto that this Agreement not constitute a novation of the obligations and liabilities of the parties under the Existing Credit Agreement and that this Agreement amend and restate in its entirety the Existing Credit Agreement and re-evidence the obligations outstanding on the Effective Date as contemplated hereby; and

WHEREAS, it is the intent of the Borrower to confirm that all Obligations, as amended hereby, shall continue in full force and effect and that, from and after the date of this Agreement, all references to the "Credit Agreement" contained in the Loan Documents shall be deemed to refer to this Agreement.

Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

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

"2016 Fee Letter" means the Fee Letter by and between the Agent and the Borrower, dated February 17, 2016.

"2017 Fee Letter" means the Fee Letter by and between Crédit Agricole CIB and the Borrower, dated on or about the Effective Date.

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

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

"Administrative Questionnaire" means an Administrative Questionnaire in the form of Exhibit A, or such other form as may be supplied from time to time by the Agent.

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

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

"Agent Engagement Letter" means that certain Engagement Letter dated May 29, 2013 by and between the Borrower and the Agent.

"Agent Fees" has the meaning assigned to such term in Section 2.10(c).

"Agent Parties" has the meaning assigned to such term in Section 9.01.

"Agents" means the Agent and the Security Agent.

"Aggregate Revolving Credit Exposure" means the aggregate amount of the Lenders' Revolving Credit Exposures.

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

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

"Applicable Percentage" means, with respect to any Lender, the percentage obtained by dividing (a) the Revolving Credit Exposure of such Lender (or, if no Credit Extensions are then outstanding, the Revolving Credit Commitment of such Lender) by (b) the Aggregate Revolving Credit Exposure (or, if no Credit Extensions are then outstanding, the Total Revolving Credit Commitment).

"Applicable Rate" means, for any day on and after the Effective Date, (i) with respect to any LIBO Rate Loan, 0.60%, (ii) with respect to any ABR Loan, 0.25%, and (iii) with respect to the Commitment Fees, 0.06%.

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

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Agent, in the form of Exhibit B or any other form approved by the Agent.

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

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

"Banks" means (a) the Lenders listed on the Commitment Schedule and (b) any Lender that shall have become a party hereto pursuant to an Assignment and Assumption. For the avoidance of doubt, references herein to Banks shall not include any Lender that ceases to be a party hereto pursuant to an Assignment and Assumption.

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

"Board of Directors" means (a) with respect to a corporation, the board of directors of the corporation, (b) with respect to a partnership, the board of directors of the general partner of the partnership and (c) with respect to any other Person, the board, managers or committee of such Person serving a similar function.

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

"Borrowing" means any Loans of the same Type made, converted or continued on the same date and, in the case of LIBO Rate Loans, as to which a single Interest Period is in effect.

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

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

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

"Cash Collateral Agreement" means a cash collateral agreement executed by the Borrower in favor of the Security Agent and substantially in the form attached hereto as Exhibit K.

"Cash Collateralize" means, in respect of an Obligation, to provide and pledge (as a first priority perfected security interest) cash collateral in Dollars, at a location and pursuant to documentation in form and substance satisfactory to the Agent. "Cash Collateral" shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

"Change in Control" means Total S.A. shall fail to directly or indirectly beneficially own or control at least 50.1% of the voting power represented by the issued and outstanding Equity Interests of the Borrower.

"Change in Control Amendment" means a Change in Control Amendment implementing the adoption of a Substitute Basis.

"Change in Control Amendment Date" has the meaning assigned to such term in Section 2.20(b).

"Change in Law" means (a) the adoption of any treaty, international agreement, law, rule, or regulation after the date of this Agreement, (b) any change in any treaty, international agreement, law, rule, or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by the Agent or any Lender (or, for purposes of Section 2.13(b), by any lending office of such Lender or by the corporation controlling such Lender, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority (provided that compliance with such request, guideline or directive is in accord with the general practice of Persons to whom such request, guideline or directive is intended to apply) made or issued after the date of this Agreement; provided, however, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines or directives thereunder or issued in connection therewith or in implementation thereof and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case referred to in clause (i) or (ii) be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Closing Date" means July 3, 2013.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any references to any Code section shall include references to the Treasury Regulations promulgated thereunder.

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

"Commitment Schedule" means the Schedule attached as Schedule 1 to this Agreement, as such Schedule may be amended from time to time in accordance with the terms of this Agreement.

"Communications" has the meaning assigned to such term in Section 9.01(e)(ii).

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

"Credit Date" means the date of a Credit Extension.

"Credit Extension" means the making of a Loan.

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

"Defaulting Lender" means any Lender that (a) defaults in its obligation to extend credit (including funding all or any portion of its Loans) or pay to the Agent or any other Lender any other amount required to be paid by it hereunder within two Business Days of the date on which such credit is required to be extended, or such payment is required to be made, by it hereunder, (b) has notified the Agent or the Borrower in writing that it does not intend to satisfy any such obligations or has made a public statement with respect to any such obligations hereunder or generally with respect to all agreements in which it commits to extend credit, (c) has failed, within three Business Days after written request by the Agent or the Borrower, to confirm in writing to the Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Agent and the Borrower), (d) has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, custodian, administrator, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business, appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a direct or indirect parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, custodian, administrator, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business, appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment, or (e) has, or has a direct or indirect parent company that has, become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender.

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

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

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

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Effective Date" means the date on which each of the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Effective Date Certificate" means a certificate substantially in the form of Exhibit D.

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

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

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

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

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

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

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

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

“Excluded Taxes” means, with respect to a Recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) (i) income or franchise Taxes imposed on (or measured by) its net income by the jurisdiction under the laws of which such Recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located or (ii) Other Connection Taxes, (b) any branch profits Taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which such Recipient is located, (c) in the case of a Lender, any U.S. Federal withholding Taxes attributable to such

Lender’s failure to comply with Section 2.15(f), (d) except in the case of an assignee pursuant to a request by the Borrower under Section 2.17(b), any U.S. Federal withholding Tax that is imposed on amounts payable to such recipient at the time such recipient becomes a party to this Agreement (or designates a new lending office), except to the extent that such recipient (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding Tax pursuant to Section 2.15(a) and (e) any U.S. Federal withholding Taxes imposed by FATCA.

“Existing Credit Agreement” has the meaning assigned to such term in the recitals.

“Exiting Bank” means a Lender who declines to participate in making its Revolving Credit Commitment available on a Substitute Basis.

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

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), and any regulations or official interpretations thereof.

“Federal Funds Effective Rate” means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Agent from three federal funds brokers of recognized standing selected by the Borrower (which rate shall in no event be less than zero).

“Fee Letters” means (i) that certain Upfront Fee Letter dated May 29, 2013 by and among the Borrower and the Agent, (ii) the Agent Engagement Letter, (iii) the 2016 Fee Letter and (iv) the 2017 Fee Letter.

“Fees” means the Commitment Fees and the Agent Fees.

“Financial Officer” means the chief financial officer, treasurer or controller of the Borrower.

"First Amendment" means the First Amendment to Revolving Credit Agreement relating to the Existing Credit Agreement dated as of August 26, 2014, by and among the Borrower, the Agent and the Lenders listed on the signature pages thereof.

"First Amendment Effective Date" means the "Effective Date" under and as defined in the First Amendment.

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

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

"Governmental Acts" means any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority.

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

"Guaranteed Amount" means, at any time, the maximum amount of Obligations guaranteed by the Parent Guarantor at such time under the Parent Guaranty.

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

"Indebtedness" means, as applied to any Person, without duplication (i) all obligations for borrowed money, (ii) all obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations to pay the deferred purchase price of property or services (other than accounts payable and accrued expenses incurred in the ordinary course of business determined in accordance with GAAP), (iv) all obligations with respect to capital leases, (v) all obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, (vi) all non-contingent reimbursement and other payment obligations in respect of letters of credit and similar surety instruments (including construction performance bonds),

(vii) the face amount of any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings, (ix) any obligations with respect to tax equity or similar financing arrangements, and (x) (1) the direct or indirect guaranty, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another, (2) any obligation of such Person the primary purpose or intent of which is to provide assurance to an obligee that the obligation of the obligor thereof will be paid or discharged, or any agreement relating thereto will be complied with, or the holders thereof will be protected (in whole or in part) against loss in respect thereof, and (3) any liability (contingent or otherwise) of such Person for an obligation of another Person with respect to Indebtedness listed in clauses (i) through (ix) above, including any agreement (a) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise) or (b) to maintain the solvency or any balance sheet item, level of income or financial condition of such other Person.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Information" has the meaning set forth in Section 9.11.

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

"Interest Payment Date" means (a) with respect to any ABR Loan, the last Business Day of each March, June, September and December and the Revolving Credit Maturity Date, and (b) with respect to any LIBO Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a LIBO Rate Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period (or if such day is not a Business Day, the next succeeding Business Day).

"Interest Period" means with respect to any LIBO Rate Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months (or, to the extent agreed to by each relevant Lender, nine or twelve months) thereafter, as the Borrower may elect; provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

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

"IRS" means the United States Internal Revenue Service.

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

"Lenders" means the Persons listed as Lenders on the Commitment Schedule and any other Person that shall have become a party hereto as a Lender pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto as a Lender pursuant to an Assignment and Assumption.

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

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

"Loan Documents" means this Agreement, the Parent Guaranty, the Cash Collateral Agreement, each Fee Letter and any promissory notes issued pursuant to this

Agreement. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto.

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

"Loans" means the revolving loans made by the Lenders to the Borrower pursuant to Section 2.01(a).

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

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

"Material Indebtedness" means Indebtedness (other than (i) the Loans, (ii) any non-recourse Indebtedness, and (iii) any Indebtedness as to which the holders of such Indebtedness have recourse only to any one or more Project Finance Subsidiaries, including any such Project Finance Subsidiaries' assets, but without recourse to the Borrower other than Permitted Project Recourse) for borrowed money (including notes, bonds and other similar instruments) and reimbursement obligations in respect of drawn letters of credit of the Borrower in an aggregate principal amount outstanding exceeding $70,000,000.

"Maximum Amount Due" means, at any time, the sum of (i) the aggregate principal amount of all outstanding Loans at such time plus (ii) the total amount of interest to be paid on such Loans and Commitment Fees to be paid on any unutilized Revolving Credit Commitments, in each case, from such time through and until the Scheduled Maturity Date (assuming no repayments or prepayments of such Loans) plus (iii) the amount of all due but unpaid interest, fees, costs and expenses under any Loan Document at such time plus (iv) the amount of any other fees, costs and expenses reasonably expected to be incurred by the Borrower under or in connection with any Loan Document from such time through and until the Scheduled Maturity Date.

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

"Non-Consenting Lender" has the meaning assigned to such term in Section 9.02(c).

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

"Non-Defaulting Lender" means, at any time, each Lender that is not a Defaulting Lender at such time.

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

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

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

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Other Taxes" means any and all present or future stamp or documentary Taxes or any other excise or property Taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

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

"Parent Guaranty" means the guaranty executed by the Parent Guarantor in favor of the Agent and substantially in the form attached hereto as Exhibit I.

"Participant" has the meaning assigned to such term in Section 9.04(c).

“Participant Register” has the meaning assigned to such term in Section 9.04(c)(i).

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

“Permitted Project Recourse” means (a) limited guarantees and side letters from the Borrower in respect of any Indebtedness of any Project Finance Subsidiary which do not guarantee obligations for borrowed money (including notes, bonds and other similar instruments), operating lease obligations, Capital Lease Obligations or reimbursement or other payment obligations in respect of letters of credit (including, without limitation, equipment, procurement and construction, operations and maintenance, asset management, liquidated damages and managing member and tax indemnity undertakings), and (b) pledges of Equity Interests in Project Finance Subsidiaries (or direct or indirect owners of Project Finance Subsidiaries) or other limited guarantees or side letters provided that the holders of such Indebtedness have acknowledged that they will not have any recourse to the assets or Equity Interests (other than as specified in this clause (b)) of any the Borrower.

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

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

“Platform” has the meaning assigned to such term in Section 9.01(e)(i).

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

“Project Finance Subsidiary” means a limited purpose Subsidiary of the Borrower established in connection with the construction of a solar project, or the sale of solar equipment and/or energy.

“Recipient” means (a) the Agent or (b) any Lender, as applicable.

“Register” has the meaning assigned to such term in Section 9.04(b)(iv).

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

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

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

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

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

"Required Lenders" means at any time, Lenders that have Revolving Credit Exposure and unused Revolving Credit Commitments representing more than 50% of the sum of all Revolving Credit Exposure and unused Revolving Credit Commitments; provided that the Revolving Credit Exposure and unused Revolving Credit Commitments of any Defaulting Lender shall be disregarded in the determination of the Required Lenders at any time.

"Required Payment" has the meaning assigned thereto in Section 9.02(c).

"Requirement of Law" means, as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Revolving Credit Commitment" means, with respect to each Lender, the commitment of such Lender to make Loans hereunder as set forth in the Commitment Schedule or in the most recent Assignment and Assumption executed by such Lender, as applicable, as the same may be (i) reduced from time to time pursuant to Section 2.06 and (ii) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Loans of such Lender.

"Revolving Credit Maturity Date" means the earliest to occur of (i) the Scheduled Maturity Date, (ii) the date the Revolving Credit Commitments are permanently reduced to zero pursuant to Section 2.06(b), and (iii) the date of the termination of the Revolving Credit Commitments pursuant to Section 2.20 or Article VII.

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

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

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

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

"Scheduled Maturity Date" means the date falling five years after the First Amendment Effective Date.

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

"Second Amendment" means the Second Amendment to Revolving Credit Agreement relating to the Existing Credit Agreement dated as of February 17, 2016, by and among the Borrower, the Agent and the Lenders listed on the signature pages thereof.

"Second Amendment Effective Date" means the "Effective Date" under and as defined in the Second Amendment.

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

"Security Agent" has the meaning assigned to such term in the recitals to this Agreement.

“Security Agreement” means that certain Security Agreement dated as of January 31, 2014 among the Borrower, certain of its Subsidiaries and the Security Agent, as amended by the First Amendment to Security Agreement dated as of the Second Amendment Effective Date.

“Solvent”, with respect to any Person, means that as of the date of determination (a) the then fair saleable value of the property of such Person is (1) greater than the total amount of liabilities (including contingent liabilities) of such Person and (2) not less than the amount that will be required to pay the probable liabilities on such Person’s then existing debts as they become absolute and due considering all financing alternatives and potential asset sales reasonably available to such Person, (b) such Person’s capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction, and (c) such Person does not intend to incur, or believe that it will incur, debts beyond its ability to pay such debts as they become due. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“Spot Rate” for a currency means the rate determined by the Agent as the spot rate for the purchase of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two Business Days prior to the date as of which the foreign exchange computation is made; provided that the Agent may obtain such spot rate from another financial institution designated by the Agent if it does not have as of the date of determination a spot buying rate for any such currency.

“subsidiary” with respect to any Person, means:

(i) any corporation of which the outstanding Equity Interests having at least a majority of the votes entitled to be cast in the election of directors under ordinary circumstances shall at the time be owned, directly or indirectly by such Person; or

(ii) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time, directly or indirectly, owned by such Person.

“Subsidiary” means, unless the context otherwise requires, a Subsidiary of the Borrower.

“Subsidiary Guarantor” has the meaning assigned to such term in the Existing Credit Agreement, before giving effect to this Agreement.

“Subsidiary Guaranty” means the subsidiary guaranty executed by each Subsidiary Guarantor.

"Substitute Basis" has the meaning set forth in Section 2.20(a).

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, similar charges or withholdings imposed by any Governmental Authority.

"Total Revolving Credit Commitment" means, at any time, the aggregate amount of Revolving Credit Commitments, as in effect at such time, being $300,000,000 as of the Effective Date.

"Total Utilization of Revolving Credit Commitments" means, as at any date of determination, the aggregate principal amount of all outstanding Loans.

"Transactions" means, collectively, the execution, delivery and performance by the Borrower of the Loan Documents, the making of the Credit Extensions hereunder, and the use of proceeds thereof in accordance with the terms hereof.

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

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

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

"U.S. Person" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

"U.S. Tax Certificate" has the meaning specified in Section 2.15(f).

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

"Withholding Agent" means the Borrower or the Agent.

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

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Type (e.g., a "LIBO Rate Loan"). Borrowings may also be classified and referred to by Type (e.g., a "LIBO Rate Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". Unless otherwise specifically indicated, the term "consolidated" with respect to any Person refers to such Person consolidated with its Subsidiaries. The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, amended and restated, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Effectuation of Transactions. Each of the representations and warranties of the Borrower contained in this Agreement (and all corresponding definitions) are made after giving effect to the Transactions, unless the context otherwise requires.

SECTION 1.05. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP or, if not defined in GAAP (as determined by the Borrower in good faith) as determined by the Borrower in good faith, as in effect from time to time; provided that, to the extent set forth in clause (c) of the definition of "GAAP", if the Borrower notifies the Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Agent notifies the Borrower that the Required Lenders request an amendment to any provision thereof 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 Credits

SECTION 2.01. Loan Commitments. (a) Subject to the terms and conditions set forth herein, each Lender agrees, severally and not jointly, to make Loans to the Borrower, at any time and from time to time after the Effective Date, and until the earlier of the Revolving Credit Maturity Date and the termination of the Revolving Credit Commitment of such Lender in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in such Lender's Revolving Credit Exposure exceeding such Lender's Revolving Credit Commitment; provided that at no time shall the aggregate principal amount of all outstanding Loans exceed 95.0% of the Guaranteed Amount or the Maximum Amount Due exceed the Guaranteed Amount. Within the limits set forth in the preceding sentence and subject to the terms, conditions and limitations set forth herein, the Borrower may borrow, pay or prepay and reborrow Loans.

(b) The Revolving Credit Commitment of each Lender as of the Effective Date is specified on the Commitment Schedule then in effect on such date.

SECTION 2.02. Loans and Borrowings. (a) Each Loan shall be made as part of a Borrowing consisting of Loans of the same Type made by the Lenders ratably in accordance with their applicable Revolving Credit Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Revolving Credit Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required. The Loans comprising any Borrowing shall be in an aggregate principal amount that is (i) in an integral multiple of $1,000,000 and not less than $1,000,000 or (ii) equal to the remaining available balance of the applicable Revolving Credit Commitments.

(b) Subject to Section 2.12, each Borrowing shall be comprised entirely of ABR Loans or LIBO Rate Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any LIBO Rate Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that (i) any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement, and (ii) in exercising such option, such Lender shall use reasonable efforts to minimize any increase in the Adjusted LIBO Rate or increased costs to the Borrower resulting therefrom (which obligation of such Lender shall not require it to take, or refrain from taking, actions that it determines would result in increased costs for which it will not be compensated hereunder or that it otherwise determines would be disadvantageous to it and in the event of such request for costs for which compensation is provided under this Agreement, the provisions of Section 2.13 shall apply).

(c) At the commencement of each Interest Period for any LIBO Rate Borrowing, such Borrowing shall comprise an aggregate principal amount that is an integral multiple of $1,000,000 and not less than $1,000,000. Each ABR Borrowing when made shall be in a minimum principal amount of $1,000,000; provided that an ABR Borrowing may be maintained in a lesser amount equal to the difference between the aggregate principal amount of all other Borrowings and the total amount of Loans at such time outstanding. Borrowings of more than one Type may be outstanding at the same time; provided that there shall not at any time be more than a total of ten different Interest Periods in effect for LIBO Rate Borrowings at any time outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Revolving Credit Maturity Date.

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

(i) the aggregate amount of the requested Borrowing;

(ii) the aggregate principal amount of all Borrowings scheduled to be outstanding as of the date of the requested Borrowing (including, for this purpose, the principal amount of such requested Borrowing);

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

(iv) the Guaranteed Amount (and 95% of the Guaranteed Amount) as of the date of the Borrowing;

(v) whether the Borrowing then being requested is to be an ABR Borrowing or a LIBO Rate Borrowing;

(vi) in the case of a LIBO Rate Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

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

provided, however, that notwithstanding any contrary specification in any Borrowing Request, each requested Borrowing shall comply with the requirements set forth in Section 2.02 and Section 2.04.

(b) If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any LIBO Rate Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of the Borrowing Request in accordance with this Section 2.03 (but in any event on the same day such Borrowing Request is received by the Agent), the Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 (noon), New York City time, to the account of the Agent most recently designated by it for such purpose by notice to the Lenders.

(b) Unless the Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Agent such Lender's share of such Borrowing, the Agent may assume that such Lender has made such share available on the date of such Borrowing in accordance with Section 2.04(a) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the Borrowing available to the Agent, then the applicable Lender and the Borrower severally agree to pay to the Agent forthwith on demand (without duplication) such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate reasonably determined by the Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Agent, then such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its

Revolving Credit Commitments or to prejudice any rights which the Agent or the Borrower may have against any Lender as a result of any default by such Lender hereunder.

SECTION 2.05. Type; Interest Elections. (a) Loans shall initially be of the Type specified in the applicable Borrowing Request and, in the case of a LIBO Rate Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert all or any portion of any Borrowing (subject to the minimum amounts for Borrowings of the applicable Type specified in Section 2.02(c)) to a different Type or to continue such Borrowing and, in the case of a LIBO Rate Borrowing, may elect Interest Periods therefor, all as provided in this Section 2.05. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

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

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

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

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

(iv) if the resulting Borrowing is a LIBO Rate Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a LIBO Rate Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a LIBO Rate Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default of the type set forth in clause (a) or (b) of Article VII (without giving effect to any grace period set forth therein) has occurred and is continuing and the Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing, (i) no outstanding Borrowing may be converted to or continued as a LIBO Rate Borrowing and (ii) unless repaid, each LIBO Rate Borrowing shall be converted to an ABR Borrowing at the end of the then current Interest Period applicable thereto.

SECTION 2.06. Termination and Reduction of Commitments. (a) The Revolving Credit Commitments shall automatically terminate on the Revolving Credit Maturity Date and as set forth in Section 2.20.

(b) Upon at least three Business Days' prior irrevocable written or fax notice (or telephonic notice promptly confirmed by written notice) to the Agent, the Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Revolving Credit Commitments; provided, however, that (i) each partial reduction of the Revolving Credit Commitments shall be in an integral multiple of $1,000,000 and in a minimum amount of $1,000,000, (ii) the Total Revolving Credit Commitment shall not be reduced to an amount that is less than the Aggregate Revolving Credit Exposure at the time, (iii) the Borrower may condition a notice of termination of all of the Revolving Credit Commitments upon the effectiveness of a replacement financing, and (iv) the Borrower may condition a notice of termination of the Revolving Credit Commitments (or, if applicable, the Revolving Credit Commitments of the Exiting Banks) upon the consummation of a Change in Control.

(c) Each reduction in the Revolving Credit Commitments hereunder, other than a reduction resulting from the termination of the Exiting Banks' Revolving Credit Commitments in connection with a Change in Control Amendment, shall be made ratably among the Lenders in accordance with their respective Revolving Credit

Commitments. The Borrower shall pay to the Agent for the account of the applicable Lenders, on the date of termination of the Revolving Credit Commitments (or the Exiting Banks' Revolving Credit Commitments, as the case may be), all accrued and unpaid Commitment Fees relating to the same but excluding the date of such termination.

SECTION 2.07. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to each Lender, through the Agent, the then unpaid principal amount of each Loan of such Lender on the Revolving Credit Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period (if any) applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to clause (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to such Lender and its registered assigns and in substantially the form of Exhibit F hereto. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the payee named therein and its registered assigns.

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

(b) The Borrower shall notify the Agent by telephone (confirmed by facsimile) of any prepayment hereunder (i) in the case of prepayment of a LIBO Rate Borrowing, not later than 11:00 a.m., New York City time, three (3) Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the day of prepayment. Each such notice shall be irrevocable (except in the case of a repayment in full of all of the Obligations, which may be conditioned upon the effectiveness of a new financing) and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid. Promptly following receipt of any such notice relating to a Borrowing, the Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing; provided that any prepayments made to Exiting Banks in connection with a termination of their Revolving Credit Commitments shall be applied ratably to the applicable Loans of such Exiting Banks. Prepayments shall be accompanied by accrued interest as required by Section 2.11 and any prepayment of LIBO Rate Loans shall be subject to the provisions of Section 2.14; provided, however, that in the case of a prepayment of an ABR Loan that is not made in connection with a termination of the Revolving Credit Commitments, the accrued and unpaid interest on the principal amount prepaid shall be payable on the next scheduled Interest Payment Date with respect to such ABR Loan.

SECTION 2.09. Mandatory Prepayment of Loans; Application of Payments after Event of Default. (a) In the event of any termination of all the Revolving Credit Commitments, the Borrower shall, on the date of such termination, repay or prepay all its outstanding Borrowings, together with accrued interest thereon, accrued Fees and all other amounts payable to the Lenders hereunder.

(b) If at any time (i) the Aggregate Revolving Credit Exposure exceeds the lower of (1) the Total Revolving Credit Commitment and (2) 95.0% of the Guaranteed Amount, or (ii) the Maximum Amount Due exceeds the Guaranteed Amount, then the Borrower shall repay or prepay Borrowings in an amount sufficient to eliminate such excess.

(c) Upon the occurrence and during the continuation of an Event of Default, if requested by Required Lenders, or upon acceleration of the Obligations pursuant to Article VII, all payments received by the Agent, whether from the Borrower or the Parent Guarantor may, in the discretion of the Agent, be applied in full or in part by the Agents, in each case in the following order of priority:

i. to the payment of all costs and expenses of such sale, collection or other realization, all other expenses, liabilities and advances made or incurred by the Agent in connection therewith, and all amounts for which the Agent are entitled to compensation (including the fees described in Section 2.10), reimbursement and indemnification under any Loan Document and all advances made by the Agent thereunder for the account of the Borrower, and to the payment of all costs and expenses paid or incurred by the Agents in connection with the Loan Documents, all in accordance with Section 9.03 and the other terms of this Agreement and the Loan Documents;

ii. thereafter, to the payment of all Loans to the full extent thereof (with accrued interest being paid in full prior to application of amounts to pay principal); and

iii. thereafter, to the payment to or upon the order of the Borrower or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 2.10. Fees. (a) The Borrower agrees to pay to each Non-Defaulting Lender, through the Agent, a commitment fee (a "Commitment Fee") equal to the Applicable Rate per annum in effect from time to time on the daily unused amount of the Revolving Credit Commitments of such Lender during the preceding quarter (or other period commencing with the Closing Date or ending with the Revolving Credit Maturity Date or the date on which the Revolving Credit Commitments of such Lender shall expire or be terminated). The Commitment Fee due to each Lender shall commence to accrue on the Closing Date and shall cease to accrue on the date on which the Revolving Credit Commitments of such Lender shall expire or be terminated as provided herein.

(b) The fee referred to in Section 2.10(a) shall be computed on the basis of the actual number of days elapsed in a year of 360 days and shall be payable in Dollars. The fee referred to in Section 2.10(a) shall be payable quarterly in arrears on the last Business Day of March, June, September and December in each year and on each date on which any Revolving Credit Commitment of such Lender shall expire or be terminated as provided herein.

(c) The Borrower agrees to pay to the Agent, for its own account, the agency fees set forth in the Fee Letters, or such agency fees as may otherwise be separately agreed upon by the Borrower and the Agent payable in the amounts and at the times specified therein or as so otherwise agreed upon (the "Agent Fees").

(d) All Fees shall be paid on the dates due, in immediately available funds, to the Agent for distribution, if and as appropriate, among the Lenders.

SECTION 2.11. Interest . (a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each LIBO Rate Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, upon the occurrence and during the continuance of an Event of Default referred to in clauses (a), (b), (g), and (h) of Article VII, at the written request of the Required Lenders, any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder shall bear interest, payable on demand, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2.0% plus the rate otherwise applicable to such Loan as provided in the preceding clauses of this Section or (ii) in the case of any other amount, 2.0% plus the rate applicable to ABR Loans as provided in clause (a) of this Section. Payment or acceptance of the increased rates of interest provided for in this Section 2.11(c) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of the Agent or any Lender.

(d) Accrued interest on each Loan shall be payable to the applicable Lenders, through the Agent, in arrears on each Interest Payment Date for such Loan; provided that (i) interest accrued pursuant to clause (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any LIBO Rate Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.12. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a LIBO Rate Borrowing:

(a) the Agent determines (which determination shall be conclusive absent manifest error) that dollar deposits in the principal amount of the Loans comprising such Borrowing are not generally available in the London interbank market;

(b) the Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(c) the Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Agent shall promptly give notice thereof to the Borrower and the Lenders by telephone or facsimile as promptly as practicable thereafter and, until the Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, any request by the Borrower for a LIBO Rate Borrowing pursuant to Section 2.03 or 2.05 shall be deemed to be a request for an ABR Borrowing. In the event that the Agent shall give such a notice, the Borrower and the Agent (in consultation with the Lenders) shall promptly enter into negotiations in good faith with a view to agreeing on an alternative basis acceptable to the Borrower and the Lenders for the interest rate which shall be applicable to future LIBO Rate Borrowings.

SECTION 2.13. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate);

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (c) through (e) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition affecting this Agreement or LIBO Rate Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, converting to, continuing or maintaining any LIBO Rate Loan or of maintaining its obligation to make any such Loan, or to reduce the amount of any sum received or receivable by such Lender or such other Recipient hereunder (whether of principal, interest or otherwise), in each case by an amount the Lender or other Recipient reasonably determines to be material, then, following delivery of the certificate contemplated by clause (c) of this Section, within fifteen (15) days after demand the Borrower will pay to such Lender or other Recipient such additional amount or amounts as will compensate such Lender or other Recipient for such additional costs incurred or reduction suffered (except for (i) any increased cost in respect of which a Lender is entitled to compensation under any other provision of this Agreement, (ii) any payment to the extent that it is attributable to the requirement of any Governmental Authority which regulates a Lender or its holding company which is imposed by reason of the quality of such Lender's assets or those of its holding company and not generally imposed on all entities of the same kind regulated by the same authority, or (iii) any increased cost arising by reason of a Lender voluntarily breaching any lending limit or other similar restriction imposed by any provision of any relevant law or regulation after the introduction thereof).

(b) If any Lender determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Credit Extensions made to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (excluding, for purposes of this Section, any such increased costs resulting from any change to the extent that it is attributable to the requirement of any Governmental Authority which regulates a Lender or its holding company which is imposed by reason of the quality of such Lender's assets or those of its holding company and not generally imposed on all entities of the same kind regulated by the same authority) other than due to Taxes, which shall be dealt with exclusively pursuant to Section 2.15 (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time following delivery of the certificate contemplated by clause (c) of this Section the Borrower will within fifteen (15) days after demand pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company as specified in clause (a) or (b) of this Section and setting forth in reasonable detail the manner in which such amount or amounts was determined shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.14. Break Funding Payments. In the event of (a) the payment of any principal of any LIBO Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any LIBO Rate Loan or the conversion of the Interest Period with respect to any LIBO Rate Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any LIBO Rate Loan on the date specified in any notice delivered pursuant hereto, or (d) the assignment of any LIBO Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.17, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a LIBO Rate Loan, such loss, cost or expense to any Lender shall not include loss of profit or margin and shall be deemed to be the amount reasonably determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section and the basis therefor and setting forth in reasonable detail the manner in which such amount or amounts was determined shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

SECTION 2.15. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all such required deductions (including such deductions applicable to additional sums payable under this Section), the Recipient receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount so deducted to the relevant Governmental Authority in accordance with applicable law. If at any time the Borrower is required by applicable law to make any deduction or withholding from any sum payable hereunder, the Borrower shall promptly notify the relevant Recipient upon becoming aware of the same. In addition, each Recipient shall promptly notify the Borrower upon becoming aware of any circumstances as a result of which the Borrower is or would be required to make any deduction or withholding from any sum payable hereunder.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify each Recipient, within ten (10) days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by such Recipient on or with respect to any payment by or on account of any obligation of the Borrower hereunder or under any other Loan Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes (or related penalties, interest, or additions to tax) were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or by the Agent on its own behalf or on behalf of a Lender shall be conclusive absent manifest error.

(d) Each Lender shall severally indemnify the Agent, within ten (10) days after written demand therefor, for the full amount of any Excluded Taxes paid by the Agent on behalf of such Lender on or with respect to any payment by or on account of any obligation of the Borrower hereunder or under any other Loan Document and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Excluded Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to a Lender by the Agent shall be conclusive absent manifest error.

(e) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Agent.

(f) (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments under any Loan Document shall deliver to the Borrower (with a copy to the Agent), at the time or times as reasonably requested by the Borrower or the Agent, such properly completed and executed documentation as reasonably requested by the Borrower or the Agent as will permit such payments to be made without withholding or at a reduced rate.

(ii) Without limiting the generality of the foregoing, any Lender shall, if it is legally eligible to do so, deliver to the Borrower (with a copy to the Agent), on or prior to the date on which such Lender becomes a party hereto, two duly signed, properly completed copies of whichever of the following is applicable:

(A) in the case of a Lender that is not a Foreign Lender, IRS Form W-9;

(B) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (1) with respect to payments of interest under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the "interest" article of such tax treaty and (2) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from U.S. Federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(C) in the case of a Foreign Lender for whom payments under any Loan Document constitute income that is effectively connected with such Lender's conduct of a trade or business in the United States, IRS Form W-8ECI;

(D) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code both (1) IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, and (2) a certificate (a "U.S. Tax Certificate") to the effect that such Lender is not (a) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (b) a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code and (c) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code;

(E) in the case of a Foreign Lender that is not the beneficial owner of payments made under any Loan Document (including a partnership or a Participant) (1) an IRS Form W-8IMY on behalf of itself and (2) the relevant forms prescribed in clauses (A), (B), (C), (D), (F) and (G) of this clause (f)(ii) that would be required of each such beneficial owner or partner of such partnership if such beneficial owner or partner were a Lender; provided, however, that if the Lender is a partnership and one or more of its partners are claiming the exemption for portfolio interest under

Section 881(c) of the Code, such Lender may provide a U.S. Tax Certificate on behalf of such partners;

(F) if a payment made to a Foreign Lender under any Loan Document would be subject to any withholding Taxes as a result of such Foreign Lender's failure to comply with the requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code), at the time or times prescribed by law and at such time or times reasonably requested by the Withholding Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Withholding Agent as may be necessary for the Withholding Agent to comply with its obligations under FATCA, to determine that such Foreign Lender has or has not complied with such Foreign Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment; or

(G) any other form prescribed by law as a basis for claiming exemption from, or a reduction of, U.S. Federal withholding Tax together with such supplementary documentation necessary to enable the Borrower or the Agent to determine the amount of Tax (if any) required by law to be withheld.

(iii) Thereafter and from time to time, each Foreign Lender shall, if it is legally eligible to do so, (A) promptly submit to the Borrower (with a copy to the Agent) such additional duly completed and signed copies of one or more of the forms or certificates described in Section 2.15(f)(ii)(A), (B), (C), (D) or (E) above (or such successor forms or certificates as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is reasonably satisfactory to the Borrower and the Agent of any available exemption from, or reduction of, United States withholding Taxes in respect of all payments to be made to such Foreign Lender by the Borrower pursuant to this Agreement, or any other Loan Document, in each case, (1) after the occurrence of any event requiring a change in the most recent form, certificate or evidence previously delivered by it to the Borrower and (2) from time to time thereafter if reasonably requested by the Borrower or the Agent, and (B) promptly notify the Borrower and the Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(g) If the Agent or a Lender determines, in its reasonable discretion, that it has received a refund of any Indemnified Taxes or Other Taxes as to which it has been indemnified by the Borrower or the Parent Guarantor or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.15 or the Parent Guarantor has paid additional amounts pursuant to the Parent Guaranty, it shall reimburse to the Borrower or the Parent Guarantor, as the case may be, such amount as the Agent or such Lender determines to be the proportion (but not more than 100%) of such refund as will leave the Agent or such Lender (after that reimbursement) in no better or worse position in respect of the worldwide liability for Taxes or Other Taxes of the Agent, or such Lender (including in each case its Affiliates) than it would have been if no such indemnity had been required under this Section. This Section shall not be construed to require the Agent or any Lender to make available its tax returns (or any other information relating to its Taxes which it deems confidential) to the Borrower, the Parent Guarantor or any other Person.

SECTION 2.16. Payments Generally; Allocation of Proceeds; Sharing of Set-offs. (a) Unless otherwise specified, the Borrower shall make each payment required to be made by it hereunder and under any other Loan Document (whether of principal, interest or fees, or of amounts payable under Section 2.13, 2.14 or 2.15, or otherwise) prior to 12:00 (noon), New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Agent to the applicable account designated to the Borrower by the Agent, except that payments pursuant to Sections 2.13, 2.14, 2.15 and 9.03 shall be made directly to the Persons entitled thereto. The Agent shall distribute any such payments received by it, except as otherwise provided, for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars. Any payment required to be made by the Agent hereunder shall be deemed to have been made by the time required if the Agent shall, at or before such time, have taken the necessary steps to make such payment in accordance with the regulations or operating procedures of the clearing or settlement system used by the Agent to make such payment.

(b) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans of other Lenders at such time outstanding to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this clause shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any subsidiary thereof (as to which the provisions of this clause shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(c) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Agent for the account of the Lenders that the Borrower will not make such payment, the Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Agent in accordance with banking industry rules on interbank compensation.

(d) If any Lender shall fail to make any payment required to be made by it pursuant to Sections 2.04(a), 2.16(c) or 9.03(c), then the Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

(e) Except as otherwise provided herein, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of the Commitment Fees, each reduction of the Revolving Credit Commitments and each conversion of any Borrowing to or continuation of any Borrowing as a Borrowing of any Type shall be allocated pro rata among the Lenders in accordance with their respective applicable Revolving Credit Commitments (or, if such Revolving Credit Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans).

SECTION 2.17. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.13, or if the

Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the reasonable judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.13 or 2.15, as applicable, in the future and (ii) would not subject such Lender to any material unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender in any material respect. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) In the event (i) any Lender requests compensation under Section 2.13 and such Lender has declined or is unable to designate a different lending office in accordance with Section 2.17(a), or (ii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15 and such Lender has declined or is unable to designate a different lending office in accordance with Section 2.17(a), or (iii) any Lender becomes a Defaulting Lender or an Exiting Bank, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Agent, replace such Lender by requiring such Lender to assign and delegate (and such Lender shall be obligated to assign and delegate), without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 9.04), all its interests, rights (other than its existing rights to payments pursuant to Section 2.13 or Section 2.15) and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued Fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and Fees) or the Borrower (in the case of all other amounts), and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.13 or payments required to be made pursuant to Section 2.15, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.18. Illegality. If any Lender reasonably determines that any Change in Law has made it unlawful, or that any Governmental Authority has asserted after the Closing Date that it is unlawful, for such Lender or its applicable lending office to make or maintain any LIBO Rate Loans, then, on notice thereof by such Lender to the Borrower through the Agent, any obligations of such Lender to make or continue LIBO Rate Loans or to convert ABR Borrowings to LIBO Rate Borrowings shall be suspended until such Lender notifies the Agent and the Borrower that the circumstances giving rise to such determination no longer exist and until such notice is given by such Lender, the Borrower shall only request ABR Borrowings from such Lender. Upon receipt of such notice, the Borrower shall upon demand from such Lender (with a copy to the Agent), either convert all LIBO Rate Borrowings of such Lender to ABR Borrowings, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such LIBO Rate Borrowings to such day, or immediately, if such Lender may not lawfully continue to maintain such Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted. Each Lender agrees to designate a different lending office if such designation will avoid the need for such notice and will not, in the determination of such Lender, otherwise be disadvantageous to it.

SECTION 2.19. [*Reserved*].

SECTION 2.20. Change in Control. (a) If a Change in Control occurs prior to expiration or termination of the Revolving Credit Commitments, the Borrower shall promptly so notify the Agent. The Agent shall promptly, following receipt of such notice from the Borrower or upon determining independently that a Change in Control has occurred, give notice thereof to each of the Banks (with a copy to the Borrower). Upon the Borrower or the Agent giving any such notice, (i) the Revolving Credit Commitments shall be suspended and no Credit Extensions shall be made until the effectiveness of a Change in Control Amendment, if any, in accordance with this Section 2.20, and (ii) the Agent (in consultation with the Banks) and the Borrower may enter into negotiations in good faith with a view to agreeing on a revised basis for making Credit Extensions available to the Borrower hereunder consistent with terms and conditions and market practice for similarly situated borrowers (a "Substitute Basis").

(b) If, before the expiration of thirty (30) days from the date of such notice from the Agent (the "Review Period"), the Borrower and the Required Lenders shall agree on a Substitute Basis, then the Agent shall promptly so notify the Banks. Each Bank must then notify the Agent within five days whether such Lender will participate in future Credit Extensions made under a Substitute Basis and, in the case of each Lender, whether such Lender is an Exiting Bank. Each Bank agrees that it will be deemed to be an Exiting Bank if it does not provide such notice to the Agent on a timely basis. Within the later of (i) five days of receipt by the Agent of such notifications from all of the Banks and (ii) the expiration of the Review Period (the "Change in Control Amendment Date"), the Borrower, the Agent and each non-Exiting Bank shall enter into a Change in Control Amendment and such other documentation as the Agent shall reasonably specify to evidence the Substitute Basis and revised terms and conditions, in each case in form and substance satisfactory to the Borrower, the Agent and each Lender party thereto. If the Borrower and the Required Lenders do not agree on a Substitute Basis before the end of the Review Period, then (i) the Agent shall so notify the Banks, (ii) the Borrower shall prepay all principal, interest, Fees and other Obligations relating to the Credit Extensions within five days of the end of the Review Period and (iii) all of the Revolving Credit Commitments shall automatically be terminated on such date.

(c) Each Bank shall be entitled to agree or decline to participate in its sole discretion in future Credit Extensions made under a Substitute Basis. On the Change in Control Amendment Date and as a condition to the effectiveness of any Change in Control Amendment, each Exiting Bank shall (i) have its Revolving Credit Commitment terminated or be replaced as a Lender pursuant to and in accordance with Section 2.17(b) and (ii) receive payment in full of all amounts then outstanding in respect of principal, interest, Fees and other Obligations relating to its Credit Extensions, whether pursuant to Section 2.17(b) or otherwise. Upon the effectiveness of any Change in Control Amendment (i) this Agreement shall be amended to the extent (but only to the extent) necessary to reflect the existence and terms of the Change in Control Amendment, evidenced thereby as provided for in Section 9.02, and (ii) each Exiting Bank shall no longer be a party to this Agreement.

(d) Nothing in this Section 2.20 shall limit or otherwise modify (i) the obligation of the Borrower to satisfy all of its Obligations on the Revolving Credit Maturity Date or (ii) the rights and remedies of the Agents and the Lenders under Article VII.

SECTION 2.21. [*Reserved*]

SECTION 2.22. Defaulting Lenders.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VII or otherwise) or received by the Agent from a Defaulting Lender pursuant to Section 9.08 shall be applied at such time or times as may be determined by the Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Agent hereunder; *second*, as the Borrower may request (so long as no Default or Event of Default shall have occurred and be continuing), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Agent; *third*, if so determined by the Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such

Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default shall have occurred and be continuing, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *sixth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Article IV were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata in accordance with the applicable Revolving Credit Commitments.

(ii) Certain Fees. No Defaulting Lender shall be entitled to receive any Commitment Fee pursuant to Section 2.10(a) for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(b) Defaulting Lender Cure. If the Borrower and the Agent agree in writing that a Lender is no longer a Defaulting Lender, the Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Agent may determine to be necessary to cause the Loans to be held pro rata by the Lenders in accordance with the applicable Revolving Credit Commitments, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender having been a Defaulting Lender.

ARTICLE III

Representations and Warranties

The Borrower represents and warrants to the Agent and each of the Lenders that:

SECTION 3.01. Organization; Powers. The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to own its property and assets and to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. Authorization; Enforceability. The Transactions are within the Borrower's organizational powers and have been duly authorized by all its necessary organizational action. Each Loan Document (other than the Parent Guaranty) has been duly executed and delivered by the Borrower and is a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and to general principles of equity.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, except to the extent that any such failure to obtain such consent or approval or to take any such action, would not reasonably be expected to result in a Material Adverse Effect, (b) will not violate any Requirement of Law applicable to the Borrower, (c) will not violate or result in a default under any other material indenture, agreement or other instrument binding upon the Borrower or any of its respective assets, or give rise to a right thereunder to require any payment to be made by the Borrower, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower.

SECTION 3.04. Financial Condition. The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, shareholders' equity and cash flows as of and for the fiscal year ended December 31, 2016, reported on by Ernst & Young LLP, independent public accountants (collectively, the "Historical Financial Statements"). Such Historical Financial Statements present fairly, in all material respects, the financial position and results of operations and cash flows of Borrower and its consolidated Subsidiaries as of such date and for such period in accordance with GAAP.

SECTION 3.05. Properties. The Borrower has good and insurable fee simple title to, or valid leasehold interests in, or easements or other limited property interests in, all its real properties and has good and marketable title to its personal property and assets, in each case, except where the failure to have such title would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.06. Litigation. Except as disclosed in the Borrower's filings with the SEC from time to time, there are no actions, suits, proceedings or investigations by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements; Licenses and Permits. The Borrower is in compliance with all Requirements of Law applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.08. Investment Company Status. The Borrower is not an "investment company" as defined in, and is not required to be registered under, the Investment Company Act of 1940.

SECTION 3.09. Taxes. The Borrower has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which it has set aside on its books adequate reserves in accordance with GAAP or (b) to the extent that the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred and is continuing or is reasonably expected to occur that either on its own or, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect. Except as would not reasonably be expected to have a Material Adverse Effect, the present value of all accumulated benefit obligations under all Plans (based on the assumptions used for purposes of Financial Accounting Standards Board Accounting Standards Codification Topic 715) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plans, in the aggregate.

SECTION 3.11. [*Reserved*].

SECTION 3.12. Federal Reserve Regulations. (a) The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of Regulation T, U or X.

SECTION 3.13. USA PATRIOT Act and Other Regulations. To the extent applicable, the Borrower is in compliance, in all material respects, with (a) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (b) the USA PATRIOT Act.

SECTION 3.14. [*Reserved*].

SECTION 3.15. Disclosure. No exhibit, report or other writing furnished by or on behalf of the Borrower to the Agent or any Lender in connection with the negotiation of this Agreement or pursuant to the terms of the Loan Documents (as modified or supplemented by other information so furnished) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading as of the date it was dated (or if not dated, so delivered); provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time and the Agent and the Lenders recognize and acknowledge that such projected financial information is not to be viewed as facts and that actual results during the period or periods covered by such projections may differ from the projected results and such differences may be material.

SECTION 3.16. Solvency. The Borrower is, and (after giving effect to the incurrence of any Obligations by the Borrower on any date on which this representation is made) will be, Solvent.

SECTION 3.17. [*Reserved*].

SECTION 3.18. [*Reserved*].

SECTION 3.19. [*Reserved*].

SECTION 3.20. Anti-Corruption Laws and Sanctions. The Borrower and each Subsidiary is in compliance, in all material respects, with Anti-Corruption Laws and Sanctions and are not engaged in any activity that would reasonably be expected to result in the Borrower being designated as a Sanctioned Person. Policies and procedures the Borrower believes are designed to ensure compliance by its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions have been implemented, and are maintained in effect, by the Borrower or otherwise on behalf of its Subsidiaries. None of (a) the Borrower, any or any of their respective directors, officers or employees (except any director, officer or employee of a Non-Controlled Subsidiary appointed by a Person that is not an Affiliate of the Borrower), or (b) to the knowledge of the Borrower, any director, officer or employee of any Non-Controlled Subsidiary (to the extent appointed by a Person that is not an Affiliate of the Borrower, is a Sanctioned Person. No Loan or use of proceeds by the Borrower will violate any Anti-Corruption Laws or applicable Sanctions.

ARTICLE IV

Conditions Precedent

SECTION 4.01. Conditions Precedent to the Effective Date. This Agreement shall become effective on the Effective Date upon each of the following conditions having been satisfied (or waived in accordance with Section 9.02):

(a) Loan Documents. The Agent (or its counsel) shall have received (i) from each party hereto either (A) a counterpart of this Agreement signed on behalf of such party or (B) written evidence satisfactory to the Agent (which may include facsimile transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement, (ii) any promissory notes requested by a Lender pursuant to Section 2.07, and (iii) the 2017 Fee Letter signed on behalf of the parties thereto.

(b) Effective Date Certificate. The Agent shall have received (i) an Effective Date Certificate of the Borrower, dated the Effective Date and executed by its Secretary or Assistant Secretary or an Officer, which shall (A) certify the resolutions of its Board of Directors (or similar governing body) authorizing the execution, delivery and performance of the Loan Documents to which it is party by the Borrower, (B) identify by name and title and bear the signatures of the Financial Officers and any other officers of the Borrower authorized to sign such Loan Documents, (C) contain appropriate attachments, including the certificate or articles of incorporation (or similar constitutive document) of the Borrower certified by the relevant authority of the jurisdiction of organization of the Borrower and a true and correct copy of its bylaws (or similar constitutive document), or certify that such documents have not been amended since the Effective Date and remain in full force and effect, and (D) certify as to the other matters covered thereby, and (ii) a good standing certificate for the Borrower dated the Effective Date or a recent date prior to the Effective Date satisfactory to the Agent from the Borrower’s jurisdiction of organization.

(c) Legal Opinion. The Agent shall have received, on behalf of itself and the Lenders on the Effective Date, a favorable written opinion of counsel for the Borrower in form and substance satisfactory to the Agent.

(d) Representations and Warranties. The representations and warranties set forth in Article III hereof and in each other Loan Document shall be true and correct in all material respects on and as of the Effective Date.

(e) No Defaults. At the time of and immediately after the Effective Date, no (i) Event of Default, or (ii) event or condition that would constitute an Event of Default but for the requirement that notice be given or time elapse or both, has occurred and is continuing.

(f) Fees. The Agent and the Lenders shall have received from the Borrower payment of all fees required to be paid on or before the Effective Date.

(g) Costs and Expenses. The Borrower shall have paid all reasonable and documented costs and expenses of the Agent (including the fees and expenses of Linklaters LLP as special counsel to the Lenders to the extent previously agreed) in connection with the preparation, execution, delivery and administration of this Agreement.

(h) Existing Letters of Credit. The Agent shall have received satisfactory evidence that (i) all of the letters of credit issued under the Existing Credit Agreement have been cancelled or replaced pursuant to documentation in form and substance satisfactory to the Agent, and (ii) the Borrower has no outstanding reimbursement obligations in respect thereof.

(i) Cash Collateral. The Borrower shall have entered into a Cash Collateral Agreement and Cash Collateralized its obligation to pay (by providing Cash Collateral with a value equal to) the Commitment Fees for the period from (and including) the Effective Date to (but excluding) the date falling one year after the Effective Date.

(j) USA PATRIOT Act. The Agent shall have received all documentation and other information reasonably requested by it that is required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act.

SECTION 4.02. Credit Extensions On or After the Effective Date. On the date of each Credit Extension on or after the Effective Date:

(a) The Agent shall have received a Borrowing Request as required by Section 2.03.

(b) The Agent (or its counsel) shall have received the Parent Guaranty signed on behalf of the Parent Guarantor and each of the other documents listed in Section 4.03, and the Parent Guaranty shall be in full force and effect.

(c) The representations and warranties set forth in Article III hereof (other than Section 3.04) and in each other Loan Document shall be true and correct in all material respects on and as of the date of such Credit Extension with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects on and as of such earlier date; provided that, in each case, such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof.

(d) At the time of and immediately after such Credit Extension, no Default as described in Sections (a), (b), (g) or (h) of Article VII or Event of Default shall have occurred and be continuing or result from such Credit Extension.

(e) After making the Credit Extensions requested on such Credit Date, the Total Utilization of Revolving Credit Commitments shall not exceed the lower of (i) the Revolving Credit Commitments then in effect, and (ii) 95.0% of the Guaranteed Amount.

(f) After making the Credit Extensions requested on such Credit Date, the sum of the Maximum Amount Due shall not exceed the Guaranteed Amount.

(g) Each such Credit Extension shall be deemed to constitute a representation and warranty by the Borrower on the date of such Credit Extension as to the matters specified in clauses (d) and (e) of this Article IV.

SECTION 4.03. Parent Guaranty. The condition precedent specified in Section 4.02(b) shall only be satisfied, and solely for purposes of satisfying such condition precedent, the Parent Guaranty and, if applicable, any amendment thereto which increases the Guaranteed Amount, shall only be deemed to be in full force and effect, upon each of the following conditions having been satisfied (or waived in accordance with Section 9.02):

(a) The Agent shall have received, on behalf of itself and the Lenders, (i) a favorable written opinion of counsel for the Parent Guarantor in respect of the enforceability of the Parent Guaranty (or the relevant amendment thereto) and (ii) a favorable written opinion of in-house counsel to the Parent Guarantor with regard to matters of French law, in each case, in form and substance reasonably satisfactory to the Agent.

(b) The Agent shall have received (i) a certificate of the Parent Guarantor, dated as of the date of the Parent Guaranty (or, as the case may be, the date of the relevant amendment) and executed by an authorized officer or director, which shall (A) certify the resolutions of its Board of Directors authorizing the execution, delivery and performance of the Parent Guaranty (or the relevant amendment thereto) by the Parent Guarantor, (B) identify by name and title and bear the signatures of the Persons authorized to sign the Parent Guaranty (or the relevant amendment thereto) on behalf of the Parent Guarantor, and (C) contain appropriate attachments, including the constitutional documents of the Parent Guarantor, and (ii) a certificate of the Borrower confirming the Guaranteed Amount as of the date of the Parent Guaranty (or, as the case may be, the date of the relevant amendment).

For the avoidance of doubt, nothing in this Section 4.03 shall limit the effectiveness of the Parent Guaranty, which shall remain enforceable in accordance with its terms regardless of (i) the satisfaction (or otherwise) of any condition specified in this Section 4.03 or (ii) any other provision of this Agreement.

ARTICLE V

Affirmative Covenants

The Borrower covenants and agrees that, until the Revolving Credit Commitments have expired or been terminated, all of the Obligations have been repaid in full:

SECTION 5.01. Financial Statements and Other Information. The Borrower will furnish to the Agent (which will promptly furnish such information to the Lenders):

(a) within ninety (90) days after the end of each fiscal year of the Borrower, its audited consolidated balance sheet and related statements of earnings, shareholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by independent public accountants of recognized national standing and reasonably acceptable to the Agent to the effect that such consolidated financial statements present fairly, in all material respects, the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP;

(b) within one hundred and twenty (120) days after the end of each fiscal year of the Parent Guarantor, its audited consolidated balance sheet and related statements of earnings, shareholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year;

(c) within forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, its consolidated balance sheet and related statements of earnings, shareholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly, in all material respects, the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments and the absence of footnotes; provided to the extent all such documents are included in the quarterly report for the Borrower on Form 10-Q filed with the SEC, the requirements of this clause (b) shall be deemed to have been satisfied if the Agent has been furnished with such quarterly report in the time period specified above in this clause (b);

(d) within sixty (60) days after the end of each of the first three fiscal quarters of each fiscal year of the Parent Guarantor, its consolidated balance sheet and related statements of earnings, shareholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year;

(e) promptly following the Agent's request therefor, all documentation and other information that the Agent reasonably requests on its behalf or on behalf of any Lender in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act; and

(f) written notice of the occurrence of an Event of Default, which notice shall be given within five (5) Business Days after the actual knowledge of an officer of the Borrower of such occurrence, specifying the nature and extent thereof and, if continuing, the action the Borrower is taking or proposes to take in respect thereof.

Anything required to be delivered pursuant to clause (a), (b), (c) or (d) above (to the extent any such financial statements or reports are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which the applicable Loan Party posts such reports, or provides a link thereto, on such Loan Party's website on the Internet, or on the date on which such reports are filed with the SEC and become publicly available.

SECTION 5.02. [*Reserved*]

SECTION 5.03. Existence; Conduct of Business . The Borrower will do or cause to be done all things reasonably necessary to preserve and keep in full force and effect its legal existence and the rights, licenses, permits, privileges, authorizations, qualifications and accreditations material to the conduct of its business, in each case if the failure to do so, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect; provided that the foregoing shall not prohibit any merger, consolidation or other transaction.

SECTION 5.04. Maintenance of Properties. The Borrower will (a) at all times maintain and preserve all material property necessary to the normal conduct of its business in good repair, working order and condition, ordinary wear and tear excepted and casualty or condemnation excepted and (b) make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto as necessary in accordance with prudent industry practice in order that the business carried on in connection therewith, if any, may be properly conducted at all times, except, in each case, where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Compliance with Laws. The Borrower will comply in all material respects with all Requirements of Law applicable to it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.06. Use of Proceeds. The proceeds of the Loans will be used only for general corporate purposes. No part of the proceeds of any Credit Extension will be used, whether directly or indirectly, for any purpose that would entail a violation of Regulation T, U or X. The Borrower shall not, nor shall it permit any of its Subsidiaries to, directly or indirectly, use the proceeds of the Loans (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

SECTION 5.07. Insurance. The Borrower will maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by similarly situated companies engaged in the same or similar businesses operating in the same or similar locations (after giving effect to any self-insurance reasonable and customary for similarly situated companies). The Borrower will furnish to the Agent, upon request, information in reasonable detail as to the insurance so maintained.

SECTION 5.08. [*Reserved*].

SECTION 5.09. Books and Records. The Borrower will maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower.

SECTION 5.10. Inspection Rights. The Borrower will permit representatives and independent contractors of the Agent to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided that so long as no Event of Default has occurred and is continuing, the Borrower shall not be required to pay for more than one such visit by the Agent per fiscal year.

SECTION 5.11. Payment of Taxes, Etc. The Borrower will pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property or assets or in respect of any of its income, business or franchises before any penalty accrues thereon and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its property or assets or in respect of any of its income, business or franchises before any penalty accrues thereon, except in each case where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, and provided further, that in no event shall the Borrower be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors.

SECTION 5.12. Cash Collateral. If, as of any date, the Guaranteed Amount is less than $100,000,000, the Borrower shall ensure that the cash balance of the Account (as defined in the Cash Collateral Agreement) is no less than the amount of the Commitment Fees for the period from (and including) such date to (but excluding) the earlier of the date falling one year after such date and the Scheduled Maturity Date.

SECTION 5.13. Payment of Judgments. The Borrower shall pay all final non-appealable judgments which remain unpaid, undischarged and unstayed on or before the sixtieth (60) day after such judgment becomes final, except, in each case, where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

ARTICLE VI

[*Reserved*]

ARTICLE VII

Events of Default

If any of the following events (each, an "Event of Default") shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(b) the Borrower shall fail to pay any interest, fee or other amount (other than an amount referred to in clause (a) of this Article VII) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three Business Days;

(c) any representation or warranty made by any Loan Party (or any of their respective officers or other representatives) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made or deemed to have been made (unless, if the circumstances giving rise to such misrepresentation or breach of warranty are capable of being remedied, such Loan Party remedies such circumstances within thirty (30) days after receipt of notice to such Loan Party from the Agent specifying such inaccuracy);

(d) the Borrower or the Parent Guarantor shall fail to perform or observe any term, covenant, or agreement contained herein or in any other Loan Document on its part to be performed or observed if such failure shall remain unremedied for thirty (30) days after written notice thereof shall have been given to such Person by the Agent or the Required Lenders, except where such default cannot be reasonably cured within 30 days but can be cured within 60 days, such Person has (i) during such 30-day period commenced and is diligently proceeding to cure the same and (ii) such default is cured within 60 days after the earlier of becoming aware of such failure and receipt of notice to such Person from the Agent or the Required Lenders specifying such failure;

(e) the Parent Guarantor shall fail to pay (i) any indebtedness for borrowed money pursuant to a loan agreement, or (ii) any noncontingent payment obligation pursuant to a letter of credit agreement, in either case individually or in the aggregate, in excess of $200,000,000, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness or obligation, provided, however, that a written waiver of such failure by the Person to whom such indebtedness or obligation is owed shall be a written waiver of the Event of Default resulting pursuant to this clause (e) from such failure; or the maturity of such indebtedness or obligation is accelerated, provided, however, that a written waiver of such failure by the Person to whom such indebtedness or obligation is owed shall be a written waiver of the Event of Default resulting pursuant to this clause (e) from such failure;

(f) (i) the Borrower shall fail to make any payment when the same becomes due and payable with respect to any Material Indebtedness, and such failure shall continue beyond the applicable grace period, if any, specified in the agreement or instrument relating to such Material Indebtedness; (ii) any other event shall occur or condition shall exist under any agreement or instrument relating to any Material Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Material Indebtedness; or (iii) any Material Indebtedness 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 Material Indebtedness shall be required to be made, in each case prior to the stated maturity thereof;

(g) the entry by a court having jurisdiction in the premises of (i) a decree or order for relief in respect of the Borrower or the Parent Guarantor in an involuntary case or proceeding under any applicable United States federal, state, or foreign bankruptcy, insolvency, reorganization, or other similar law or (ii) a decree or order adjudging the Borrower or the Parent Guarantor bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower or the Parent Guarantor under any applicable United States federal, state, or foreign law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Borrower or the Parent Guarantor, or ordering the winding up or liquidation of the affairs of the Borrower or the Parent Guarantor, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of sixty (60) consecutive days;

(h) the commencement by the Borrower or the Parent Guarantor of a voluntary case or proceeding under any applicable United States federal, state, or foreign bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Borrower or the Parent Guarantor to the entry of a decree or order for relief in respect of the Borrower or the Parent Guarantor in an involuntary case or proceeding under any applicable United States federal, state, or foreign bankruptcy, insolvency, reorganization, or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by the Borrower or the Parent Guarantor of a petition or answer or consent seeking reorganization or relief under any applicable United States federal, state, or foreign law, or the consent by the Borrower or the Parent Guarantor to the filing of such petition or the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or similar official of the Borrower or the Parent Guarantor or of any substantial part of the property of, or the making by the Borrower or the Parent Guarantor of an assignment for the benefit of creditors, or the admission by the Borrower or the Parent Guarantor in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Borrower or the Parent Guarantor in furtherance of any such action;

(i) an ERISA Event occurs which results in the imposition or granting of security, or the incurring of a liability that individually and/or in the aggregate has or would have a Material Adverse Effect; or

(j) at any time when Obligations are outstanding, the Parent Guarantor shall repudiate, or assert the unenforceability of, the Parent Guaranty, or the Parent Guaranty shall for any reason not be in full force and effect;

then, and in every such event (other than an event described in clause (g) or (h) of this Article VII), and at any time thereafter during the continuance of such event, the Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take any of the following actions, at the same or different times: (i) terminate the Revolving Credit Commitments and thereupon the Revolving Credit Commitments shall terminate immediately and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal or other amount not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that upon the occurrence of an event described in clause (g) or (h) of this Article VII, the Revolving Credit Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon, and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, without further action of the Agent or any Lender. Upon the occurrence and the continuance of an Event of Default, the Agent may, and at the request of the Required Lenders shall, exercise any rights and remedies provided to the Agent under the Loan Documents or at law or equity, including all remedies provided under the UCC.

In the event of any Event of Default specified in clause (f) above in this Article VII, such Event of Default and all consequences thereof (excluding any resulting payment default) shall be annulled, waived and rescinded automatically and without any action by the Agent or the Lenders if, within ten (10) days after such Event of Default arose, (i) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged, (ii) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (iii) the default that is the basis for such Event of Default has been cured to the satisfaction of the holders thereof.

ARTICLE VIII

The Agents

Each of the Banks hereby irrevocably appoints each of the Agents as its agent and authorizes each of the Agents to take such actions on its behalf, including execution of the other Loan Documents, and to exercise such powers as are delegated to the Agents by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

The bank serving as either of the Agents hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Agent or the Security Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Affiliate thereof as if it were not the Agent or the Security Agent hereunder.

The Agents shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Agents shall not be subject to any fiduciary or other implied duties, regardless of whether an Event of Default has occurred and is continuing, (b) the Agents shall not have any duty to take any discretionary action or exercise any discretionary powers, except, subject to the last paragraph of this Article VIII, discretionary rights and powers expressly contemplated by the Loan Documents that the Agents are required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, the Agents shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as the Agent or any of its Affiliates in any capacity. Neither of the Agents shall be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or willful misconduct. Neither of the Agents shall be deemed to have knowledge of any Event of Default unless and until written notice thereof is given to such Agent by the Borrower or a Lender, and neither of the Agents shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection with any Loan Document, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to any of the Agents.

Each of the Agents shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Each of the Agents also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. Each of the Agents may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Each of the Agents may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Agents. Each of the Agents and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of any of the Agents and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as either of the Agents.

Subject to the appointment and acceptance of a successor Agent or Security Agent as provided in this paragraph, any of the Agents may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent (not to be unreasonably withheld or delayed) of the Borrower, to appoint a successor, which shall be another Lender; provided that during the existence and continuation of an Event of Default, no consent of the Borrower shall be required. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Agent or Security Agent gives notice of its resignation, then the retiring Agent or Security Agent may, on behalf of the Banks, appoint a successor Agent or Security Agent which shall be a commercial bank or an Affiliate of any such commercial bank reasonably acceptable to the Borrower. Upon the acceptance of its appointment as Agent or Security Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent or Security Agent, and the retiring Agent or Security Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Agent or Security Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After either of the Agents' resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Agent or Security Agent, its sub-agents and their respective

Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Agent or Security Agent.

Each Bank acknowledges that it has, independently and without reliance upon any of the Agents or any other Bank and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon any of the Agents or any other Bank and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

Each Bank, by virtue of its acceptance of the benefits of the Cash Collateral Agreement, hereby further authorizes the Security Agent, on behalf of and for the benefit of the Banks, to enter into the Cash Collateral Agreement as secured party and each Bank agrees to be bound by the terms of the Cash Collateral Agreement; provided that the Security Agent shall not (a) enter into or consent to any material amendment, modification, termination or waiver of any provision contained in the Cash Collateral Agreement or (b) release any Cash Collateral (except as otherwise expressly permitted or required pursuant to the terms of this Agreement or the Cash Collateral Agreement), in each case without the prior consent of the Required Lenders; provided further, however, that, without further written consent or authorization from the Lenders, the Security Agent may execute any documents or instruments necessary to release any Lien encumbering any Cash Collateral if the Guaranteed Amount as of such date is at least $100,000,000. Anything contained in any of the Loan Documents to the contrary notwithstanding, the Borrower, the Security Agent and each Bank hereby agree that no Bank shall have any right individually to realize upon any Cash Collateral under the Cash Collateral Agreement, it being understood and agreed that all powers, rights and remedies under the Cash Collateral Agreement may be exercised solely by the Security Agent for the benefit of the Banks in accordance with the terms thereof.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to clause (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows:

(i) if to the Borrower, to SunPower Corporation at:

77 Rio Robles
San Jose, CA 95134

Attention: Charles Boynton, Chief Financial Officer
Facsimile : 408-240-5417
Email: Charles.Boynton@sunpowercorp.com

with a copy (which shall not constitute notice) to:

77 Rio Robles
San Jose, CA 95134
Attention: General Counsel
Facsimile: 408-240-5400

(ii) if to the Agent, to Crédit Agricole CIB at:

Crédit Agricole Corporate and Investment Bank
1301 Avenue of the Americas
New York, NY 10019
Attention: Agnes Castillo
Facsimile: 917-849-5463 or 917-849-5456
Email: Agnes.Castillo@ca-cib.com

with a copy (which shall not constitute notice) to:

Crédit Agricole Corporate and Investment Bank
1301 Avenue of the Americas
New York, NY 10019
Attention: Marisol Ortiz
Tel: (212) 261-3710
Facsimile: (917) 849-5528
Email: Marisol.ortiz@ca-cib.com

(iii) if to any other Bank, to it at its address or facsimile number set forth in its Administrative Questionnaire.

(b) All such notices and other communications (i) sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received or (ii) sent by facsimile shall be deemed to have been given when sent and when receipt has been confirmed by telephone, provided that if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient.

(c) Notices and other communications to the Banks hereunder may be delivered or furnished by electronic communications (including e-mail and internet or intranet websites) pursuant to procedures approved by the Agent; provided that the foregoing shall not apply to notices pursuant to Article II or to notice of any Event of Default delivered pursuant to Section 5.01(f) unless otherwise agreed by the Agent and the applicable Bank. The Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications. All such notices and other communications (i) sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if not given during the normal business hours of the recipient, such notice or communication shall be deemed to have been given at the opening of business on the next Business Day for the recipient, and (ii) posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (b)(i) of notification that such notice or communication is available and identifying the website address therefor.

(d) Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto.

(e) Platform.

(i) The Borrower agrees that the Agent may with the Borrower's prior written consent as to any particular Communication (as defined below), but shall not be obligated to, make the Communications available to the other Banks by posting the Communications on Debt Domain, Intralinks, Syndtrak or a substantially similar electronic transmission system (the "Platform").

(ii) The Platform is provided "as is" and "as available." The Agent Parties (as defined below) do not warrant the adequacy of the Platform and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by the Agent Parties in connection with the Communications or the Platform. In no event shall the Agent or any of its related parties (collectively, the "Agent Parties") have any liability to the Borrower or any of its Affiliates, any Bank or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of the Borrower's or the Agent's transmission of communications through the Platform. "Communications" means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of the Borrower or its Affiliates pursuant to any Loan Document or the transactions contemplated therein which is distributed to the Agent or any Bank by means of electronic communications pursuant to this Section, including through the Platform.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Agent or any Bank in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Agent and the Banks hereunder and under any other Loan Document are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by clause (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, to the extent permitted by law, the making of a Credit Extension shall not be construed as a waiver of any Event of Default, regardless of whether the Agent or any Lender may have had notice or knowledge of such Event of Default at the time.

(b) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except (i) in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders, provided that the Borrower and the Agent may enter into a Change in Control Amendment under Section 2.20, (ii) in the case of any amendment to the Parent Guaranty that increases the Guaranteed Amount, the Parent Guarantor and the Agent may enter into an agreement to effectuate such an amendment, without the consent of any Lender, or (iii) in the case of any other Loan Document (other than any such amendment to effectuate any modification thereto expressly contemplated by the terms of such other Loan Documents), pursuant to an agreement or agreements in writing entered into by the Agent and the Borrower, with the consent of the Required Lenders; provided that no such agreement shall (A) increase the Revolving Credit Commitment of any Lender without the written consent of such Lender; it being understood that the waiver of any Event of Default or mandatory prepayment shall not constitute an increase of any Revolving Credit Commitment of any Lender, (B) reduce or forgive the principal amount of any Loan or reduce the rate of interest thereon, or reduce or forgive any interest or fees (including any prepayment fees) payable hereunder, without the written consent of each Lender directly affected thereby, (C) postpone any scheduled date of payment of the principal amount of any Loan, or any date for the payment of any interest, Fees or other Obligations payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Revolving Credit Commitment, without the written consent of each Lender directly affected thereby; provided that only the consent of the Required Lenders shall be necessary to amend the provisions of Section 2.11(c) providing for the default rate of interest, or to waive any obligations of the Borrower to pay interest at such default rate, (D) change Sections 2.08(b), 2.16(b) or 2.16(e) in a manner that would alter the manner in which payments are shared, without the written consent of each Lender,

(E) change any of the provisions of this Section 9.02, the definition of "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender, (F) amend any of the provisions of Section 2.20 or the definition of "Change in Control" without the written consent of each Lender, (G) without the written consent of each Lender, amend the Parent Guaranty in any material respect adverse to the Lenders (it being understood and agreed, however, that an amendment to or amendment and restatement of the Parent Guaranty shall not be deemed to be adverse to the Lenders to the extent it increases the Guaranteed Amount) or, if any Obligations are outstanding, release the Parent Guarantor from any of its obligations under the Parent Guaranty (provided that the Agent, without the consent of any Lender, may agree to a reduction of the Guaranteed Amount so long as the aggregate principal amount of all Loans then outstanding does not exceed 95.0% of the Guaranteed Amount, after giving effect to such reduction), or (H) waive any conditions precedent set out in Article IV in respect of any Credit Extension without the written consent of each Lender; provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties under this Agreement or any other Loan Document of the Agent, without the prior written consent of the Agent. The Agent may without the consent of any Lender also amend the Commitment Schedule to reflect assignments entered into pursuant to Section 9.04.

(c) If, in connection with any proposed amendment, waiver or consent requiring the consent of "each Lender" or "each Lender directly affected thereby", no Event of Default has occurred and is continuing and the consent of the Required Lenders is obtained, but the consent of other necessary Lenders is not obtained (any such Lender whose consent is necessary but not obtained being referred to herein as a "Non-Consenting Lender"), then the Borrower may, with the prior written consent of the Agent (such consents not to be unreasonably withheld or delayed), elect to replace a Non-Consenting Lender as a Lender party to this Agreement, provided that, concurrently with such replacement by the Borrower, (i) another bank or other entity which is reasonably satisfactory to the Borrower and the Agent shall agree, as of such date, to purchase for cash the Loans due to the Non-Consenting Lender pursuant to an Assignment and Assumption and to become a Lender for all purposes under this Agreement and to assume all obligations of the Non-Consenting Lender to be terminated as of such date and to comply with the requirements of clause (b) of Section 9.04, (ii) the replacement Lender shall grant its consent with respect to the applicable proposed amendment, waiver or consent and (iii) the Borrower shall pay to such Non-Consenting Lender in same day funds on the day of such replacement (1) all interest, fees and other amounts then accrued but unpaid to such Non-Consenting Lender by the Borrower hereunder to and including the date of termination, including, without limitation, payments due to such Non-Consenting Lender under Sections 2.13 and 2.15, and (2) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 2.14 had the Loans of such Non-Consenting Lender been prepaid on such date rather than sold to the replacement Lender (the "Required Payment"). Each Lender agrees that if the Borrower exercises its option hereunder, it shall promptly execute and deliver all agreements and documentation necessary to effectuate such assignment as set forth in Section 9.04. If any Non-Consenting Lender does not promptly execute and deliver all agreements and documentation necessary to effectuate such assignment as set forth in Section 9.04, then the Agent or the Borrower shall be entitled (but not obligated) to execute and deliver such agreement and documentation relating to such assignment on behalf of such Non-Consenting Lender and any such agreement and/or documentation so executed by the Agent or the Borrower shall be effective for purposes of documenting an assignment pursuant to Section 9.04 upon the Borrower making the Required Payment to such Non-Consenting Lender.

(d) The Agents and the Borrower may amend any Loan Document to correct administrative or manifest errors or omissions, or to effect administrative changes that are not adverse to any Lender; provided, however, that no such amendment shall become effective until the fifth Business Day after it has been posted to the Lenders, and then only if the Required Lenders have not objected in writing thereto within such five Business Day period.

(e) Notwithstanding the foregoing, the Borrower, the Agent and the Lenders may not, without the prior written consent of the Parent Guarantor, (i) change the manner, place and terms of payment or change or extend the time of payment of, renew, or alter any Obligation guaranteed by the Parent Guarantor under the Parent Guaranty, or in any manner modify, amend or supplement the terms of this Agreement or any documents, instruments or agreements executed in connection herewith, or (ii) take and hold security or additional security for any or all of the obligations or liabilities covered by the Parent Guaranty, in each case to the extent that the Parent Guaranty is then in effect and doing so would reasonably be expected to have a material adverse effect on the Parent Guarantor.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower agrees to pay on demand all reasonable and documented costs and expenses of the Agent (including the fees and expenses of Linklaters LLP as special counsel to the Lenders to the extent previously agreed) in connection with the preparation, execution, delivery and administration of the Loan Documents.

(b) The Borrower shall indemnify the Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, penalties, liabilities and related expenses (including reasonable and documented fees and expenses of counsel), incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of the Loan Documents or any agreement or instrument contemplated thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any environmental liability related in any way to the Borrower or any of its Subsidiaries or to any property owned or operated by the Borrower or any of its Subsidiaries, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto (and regardless of whether such matter is initiated by a third party or by the Borrower or any of its Affiliates); provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, penalties, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the negligence (if a Change in Control has not occurred), gross negligence (if a Change in Control has occurred) or willful misconduct of such Indemnitee. This Section 9.03(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Agent under clause (a) or (b) above, each Lender severally agrees to pay to the Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, penalty, liability or related expense, as the case may be, was incurred by or asserted against the Agent in its capacity as such.

(d) To the extent permitted by applicable law, no party to this Agreement shall assert, and each hereby waives, any claim against any other party hereto or any Related Party thereof, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof; provided, however, that the foregoing provisions shall not relieve the Borrower of its indemnification obligations as provided herein to the extent any Indemnitee is found liable for any such damages.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section (any attempted assignment or transfer not complying with the terms of this Section shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants (to the extent provided in clause (c) below) and, to the extent expressly contemplated hereby, the Related Parties of each of the Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in clause (b)(ii) below, any Lender may assign to one or more commercial banks, savings banks, financial institutions or other institutional investors all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment or the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) the Borrower, provided that no consent of the Borrower shall be required (1) for an assignment to an Eligible Assignee or (2) if an Event of Default has occurred and is continuing; and

(B) except in the case of an assignment to an Eligible Assignee, the Agent.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to another Lender, an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Revolving Credit Commitment or Loans, the amount of the Revolving Credit Commitment or the principal amount of Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Agent and determined on an aggregate basis in the event of concurrent assignments to Related Funds (as defined below)) shall be in a minimum amount of at least $5,000,000 unless each of the Borrower and the Agent otherwise consent;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Agent an Assignment and Assumption via an electronic settlement system acceptable to the Agent (or, if previously agreed with the Agent, manually) together with payment by the assignee to the Agent of a registration and processing fee of $3,500 (except that no such registration and processing fee shall be payable (y) in connection with an assignment by or to Credit Agricole CIB or any Affiliate thereof or (z) in the case of an assignee which already is a Lender or is an Affiliate or Approved Fund of a Lender); and

(D) the assignee, if it shall not be a Lender, shall deliver on or prior to the effective date of such assignment, to the Agent (1) an Administrative Questionnaire and (2) if applicable, an appropriate IRS form (such as IRS Form W-8BEN, IRS Form W-8BEN-E or IRS Form W-8ECI or any successor form adopted by the relevant United States taxing authority).

The term "Related Funds" shall mean with respect to any Lender that is an Approved Fund, any other Approved Fund that is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

(iii) Subject to acceptance and recording thereof pursuant to clause (b)(iv) below, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.14, 2.15 (subject to the requirements of Section 2.15) and 9.03 with respect to facts and circumstances occurring on or prior to the effective date of such assignment). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with clause (c) below.

(iv) The Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Revolving Credit Commitment of, or principal amount of, and any interest on, the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Borrower, the Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire and tax certifications required by clause (b)(ii)(D)(2) above (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in this clause (b) of this Section and any written consent to such assignment required by this clause (b) of this Section, the Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.04(a), 2.16(c) or 9.03(c), the Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 9.04.

(vi) By executing and delivering an Assignment and Assumption, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Revolving Credit Commitment, and the outstanding balances of its Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Assumption, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto, or the financial condition of the Loan Parties or the performance or observance by the Loan Parties of any of their respective obligations under the Loan Documents or any other instrument or document furnished pursuant thereto; (iii) such assignee represents and warrants that it is an Eligible Assignee, legally authorized to enter into such Assignment and Assumption; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in Section 3.04 or delivered pursuant to Section 5.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption; (v) such assignee will independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent, by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(c) (i) Any Lender may sell participations to one or more commercial banks, savings banks or other financial institutions or, with the consent of the Borrower (so long as no Event of Default has occurred and is continuing), other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment or the Loans or other Obligations owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (C) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (D) no such Participant shall be a "creditor" as defined in Regulation T or a "foreign branch of a broker-dealer" within the meaning of Regulation X, and (E) neither the Borrower nor any of its Affiliates shall be a Participant. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to clause (c)(ii) below, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to clause (b) above. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.16(c) as though it were a Lender. Each Lender that sells a participation, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at one of its offices a register for the recordation of the names and addresses of each Participant and the principal amounts of, and stated interest on, each Participant's interest in the Loans or other obligations under this Agreement (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive, absent manifest error, and such Lender shall treat each Person whose name is recorded in the

Participant Register pursuant to the terms hereof as the owner of such participation for all purposes of this Agreement, notwithstanding notice to the contrary.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.13 or Section 2.15, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.8 as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank or other governmental authority, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(e) If the consent of the Borrower to an assignment or to an Eligible Assignee is required hereunder, the Borrower shall be deemed to have given its consent fifteen (15) Business Days after the date notice thereof (which notice shall specify such fifteen-day notice period described herein) has been delivered by the assigning Lender (through the Agent) unless such consent is expressly refused by the Borrower prior to such fifteenth Business Day.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Borrower in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Revolving Credit Commitments have not expired or terminated. The provisions of Sections 2.13, 2.14, 2.15 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans and the reimbursement of any amounts drawn thereunder, and the termination hereof, the expiration or termination of the Revolving Credit Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and the Fee Letters and any separate letter agreements with respect to fees payable to the Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Agent and when the Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in 'PDF' format by electronic mail shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. To the extent permitted by law, any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time after the Effective Date, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by it to or for the credit or the account of the Borrower. The applicable Lender shall notify the Borrower and the Agent of such set-off or application, provided that any failure to give or any delay in giving such notice shall not affect the validity of any such set-off or application under this Section. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process; Waiver of Jury Trial. (a) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (OTHER THAN AS EXPRESSLY SET FORTH IN ANY OTHER LOAN DOCUMENT) SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THAT WOULD REQUIRE APPLICATION OF ANOTHER LAW.

(b) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any New York state court or federal court of the United States of America sitting in the Borough of Manhattan in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York state court or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents to which it is a party in any New York state or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court sitting in the Borough of Manhattan in New York City.

(d) To the extent permitted by law, each party to this Agreement hereby irrevocably waives personal service of any and all process upon it and agrees that all such service of process may be made by express or overnight mail or courier, postage prepaid, directed to it at its address for notices as provided for in Section 9.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(e) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN TRANSACTION OR THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party hereto acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this Agreement, and that each will continue to rely on this waiver in their related future dealings. Each party hereto further warrants and represents that it has reviewed this waiver with its legal counsel and that it knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN

WAIVER SPECIFICALLY REFERRING TO THIS SECTION 9.09(e) AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE LOANS MADE HEREUNDER. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

SECTION 9.10. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.11. Confidentiality. The Agent and each Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, trustees, officers, employees and agents, including accountants, insurance providers, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory, governmental or administrative authority or any self-regulatory body, (c) to the extent required by law or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (ii) any pledgee referred to in Section 9.04(d) or (iii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Agent or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its businesses, or the Transactions other than any such information that is available to the Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.12. Several Obligations; Nonreliance; Violation of Law. The respective obligations of the Lenders hereunder are several and not joint and the failure of any Lender to make any Loan or perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. Each Lender hereby represents that (a) it is not relying on or looking to any Margin Stock for the repayment of the Borrowings provided for herein and (b) it is not and will not become a "creditor" as defined in Regulation T or a "foreign branch of a broker-dealer" within the meaning of Regulation X. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Borrower in violation of any Requirement of Law.

SECTION 9.13. USA PATRIOT Act. Each Lender that is subject to the requirements of the USA PATRIOT Act hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies the Borrower and the Parent Guarantor and, which information includes the name and address of the Borrower and the Parent Guarantor and other information that will allow such Lender to identify the Borrower and the Parent Guarantor in accordance with the USA PATRIOT Act.

SECTION 9.14. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any of the Obligations, together with all fees, charges and other amounts which are treated as interest on such Obligations under applicable law (collectively, the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Obligations or participation in accordance with applicable law, the rate of interest payable in respect of such Obligations or participation hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Obligations or participation but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Obligations or participations or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.15. Termination of Security Agreement and Subsidiary Guaranty. The parties hereto hereby agree that the Security Agreement and the Subsidiary Guaranty shall be automatically terminated with immediate effect on the Effective Date. On the Effective Date, the Security Agent shall execute and deliver to the Borrower, at the Borrower's expense, any releases or similar documents that the Borrower shall reasonably request to evidence such terminations, including without limitation (i) a release of Liens in the Collateral,

(ii) a release of the Subsidiary Guarantors under the Subsidiary Guaranty, (iii) UCC termination statements, and (iv) a notice of termination for any deposit account control agreements, in each case in a form reasonably acceptable to the Security Agent. Any execution and delivery of termination statements, releases or other documents pursuant to this Section 9.15 shall be without recourse to or warranty by the Security Agent.

SECTION 9.16. Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

[*Remainder of page intentionally left blank.*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SUNPOWER CORPORATION

by

____

Name:

Title:

In its capacity as Parent Guarantor and as acknowledgement of its consent to this Agreement:

TOTAL S.A.

By

Name:
Title:

CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, individually, as Agent and as Security Agent

By

Name:
Title:

By

Name:
Title:

[SIGNATURES OF OTHER LENDERS]

SCHEDULE 1

COMMITMENT SCHEDULE

Bank	Revolving Credit Commitment	
Crédit Agricole Corporate and Investment Bank	$	81,000,000.00
Deutsche Bank AG New York Branch	$	69,000,000.00
HSBC Bank USA, National Association	$	57,000,000.00
Mizuho Bank, Ltd.	$	57,000,000.00
Santander Bank, N.A.	$	24,000,000.00
Citicorp North America, Inc.	$	12,000,000.00
Total		**$300,000,000.00**

EXHIBIT 31.1

CERTIFICATIONS

I, Thomas H. Werner, certify that:

1 I have reviewed this Quarterly Report on Form 10-Q of SunPower Corporation;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2017

/S/ THOMAS H. WERNER

Thomas H. Werner
President, Chief Executive Officer and Director
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Charles D. Boynton, certify that:

1 I have reviewed this Quarterly Report on Form 10-Q of SunPower Corporation;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2017

/S/ CHARLES D. BOYNTON

Charles D. Boynton
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SunPower Corporation (the "Company") on Form 10-Q for the period ended July 2, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Thomas H. Werner and Charles D. Boynton certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 1, 2017

/S/ THOMAS H. WERNER
Thomas H. Werner
President, Chief Executive Officer and Director
(Principal Executive Officer)

/S/ CHARLES D. BOYNTON
Charles D. Boynton
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.