WELLS FARGO & COMPANY/MN
Form 424B2
January 02, 2019

Filed Pursuant to Rule 424(b)(2)

File No. 333-221324

Title of Each Class of Securities Offered	**Maximum Aggregate Offering Price**	**Amount of Registration Fee[(1)]**
Medium-Term Notes, Series S, Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021.	$1,461,000	$177.07

(1) The total filing fee of $177.07 is calculated in accordance with Rule 457(r) of the Securities Act of 1933 (the "Securities Act") and will be paid by wire transfer within the time required by Rule 456(b) of the Securities Act.

PRICING SUPPLEMENT No. 195 dated December 28, 2018

(To Prospectus Supplement dated January 24, 2018

and Prospectus dated April 27, 2018)

Wells Fargo & Company

Medium-Term Notes, Series S

Equity Linked Securities

Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021

Linked to the **lowest performing** of the Class C capital stock of Alphabet Inc., the common stock of Amazon.com, Inc. and the common stock of Starbucks Corporation (each referred to as an “Underlying Stock”)

Unlike ordinary debt securities, the securities do not provide for fixed payments of interest, do not repay a fixed amount of principal at stated maturity and are subject to potential automatic call prior to stated maturity upon the terms described below. Whether the securities pay a contingent coupon, whether the securities are automatically called prior to stated maturity and, if they are not automatically called, whether you are repaid the original offering price of your securities at stated maturity will depend in each case on the stock closing price of the lowest performing Underlying Stock on the relevant calculation day or call date, as applicable. The lowest performing Underlying Stock on any calculation day (including the call dates) is the Underlying Stock that has the lowest stock closing price on that calculation day as a percentage of its starting price

Contingent Coupon. The securities will pay a contingent coupon on a monthly basis until the earlier of stated maturity or automatic call if, **and only if**, the stock closing price of the lowest performing Underlying Stock on the calculation day for that month is greater than or equal to its threshold price. However, if the stock closing price of the lowest performing Underlying Stock on a calculation day is less than its threshold price, you will not receive any contingent coupon for the relevant month. If the stock closing price of the lowest performing Underlying Stock is less than its threshold price on every calculation day, you will not receive any contingent coupons throughout the entire term of the securities. The contingent coupon rate is 12.60% per annum

Automatic Call. If the stock closing price of the lowest performing Underlying Stock on any of the quarterly call dates from June 2019 to September 2021, inclusive, is greater than or equal to its starting price, we will automatically call the securities for the original offering price plus a final contingent coupon payment. The call dates are the same dates as the calculation days occurring in March, June, September and December from June 2019 to September 2021, inclusive.

Potential Loss of Principal. If the securities are not automatically called prior to stated maturity, you will receive the original offering price at stated maturity if, **and only if**, the stock closing price of the lowest performing Underlying Stock on the final calculation day is greater than or equal to its threshold price. If the stock closing price of the lowest performing Underlying Stock on the final calculation day is less than its threshold price, you will lose more than 40%, and possibly all, of the original offering price of your securities

The threshold price for each Underlying Stock is equal to 60% of its starting price

If the securities are not automatically called prior to stated maturity, you will have full downside exposure to the lowest performing Underlying Stock from its starting price if its stock closing price on the final calculation day is less

than its threshold price, but you will not participate in any appreciation of any Underlying Stock and will not receive any dividends paid on any Underlying Stock

Your return on the securities will depend **solely** on the performance of the Underlying Stock that is the lowest performing Underlying Stock on each calculation day. You will not benefit in any way from the performance of the better performing Underlying Stocks. Therefore, you will be adversely affected if **any Underlying Stock** performs poorly, even if the other Underlying Stocks perform favorably

All payments on the securities are subject to the credit risk of Wells Fargo & Company, and you will have no ability to pursue any Underlying Stock for payment; if Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment

No exchange listing; designed to be held to maturity

On the date of this pricing supplement, the estimated value of the securities is $952.99 per security. The estimated value of the securities was determined for us by Wells Fargo Securities, LLC using its proprietary pricing models. It is not an indication of actual profit to us or to Wells Fargo Securities, LLC or any of our other affiliates, nor is it an indication of the price, if any, at which Wells Fargo Securities, LLC or any other person may be willing to buy the securities from you at any time after issuance. See "Investment Description" in this pricing supplement.

The securities have complex features and investing in the securities involves risks not associated with an investment in conventional debt securities. See "Risk Factors" herein on page PRS-12.

The securities are unsecured obligations of Wells Fargo & Company, and all payments on the securities are subject to the credit risk of Wells Fargo & Company. If Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment. The securities are not deposits or other obligations of a depository institution and are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency of the United States or any other jurisdiction.

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

	Original Offering Price	**Agent Discount[1]**	**Proceeds to Wells Fargo**
Per Security	$1,000.00	$32.50	$967.50
Total	$1,461,000.00	$47,482.50	$1,413,517.50

(1) Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company, is the agent for the distribution of the securities and is acting as principal. See "Investment Description" in this pricing supplement for further information.

Wells Fargo Securities

Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021
Terms of the Securities

Market Measures:	The Class C capital stock of Alphabet Inc., the common stock of Amazon.com, Inc. and the common stock of Starbucks Corporation (each referred to as an "Underlying Stock," and collectively as the "Underlying Stocks"). We refer to the issuer of each Underlying Stock as an "Underlying Stock Issuer" and collectively as the "Underlying Stock Issuers."
Pricing Date:	December 28, 2018.
Issue Date:	January 3, 2019. (T+3)
Original Offering Price:	$1,000 per security. References in this pricing supplement to a "security" are to a security with a face amount of $1,000.
Contingent Coupon Payment:	On each contingent coupon payment date, you will receive a contingent coupon payment at a per annum rate equal to the contingent coupon rate if, **and only if**, the stock closing price of the lowest performing Underlying Stock on the related calculation day is greater than or equal to its threshold price. Each "contingent coupon payment," if any, will be calculated per security as follows: ($1,000 × contingent coupon rate)/12. Any contingent coupon payment will be rounded to the nearest cent, with one-half cent rounded upward. **If the stock closing price of the lowest performing Underlying Stock on any calculation day is less than its threshold price, you will not receive any contingent coupon payment on the related contingent coupon payment date. If the stock closing price of the lowest performing Underlying Stock is less than its threshold price on all monthly calculation days, you will not receive any contingent coupon payments over the term of the securities.**
Contingent Coupon Payment Dates:	Monthly, on the third business day following each calculation day (as each such calculation day may be postponed pursuant to "—Postponement of a Calculation Day" below, if applicable), provided that the contingent coupon payment date with respect to the final calculation day will be the stated maturity date. If a calculation day is postponed with respect to one or more Underlying Stocks, the related contingent coupon payment date will be three business days after the last calculation day as postponed. If a contingent coupon payment date is postponed, the contingent coupon payment, if any, due on that contingent coupon payment date will be made on that contingent coupon payment date as so postponed with the same force and effect as if it had been made on the originally scheduled contingent coupon payment date, that is, with no additional amount accruing or payable as a result of the postponement.
Contingent Coupon Rate:	The "contingent coupon rate" is 12.60% per annum.
Automatic Call:	If the stock closing price of the lowest performing Underlying Stock on any of the quarterly call dates from June 2019 to September 2021, inclusive, is greater than or equal to its starting price, the securities will be automatically called, and on the related call settlement date you will be entitled to receive a cash payment per security in U.S. dollars equal to the original offering price per security plus a final contingent coupon payment. For the avoidance of doubt, if the securities are automatically called, the final contingent coupon payment due with respect to the related call date (i.e., the calculation day occurring in March, June, September and December, as applicable) is the same contingent coupon payment that would otherwise be due with respect to the related calculation day and is not in duplication of the provisions set forth

above under “Contingent Coupon Payment.”

The securities are subject to automatic call on the first quarterly call date, which is approximately six months after the issue date. If the securities are automatically called, they will cease to be outstanding on the related call settlement date and you will have no further rights under the securities after such call settlement date. You will not receive any notice from us if the securities are automatically called.

Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021

Calculation Days:	Monthly, on the 28th day of each month, commencing January 2019 and ending November 2021, and the final calculation day, each subject to postponement as described below under "—Postponement of a Calculation Day." We refer to December 28, 2021 as the "final calculation day."
Call Dates:	Quarterly, on the calculation days occurring in each March, June, September and December, commencing June 2019 and ending September 2021, each subject to postponement as described below under "—Postponement of a Calculation Day."
Call Settlement Date:	Three business days after the applicable call date (as such call date may be postponed pursuant to "—Postponement of a Calculation Day" below, if applicable). If a call date is postponed with respect to one or more Underlying Stocks, the related call settlement date will be three business days after the last call date as postponed.
Stated Maturity Date:	December 31, 2021. If the final calculation day is postponed, the stated maturity date will be the later of (i) December 31, 2021 and (ii) three business days after the last final calculation day as postponed. See "—Postponement of a Calculation Day" below. If the stated maturity date is not a business day, the payment to be made on the stated maturity date will be made on the next succeeding business day with the same force and effect as if it had been made on the stated maturity date. The securities are not subject to repayment at the option of any holder of the securities prior to the stated maturity date.
Maturity Payment Amount:	If the securities are not automatically called prior to the stated maturity date, you will be entitled to receive on the stated maturity date a cash payment per security in U.S. dollars equal to the maturity payment amount (in addition to the final contingent coupon payment, if any). The "maturity payment amount" per security will equal:

- if the ending price of the lowest performing Underlying Stock on the final calculation day is greater than or equal to its threshold price: $1,000; or

- if the ending price of the lowest performing Underlying Stock on the final calculation day is less than its threshold price:
  $1,000 × performance factor of the lowest performing Underlying Stock on the final calculation day

If the securities are not automatically called prior to stated maturity and the ending price of the lowest performing Underlying Stock on the final calculation day is less than its threshold price, you will lose more than 40%, and possibly all, of the original offering price of your securities at stated maturity.

Any return on the securities will be limited to the sum of your contingent coupon payments, if any. You will not participate in any appreciation of any Underlying Stock, but you will have full downside exposure to the lowest performing Underlying Stock on the final calculation day if the ending price of that Underlying Stock is less than its threshold price.

All calculations with respect to the maturity payment amount will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward (e.g., 0.000005 would be rounded to 0.00001); and the maturity payment amount will be rounded to the nearest cent, with one-half cent

	rounded upward.
Lowest Performing Underlying Stock:	For any calculation day (including the call dates), the "lowest performing Underlying Stock" will be the Underlying Stock with the lowest performance factor on that calculation day (as such calculation day may be postponed for one or more Underlying Stocks pursuant to "—Postponement of a Calculation Day" below, if applicable).

Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021

Performance Factor:	With respect to an Underlying Stock on any calculation day (including the call dates), its stock closing price on such calculation day *divided by* its starting price (expressed as a percentage).
Stock Closing Price:	The "stock closing price" with respect to each Underlying Stock on a calculation day (including the call dates), means the product of the closing price of such Underlying Stock and the adjustment factor for such Underlying Stock, each on such calculation day.
Adjustment Factor:	The "adjustment factor" for each Underlying Stock is initially 1.0. The adjustment factor for each Underlying Stock will remain constant for the term of the securities, subject to adjustment for certain corporate events relating to the applicable Underlying Stock Issuer as described in the section entitled "Additional Terms of the Securities—Adjustment Events" below
Starting Price:	With respect to the Class C capital stock of Alphabet Inc.: $1,037.08, its stock closing price on the pricing date. With respect to the common stock of Amazon.com, Inc.: $1,478.02, its stock closing price on the pricing date. With respect to the common stock of Starbucks Corporation: $63.39, its stock closing price on the pricing date.
Ending Price:	The "ending price" of an Underlying Stock will be its stock closing price on the final calculation day.
Threshold Price:	With respect to the Class C capital stock of Alphabet Inc.: $622.248, which is equal to 60% of its starting price. With respect to the common stock of Amazon.com, Inc.: $886.812, which is equal to 60% of its starting price. With respect to the common stock of Starbucks Corporation: $38.034, which is equal to 60% of its starting price.
Postponement of a Calculation Day:	The call dates are the same dates as the calculation days occurring in March, June, September and December of each year, commencing June 2019 and ending September 2021, and for purposes of postponement are also referred to as a "calculation day." If any calculation day is not a trading day with respect to any Underlying Stock, such calculation day for each Underlying Stock will be postponed to the next succeeding day that is a trading day with respect to each Underlying Stock. A calculation day for an Underlying Stock is also subject to postponement due to the occurrence of a market disruption event with respect to such Underlying Stock on such calculation day. See "Additional Terms of the Securities—Market Disruption Events."
Calculation Agent:	Wells Fargo Securities, LLC
No Listing:	The securities will not be listed on any securities exchange or automated quotation system.
Material Tax Consequences:	For a discussion of the material U.S. federal income and certain estate tax consequences of the ownership and disposition of the securities, see "United States Federal Tax Considerations."

Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021

Agent:	Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company. The agent may resell the securities to other securities dealers at the original offering price of the securities less a concession not in excess of $32.50 per security. The agent or another affiliate of ours expects to realize hedging profits projected by its proprietary pricing models to the extent it assumes the risks inherent in hedging our obligations under the securities. If any dealer participating in the distribution of the securities or any of its affiliates conducts hedging activities for us in connection with the securities, that dealer or its affiliate will expect to realize a profit projected by its proprietary pricing models from such hedging activities. Any such projected profit will be in addition to any discount or concession received in connection with the sale of the securities to you.
Denominations:	$1,000 and any integral multiple of $1,000.
CUSIP:	95001BBF0

Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021

Investment Description

The Principal at Risk Securities Linked to the Lowest Performing of the Class C capital stock of Alphabet Inc., the common stock of Amazon.com, Inc. and the common stock of Starbucks Corporation due December 31, 2021 (the "securities") are senior unsecured debt securities of Wells Fargo that do not provide for fixed payments of interest, do not repay a fixed amount of principal at stated maturity and are subject to potential automatic call upon the terms described in this pricing supplement. Whether the securities pay a monthly contingent coupon, whether the securities are automatically called prior to stated maturity and, if they are not automatically called, whether you are repaid the original offering price of your securities at stated maturity will depend in each case upon the stock closing price of the **lowest performing Underlying Stock** on the relevant calculation day or call date, as applicable. The lowest performing Underlying Stock on any calculation day (including the call dates) is the Underlying Stock that has the lowest stock closing price on that calculation day as a percentage of its starting price. The securities provide:

(i) monthly contingent coupon payments at a rate of 12.60% per annum until the earlier of stated maturity or automatic call if, **and only if**, the stock closing price of the lowest performing Underlying Stock on the applicable monthly calculation day is greater than or equal to 60% of its starting price;

(ii) the possibility of an automatic early call of the securities for an amount equal to the original offering price plus a final contingent coupon payment if the stock closing price of the lowest performing Underlying Stock on any of the quarterly call dates from June 2019 to September 2021, inclusive, is greater than or equal to its starting price; and

(iii) if the securities are not automatically called prior to stated maturity, either:

(a) repayment of the original offering price if, **and only if**, the stock closing price of the lowest performing Underlying Stock on the final calculation day has not declined by more than 40% from its starting price; or

(b) full exposure to the decline in the price of the lowest performing Underlying Stock on the final calculation day from its starting price if the lowest performing Underlying Stock has declined by more than 40% from its starting price.

If the stock closing price of the lowest performing Underlying Stock on any monthly calculation day is less than 60% of its starting price, you will not receive any contingent coupon payment for that month. If the securities are not automatically called prior to stated maturity and the stock closing price of the lowest performing Underlying Stock on the final calculation day has declined by more than 40% from its starting price, you will lose more than 40%, and possibly all, of the original offering price of your securities at stated maturity. Accordingly, you will not receive any protection if the stock closing price of the lowest performing Underlying Stock on the final calculation day has declined by more than 40% from its starting price.

Any return on the securities will be limited to the sum of your contingent coupon payments, if any. You will not participate in any appreciation of any Underlying Stock, but you will be fully exposed to the decline in the lowest performing Underlying Stock on the final calculation day if the securities are not automatically called prior to stated maturity and the stock closing price of the lowest performing Underlying Stock on the final calculation day has declined by more than 40% from its starting price.

All payments on the securities are subject to the credit risk of Wells Fargo.

Your return on the securities will depend solely on the performance of the Underlying Stock that is the lowest performing Underlying Stock on each calculation day. You will not benefit in any way from the performance of the better performing Underlying Stocks. Therefore, you will be adversely affected if any Underlying Stock

performs poorly, even if the other Underlying Stocks perform favorably.

The securities are riskier than alternative investments linked to only one of the Underlying Stocks or linked to a basket composed of each Underlying Stock. Unlike those alternative investments, the securities will be subject to the full risks of each Underlying Stock, with no offsetting benefit from the better performing Underlying Stocks. The securities are designed for investors who understand and are willing to bear this additional risk in exchange for the potential contingent coupon payments that the securities offer. Because the securities may be adversely affected by poor performance by any Underlying Stock, you should not invest in the securities unless you understand and are willing to accept the full downside risks of each Underlying Stock.

Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021

You should read this pricing supplement together with the prospectus supplement dated January 24, 2018 and the prospectus dated April 27, 2018 for additional information about the securities. When you read the accompanying prospectus supplement, please note that all references in such supplement to the prospectus dated November 3, 2017, or to any sections therein, should refer instead to the accompanying prospectus dated April 27, 2018 or to the corresponding sections of such prospectus, as applicable. Information included in this pricing supplement supersedes information in the prospectus supplement and prospectus to the extent it is different from that information. Certain defined terms used but not defined herein have the meanings set forth in the prospectus supplement.

You may access the prospectus supplement and prospectus on the SEC website www.sec.gov as follows (or if such address has changed, by reviewing our filing for the relevant date on the SEC website):

- Prospectus Supplement dated January 24, 2018: https://www.sec.gov/Archives/edgar/data/72971/000119312518018256/d466041d424b2.htm

- Prospectus dated April 27, 2018: https://www.sec.gov/Archives/edgar/data/72971/000119312518136909/d557983d424b2.htm

The original offering price of each security of $1,000 includes certain costs that are borne by you. Because of these costs, the estimated value of the securities on the pricing date is less than the original offering price. The costs included in the original offering price relate to selling, structuring, hedging and issuing the securities, as well as to our funding considerations for debt of this type.

The costs related to selling, structuring, hedging and issuing the securities include (i) the agent discount (if any), (ii) the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize for assuming risks inherent in hedging our obligations under the securities and (iii) hedging and other costs relating to the offering of the securities.

Our funding considerations take into account the higher issuance, operational and ongoing management costs of market-linked debt such as the securities as compared to our conventional debt of the same maturity, as well as our liquidity needs and preferences. Our funding considerations are reflected in the fact that we determine the economic terms of the securities based on an assumed funding rate that is generally lower than the interest rates implied by secondary market prices for our debt obligations and/or by other traded instruments referencing our debt obligations, which we refer to as our "secondary market rates." As discussed below, our secondary market rates are used in determining the estimated value of the securities.

If the costs relating to selling, structuring, hedging and issuing the securities were lower, or if the assumed funding rate we use to determine the economic terms of the securities were higher, the economic terms of the securities would be more favorable to you and the estimated value would be higher. The estimated value of the securities as of the pricing date is set forth on the cover page of this pricing supplement.

Determining the estimated value

Our affiliate, Wells Fargo Securities, LLC ("WFS"), calculated the estimated value of the securities set forth on the cover page of this pricing supplement based on its proprietary pricing models. Based on these pricing models and

related market inputs and assumptions referred to in this section below, WFS determined an estimated value for the securities by estimating the value of the combination of hypothetical financial instruments that would replicate the payout on the securities, which combination consists of a non-interest bearing, fixed-income bond (the "debt component") and one or more derivative instruments underlying the economic terms of the securities (the "derivative component").

The estimated value of the debt component is based on a reference interest rate, determined by WFS as of a recent date, that generally tracks our secondary market rates. Because WFS does not continuously calculate our reference interest rate, the reference interest rate used in the calculation of the estimated value of the debt component may be higher or lower than our secondary market rates at the time of that calculation. As noted above, we determine the economic terms of the securities based upon an assumed funding rate that is generally lower than our secondary market rates. In contrast, in determining the estimated value of the securities, we value the debt component using a reference interest rate that generally tracks our secondary market rates. Because the reference interest rate is generally higher than the assumed funding rate, using the reference interest rate to value the debt component generally results in a lower estimated value for the debt component, which we believe more closely approximates a market valuation of the debt component than if we had used the assumed funding rate.

WFS calculated the estimated value of the derivative component based on a proprietary derivative-pricing model, which generated a theoretical price for the derivative instruments that constitute the derivative component based on various inputs, including the "derivative component factors" identified in "Risk Factors—The Value Of The Securities Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways." These inputs may be market-observable or may be based on assumptions made by WFS in its discretion.

Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021

The estimated value of the securities determined by WFS is subject to important limitations. See "Risk Factors—The Estimated Value Of The Securities Is Determined By Our Affiliate's Pricing Models, Which May Differ From Those Of Other Dealers" and "—Our Economic Interests And Those Of Any Dealer Participating In The Offering Are Potentially Adverse To Your Interests."

Valuation of the securities after issuance

The estimated value of the securities is not an indication of the price, if any, at which WFS or any other person may be willing to buy the securities from you in the secondary market. The price, if any, at which WFS or any of its affiliates may purchase the securities in the secondary market will be based upon WFS's proprietary pricing models and will fluctuate over the term of the securities due to changes in market conditions and other relevant factors. However, absent changes in these market conditions and other relevant factors, except as otherwise described in the following paragraph, any secondary market price will be lower than the estimated value on the pricing date because the secondary market price will be reduced by a bid-offer spread, which may vary depending on the aggregate face amount of the securities to be purchased in the secondary market transaction, and the expected cost of unwinding any

related hedging transactions. Accordingly, unless market conditions and other relevant factors change significantly in your favor, any secondary market price for the securities is likely to be less than the original offering price.

If WFS or any of its affiliates makes a secondary market in the securities at any time up to the issue date or during the 3-month period following the issue date, the secondary market price offered by WFS or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the securities that are included in the original offering price. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by WFS or any of its affiliates during this period will be higher than it would be if it were based solely on WFS's proprietary pricing models less the bid-offer spread and hedging unwind costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this 3-month period. If you hold the securities through an account at WFS or any of its affiliates, we expect that this increase will also be reflected in the value indicated for the securities on your brokerage account statement.

If WFS or any of its affiliates makes a secondary market in the securities, WFS expects to provide those secondary market prices to any unaffiliated broker-dealers through which the securities are held and to commercial pricing vendors. If you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, that broker-dealer may obtain market prices for the securities from WFS (directly or indirectly), but could also obtain such market prices from other sources, and may be willing to purchase the securities at any given time at a price that differs from the price at which WFS or any of its affiliates is willing to purchase the securities. As a result, if you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, the value of the securities on your brokerage account statement may be different than if you held your securities at WFS or any of its affiliates.

The securities will not be listed or displayed on any securities exchange or any automated quotation system. Although WFS and/or its affiliates may buy the securities from investors, they are not obligated to do so and are not required to make a market for the securities. There can be no assurance that a secondary market will develop.

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Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021

Investor Considerations

We have designed the securities for investors who:

- seek an investment with contingent monthly coupon payments at a rate of 12.60% per annum until the earlier of stated maturity or automatic call, if, **and only if**, the stock closing price of the lowest performing Underlying Stock on the applicable monthly calculation day is greater than or equal to 60% of its starting price;
- understand that if the stock closing price of the lowest performing Underlying Stock on the final calculation day has declined by more than 40% from its starting price, they will be fully exposed to the decline in the lowest performing Underlying Stock from its starting price and will lose more than 40%, and possibly all, of the original offering price at stated maturity;
- are willing to accept the risk that they may not receive any contingent coupon payment on one or more, or any, monthly contingent coupon payment dates over the term of the securities;
- understand that the securities may be automatically called prior to stated maturity and that the term of the securities may be as short as approximately six months;
- understand that the return on the securities will depend solely on the performance of the Underlying Stock that is the lowest performing Underlying Stock on each calculation day and that they will not benefit in any way from the performance of the better performing Underlying Stocks;
- understand that the securities are riskier than alternative investments linked to only one of the Underlying Stocks or linked to a basket composed of each Underlying Stock;
- understand and are willing to accept the full downside risks of each Underlying Stock;
- are willing to forgo participation in any appreciation of any Underlying Stock and dividends on any Underlying Stock; and
- are willing to hold the securities to maturity.

The securities are not designed for, and may not be a suitable investment for, investors who:

- seek a liquid investment or are unable or unwilling to hold the securities to maturity;
- require full payment of the original offering price of the securities at stated maturity;
- seek a security with a fixed term;
- are unwilling to purchase securities with an estimated value as of the pricing date that is lower than the original offering price, as set forth on the cover page;
- are unwilling to accept the risk that the stock closing price of the lowest performing Underlying Stock on the final calculation day may decline by more than 40% from its starting price;
- seek certainty of current income over the term of the securities;
- seek exposure to the upside performance of any or each Underlying Stock;
- seek exposure to a basket composed of each Underlying Stock or a similar investment in which the overall return is based on a blend of the performances of the Underlying Stocks, rather than solely on the lowest performing Underlying Stock;
- are unwilling to accept the risk of exposure to the Underlying Stocks;
- are unwilling to accept the credit risk of Wells Fargo; or
- prefer the lower risk of conventional fixed income investments with comparable maturities issued by companies with comparable credit ratings.

Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021

Determining Payment On A Contingent Coupon Payment Date and at Maturity

If the securities have not been previously automatically called, on each monthly contingent coupon payment date, you will either receive a contingent coupon payment or you will not receive a contingent coupon payment, depending on the stock closing price of the lowest performing Underlying Stock on the related monthly calculation day.

Step 1: Determine which Underlying Stock is the lowest performing Underlying Stock on the relevant calculation day. The lowest performing Underlying Stock on any calculation day is the Underlying Stock with the lowest performance factor on that calculation day. The performance factor of an Underlying Stock on a calculation day is its stock closing price on that calculation day as a percentage of its starting price (i.e., its stock closing price on that calculation day *divided by* its starting price).

Step 2: Determine whether a contingent coupon is paid on the applicable contingent coupon payment date based on the stock closing price of the lowest performing Underlying Stock on the relevant calculation day, as follows:

On the stated maturity date, if the securities have not been automatically called prior to the stated maturity date, you will receive (in addition to the final contingent coupon payment, if any) a cash payment per security (the maturity payment amount) calculated as follows:

Step 1: Determine which Underlying Stock is the lowest performing Underlying Stock on the final calculation day. The lowest performing Underlying Stock on the final calculation day is the Underlying Stock with the lowest performance factor on the final calculation day. The performance factor of an Underlying Stock on the final calculation day is its ending price as a percentage of its starting price (i.e., its ending price *divided by* its starting price).

Step 2: Calculate the maturity payment amount based on the ending price of the lowest performing Underlying Stock, as follows:

Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021

Hypothetical Payout Profile

The following profile illustrates the potential maturity payment amount on the securities (excluding the final contingent coupon payment, if any) for a range of hypothetical performances of the lowest performing Underlying Stock on the final calculation day from its starting price to its ending price, assuming the securities have not been automatically called prior to the stated maturity date. This graph has been prepared for purposes of illustration only. Your actual return will depend on the actual ending price of the lowest performing Underlying Stock on the final calculation day and whether you hold your securities to stated maturity. The performance of the better performing Underlying Stocks is not relevant to your return on the securities.

Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021

Risk Factors

The securities have complex features and investing in the securities will involve risks not associated with an investment in conventional debt securities. You should carefully consider the risk factors set forth below as well as the other information contained in this pricing supplement and the accompanying prospectus supplement and prospectus, including the documents they incorporate by reference. As described in more detail below, the value of the securities may vary considerably before the stated maturity date due to events that are difficult to predict and are beyond our control. You should reach an investment decision only after you have carefully considered with your advisors the suitability of an investment in the securities in light of your particular circumstances.

If The Securities Are Not Automatically Called Prior to Stated Maturity, You May Lose Some Or All Of The Original Offering Price Of Your Securities At Stated Maturity.

We will not repay you a fixed amount on your securities at stated maturity. If the securities are not automatically called prior to stated maturity, you will receive a maturity payment amount that will be equal to or less than the original offering price per security, depending on the ending price of the lowest performing Underlying Stock on the final calculation day.

If the ending price of the lowest performing Underlying Stock on the final calculation day is less than its threshold price, the maturity payment amount will be reduced by an amount equal to the decline in the price of the lowest performing Underlying Stock from its starting price (expressed as a percentage of its starting price). The threshold price for each Underlying Stock is 60% of its starting price. For example, if the securities are not automatically called and the lowest performing Underlying Stock on the final calculation day has declined by 40.1% from its starting price to its ending price, you will not receive any benefit of the contingent downside protection feature and you will lose 40.1% of the original offering price per security. As a result, you will not receive any protection if the price of the lowest performing Underlying Stock on the final calculation day declines significantly and you may lose some, and possibly all, of the original offering price per security at stated maturity, even if the price of the lowest performing Underlying Stock is greater than or equal to its starting price or its threshold price at certain times during the term of the securities.

Even if the ending price of the lowest performing Underlying Stock on the final calculation day is greater than its threshold price, the maturity payment amount will not exceed the original offering price, and your yield on the securities, taking into account any contingent coupon payments you may have received during the term of the securities, may be less than the yield you would earn if you bought a traditional interest-bearing debt security of Wells Fargo or another issuer with a similar credit rating.

The Securities Do Not Provide For Fixed Payments Of Interest And You May Receive No Coupon Payments On One Or More Monthly Contingent Coupon Payment Dates, Or Even Throughout The Entire Term Of The Securities.

On each monthly contingent coupon payment date you will receive a contingent coupon payment if, **and only if**, the stock closing price of the lowest performing Underlying Stock on the related calculation day is greater than or equal to its threshold price. If the stock closing price of the lowest performing Underlying Stock on any calculation day is less than its threshold price, you will not receive any contingent coupon payment on the related contingent coupon payment date, and if the stock closing price of the lowest performing Underlying Stock is less than its threshold price

on each calculation day over the term of the securities, you will not receive any contingent coupon payments over the entire term of the securities.

The Securities Are Subject To The Full Risks Of Each Underlying Stock And Will Be Negatively Affected If Any Underlying Stock Performs Poorly, Even If The Other Underlying Stocks Perform Favorably.

You are subject to the full risks of each Underlying Stock. If any Underlying Stock performs poorly, you will be negatively affected, even if the other Underlying Stocks perform favorably. The securities are not linked to a basket composed of the Underlying Stocks, where the better performance of some Underlying Stocks could offset the poor performance of others. Instead, you are subject to the full risks of whichever Underlying Stock is the lowest performing Underlying Stock on each calculation day. As a result, the securities are riskier than an alternative investment linked to only one of the Underlying Stocks or linked to a basket composed of each Underlying Stock. You should not invest in the securities unless you understand and are willing to accept the full downside risks of each Underlying Stock.

Your Return On The Securities Will Depend Solely On The Performance Of The Underlying Stock That Is The Lowest Performing Underlying Stock On Each Calculation Day, And You Will Not Benefit In Any Way From The Performance Of The Better Performing Underlying Stocks.

Your return on the securities will depend solely on the performance of the Underlying Stock that is the lowest performing Underlying Stock on each calculation day. Although it is necessary for each Underlying Stock to close above its respective threshold price on the relevant calculation day in order for you to receive a monthly contingent coupon payment and for you to be repaid the original offering price of your securities at maturity, you will not benefit in any way from the performance of the better performing Underlying Stocks. The securities may underperform an alternative investment linked to a basket composed of the Underlying Stocks, since in such case the performance of the better performing Underlying Stocks would be blended with the performance of the lowest performing Underlying Stock, resulting in a better return than the return of the lowest performing Underlying Stock alone.

Market Linked Securities—Auto-Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Class C Capital Stock of Alphabet Inc., the Common Stock of Amazon.com, Inc. and the Common Stock of Starbucks Corporation due December 31, 2021

You Will Be Subject To Risks Resulting From The Relationship Among The Underlying Stocks.

It is preferable from your perspective for the Underlying Stocks to be correlated with each other so that their prices will tend to increase or decrease at similar times and by similar magnitudes. By investing in the securities, you assume the risk that the Underlying Stocks will not exhibit this relationship. The less correlated the Underlying Stocks, the more likely it is that any one of the Underlying Stocks will be performing poorly at any time over the term of the securities. All that is necessary for the securities to perform poorly is for one of the Underlying Stocks to perform poorly; the performance of the better performing Underlying Stocks is not relevant to your return on the securities. It is impossible to predict what the relationship among the Underlying Stocks will be over the term of the securities. Each Underlying Stock Issuer operates in a different industry and sector of the market and is subject to different, complex and unpredictable factors that may affect its performance. These different industries and sectors, and thus the Underlying Stocks, may not perform similarly over the term of the securities.

You May Be Fully Exposed To The Decline In The Lowest Performing Underlying Stock On The Final Calculation Day From Its Starting Price, But Will Not Participate In Any Positive Performance Of Any Underlying Stock.

Even though you will be fully exposed to a decline in the price of the lowest performing Underlying Stock on the final calculation day if its ending price is below its threshold price, you will not participate in any increase in the price of any Underlying Stock over the term of the securities. Your maximum possible return on the securities will be limited to the sum of the contingent coupon payments you receive, if any. Consequently, your return on the securities may be significantly less than the return you could achieve on an alternative investment that provides for participation in an increase in the price of any or each Underlying Stock.

Higher Contingent Coupon Rates Are Associated With Greater Risk.

The securities offer contingent coupon payments at a higher rate, if paid, than the fixed rate we would pay on conventional debt securities of the same maturity. These higher potential contingent coupon payments are associated with greater levels of expected risk as of the pricing date as compared to conventional debt securities, including the risk that you may not receive a contingent coupon payment on one or more, or any, contingent coupon payment dates and the risk that you may lose a substantial portion, and possibly all, of the original offering price per security at maturity. The volatility of the Underlying Stocks and the correlation among the Underlying Stocks are important factors affecting this risk. Volatility is a measurement of the size and frequency of daily fluctuations in the price of an Underlying Stock, typically observed over a specified period of time. Volatility can be measured in a variety of ways, including on a historical basis or on an expected basis as implied by option prices in the market. Correlation is a measurement of the extent to which the prices of the Underlying Stocks tend to fluctuate at the same time, in the same direction and in similar magnitudes. Greater expected volatility of the Underlying Stocks or lower expected correlation among the Underlying Stocks as of the pricing date may result in a higher contingent coupon rate, but it also represents a greater expected likelihood as of the pricing date that the stock closing price of at least one Underlying Stock will be less than its threshold price on one or more calculation days, such that you will not receive one or more, or any, contingent coupon payments during the term of the securities, and that the stock closing price of at least one Underlying Stock will be less than its threshold price on the final calculation day such that you will lose a substantial portion, and possibly all, of the original offering price per security at maturity. In general, the higher the contingent coupon rate is relative to the fixed rate we would pay on conventional debt securities, the greater the expected risk that you will not receive one or more, or any, contingent coupon payments during the term of the securities and that you will lose a substantial portion, and possibly all, of the original offering price per security at

maturity.

You Will Be Subject To Reinvestment Risk.

If your securities are automatically called, the term of the securities may be reduced to as short as approximately six months. There is no guarantee that you would be able to reinvest the proceeds from an investment in the securities at a comparable return for a similar level of risk in the event the securities are automatically called prior to maturity.

The Securities Are Subject To The Credit Risk Of Wells Fargo.

The securities are our obligations and are not, either directly or indirectly, an obligation of any third party. Any amounts payable under the securities are subject to our creditworthiness, and you will have no ability to pursue any Underlying Stock for payment. As a result, our actual and perceived creditworthiness may affect the value of the securities and, in the event we were to default on our obligations, you may not receive any amounts owed to you under the terms of the securities.

Holders Of The Securities Have Limited Rights Of Acceleration.

Payment of principal on the securities may be accelerated only in the case of payment defaults that continue for a period of 30 days or certain events of bankruptcy or insolvency, whether voluntary or involuntary. If you purchase the securities, you will have no right to accelerate the payment of principal on the securities if we fail in the performance of any of our obligations under the securities, other than the obligations to pay principal and interest on the securities. See “Description of Notes—Events of Default and Covenant Breaches” in the accompanying prospectus supplement.

Holders Of The Securities Could Be At Greater Risk For Being Structurally Subordinated If We Convey, Transfer Or Lease All Or Substantially All Of Our Assets To One Or More Of Our Subsidiaries.

Under the indenture, we may convey, transfer or lease all or substantially all of our assets to one or more of our subsidiaries. In that event, third-party creditors of our subsidiaries would have additional assets from which to recover on their claims while holders of the

securities would be structurally subordinated to creditors of our subsidiaries with respect to such assets. See "Description of Notes—Consolidation, Merger or Sale" in the accompanying prospectus supplement.

The Estimated Value Of The Securities On The Pricing Date, Based On WFS's Proprietary Pricing Models, Is Less Than The Original Offering Price.

The original offering price of the securities includes certain costs that are borne by you. Because of these costs, the estimated value of the securities on the pricing date is less than the original offering price. The costs included in the original offering price relate to selling, structuring, hedging and issuing the securities, as well as to our funding considerations for debt of this type. The costs related to selling, structuring, hedging and issuing the securities include (i) the agent discount (if any), (ii) the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize for assuming risks inherent in hedging our obligations under the securities and (iii) hedging and other costs relating to the offering of the securities. Our funding considerations are reflected in the fact that we determine the economic terms of the securities based on an assumed funding rate that is generally lower than our secondary market rates. If the costs relating to selling, structuring, hedging and issuing the securities were lower, or if the assumed funding rate we use to determine the economic terms of the securities were higher, the economic terms of the securities would be more favorable to you and the estimated value would be higher.

The Estimated Value Of The Securities Is Determined By Our Affiliate's Pricing Models, Which May Differ From Those Of Other Dealers.

The estimated value of the securities was determined for us by WFS using its proprietary pricing models and related market inputs and assumptions referred to above under "Investment Description—Determining the estimated value." Certain inputs to these models may be determined by WFS in its discretion. WFS's views on these inputs may differ from other dealers' views, and WFS's estimated value of the securities may be higher, and perhaps materially higher, than the estimated value of the securities that would be determined by other dealers in the market. WFS's models and its inputs and related assumptions may prove to be wrong and therefore not an accurate reflection of the value of the securities.

The Estimated Value Of The Securities Is Not An Indication Of The Price, If Any, At Which WFS Or Any Other Person May Be Willing To Buy The Securities From You In The Secondary Market.

The price, if any, at which WFS or any of its affiliates may purchase the securities in the secondary market will be based on WFS's proprietary pricing models and will fluctuate over the term of the securities as a result of changes in the market and other factors described in the next risk factor. Any such secondary market price for the securities will also be reduced by a bid-offer spread, which may vary depending on the aggregate face amount of the securities to be purchased in the secondary market transaction, and the expected cost of unwinding any related hedging transactions. Unless the factors described in the next risk factor change significantly in your favor, any such secondary market price for the securities is likely to be less than the original offering price.

If WFS or any of its affiliates makes a secondary market in the securities at any time up to the issue date or during the 3-month period following the issue date, the secondary market price offered by WFS or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the securities that are included in the original offering price. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by WFS or any of its affiliates during this period will be higher than it would be if it were based solely on WFS's proprietary pricing models less the bid-offer spread and hedging unwind

costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this 3-month period. If you hold the securities through an account at WFS or any of its affiliates, we expect that this increase will also be reflected in the value indicated for the securities on your brokerage account statement. If you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, the value of the securities on your brokerage account statement may be different than if you held your securities at WFS or any of its affiliates, as discussed above under "Investment Description—Valuation of the securities after issuance."

The Value Of The Securities Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.

The value of the securities prior to stated maturity will be affected by the then-current price of each Underlying Stock, interest rates at that time and a number of other factors, some of which are interrelated in complex ways. The effect of any one factor may be offset or magnified by the effect of another factor. The following factors, which we refer to as the "derivative component factors," are expected to affect the value of the securities. When we refer to the "value" of your security, we mean the value you could receive for your security if you are able to sell it in the open market before the stated maturity date.

Performance of the Underlying Stocks. The value of the securities prior to maturity will depend substantially on the then-current price of each Underlying Stock. The price at which you may be able to sell the securities before stated maturity may be at a discount, which could be substantial, from their original offering price, if the price of the lowest performing Underlying Stock at such time is less than, equal to or not sufficiently above its starting price or its threshold price.

Interest Rates. The value of the securities may be affected by changes in the interest rates in the U.S. markets.

Volatility Of The Underlying Stocks. Volatility is the term used to describe the size and frequency of market fluctuations. The value of the securities may be affected if the volatility of the Underlying Stocks changes.

Correlation Among The Underlying Stocks. Correlation refers to the extent to which the prices of the Underlying Stocks tend to fluctuate at the same time, in the same direction and in similar magnitudes. The correlation among the Underlying Stocks may be positive, zero or negative. The value of the securities is likely to decrease if the correlation among the Underlying Stocks decreases.

Time Remaining To Maturity. The value of the securities at any given time prior to maturity will likely be different from that which would be expected based on the then-current prices of the Underlying Stocks. This difference will most likely reflect a discount due to expectations and uncertainty concerning the prices of the Underlying Stocks during the period of time still remaining to the stated maturity date.

Dividend Yields On The Underlying Stocks. The value of the securities may be affected by the dividend yields on the Underlying Stocks.

In addition to the derivative component factors, the value of the securities will be affected by actual or anticipated changes in our creditworthiness, as reflected in our secondary market rates. The value of the securities will also be limited by the automatic call feature because if the securities are automatically called, you will not receive the contingent coupon payments that would have accrued, if any, had the securities been called on a later calculation day or held until the stated maturity date. You should understand that the impact of one of the factors specified above, such as a change in interest rates, may offset some or all of any change in the value of the securities attributable to another factor, such as a change in the price of any or all of the Underlying Stocks. Because numerous factors are expected to affect the value of the securities, changes in the price of the Underlying Stocks may not result in a comparable change in the value of the securities.

The Securities Will Not Be Listed On Any Securities Exchange And We Do Not Expect A Trading Market For The Securities To Develop.

The securities will not be listed or displayed on any securities exchange or any automated quotation system. Although the agent and/or its affiliates may purchase the securities from holders, they are not obligated to do so and are not required to make a market for the securities. There can be no assurance that a secondary market will develop. Because we do not expect that any market makers will participate in a secondary market for the securities, the price at which you may be able to sell your securities is likely to depend on the price, if any, at which the agent is willing to buy your securities.

If a secondary market does exist, it may be limited. Accordingly, there may be a limited number of buyers if you decide to sell your securities prior to r-bottom:1px solid #000000;">

June 29, 2014

Revenue

$

381,020

$
507,871

$
821,891

$
1,200,293

Cost of revenue

310,139

413,726

660,192

943,159

Gross margin

70,881

94,145

161,699

257,134

Operating expenses:

Research and development

20,560

16,581

41,728

33,327

Sales, general and administrative

81,520

71,499

158,734

145,427

Restructuring charges

1,749

(717
)

5,330

(1,178
)
Total operating expenses

103,829

87,363

205,792

177,576

Operating income (loss)

(32,948
)

6,782

(44,093
)

79,558

Other income (expense), net:

Interest income

494

668

1,050

986

Interest expense

(8,517
)

(16,310
)

(24,198
)

(35,902
)
Other, net

14,982

(76
)

12,362

1,293

Other income (expense), net

6,959

(15,718
)

(10,786
)

(33,623
)
Income (loss) before income taxes and equity in earnings of unconsolidated investees

(25,989
)

(8,936
)

(54,879
)

45,935

Benefit from (provision for) income taxes

659

8,168

(1,692
)

(5,452
)
Equity in earnings of unconsolidated investees

1,864

1,936

4,055

3,719

Net income (loss)

(23,466
)

1,168

(52,516
)

44,202

Net loss attributable to noncontrolling interests and redeemable noncontrolling interests

29,975

12,934

49,444

34,944

Net income (loss) attributable to stockholders

$
6,509

$
14,102

$
(3,072
)

$

79,146

Net income (loss) per share attributable to stockholders:

Basic

$
0.05

$
0.11

$
(0.02
)

$
0.63

Diluted

$
0.04

$
0.09

$
(0.02
)

$
0.52

Weighted-average shares:

Basic

134,376

129,747

133,205

125,972

Diluted

156,995

156,333

133,205

154,886

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

Table of Contents

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

	Three Months Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Net income (loss)	$(23,466)	$1,168	$(52,516)	$44,202
Components of comprehensive income (loss):				
Translation adjustment	242	68	(1,761)	342
Net unrealized gain (loss) on derivatives (Note 12)	4,996	(28)	808	357
Income taxes	346	31	457	(79)
Net change in accumulated other comprehensive gain (loss)	5,584	71	(496)	620
Total comprehensive income (loss)	(17,882)	1,239	(53,012)	44,822
Comprehensive loss attributable to noncontrolling interests and redeemable noncontrolling interests	29,975	12,934	49,444	34,944
Comprehensive income (loss) attributable to stockholders	$12,093	$14,173	$(3,568)	$79,766

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

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

		Common Stock								
	Redeemable Noncontrolling Interests	Shares	Value	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity	Noncontrolling Interests	Total Eq
Balances at December 28, 2014	$28,566	131,466	$131	$2,219,581	$(111,485)	$(13,455)	$(560,598)	$1,534,174	$41,855	$1,576,0
Net income (loss)	1,029	—	—	—	—	—	(3,072)	(3,072)	(50,473)	(53,545
Other comprehensive income (loss)	—	—	—	—	—	(496)	—	(496)	—	(496
Issuance of common stock upon exercise of options	—	24	—	177	—	—	—	177	—	177
Issuance of restricted stock to employees, net of cancellations	—	3,136	2	(2)	—	—	—	—	—	—
Settlement of the 4.5% Warrants	—	3,008	3	(577)	—	—	—	(574)	—	(574
Stock-based compensation expense	—	—	—	29,389	—	—	—	29,389	—	29,389
Tax benefit from convertible debt interest deduction	—	—	—	7,965	—	—	—	7,965	—	7,965
Tax benefit from stock-based compensation	—	—	—	6,727	—	—	—	6,727	—	6,727
Contributions from noncontrolling interests	3,045	—	—	—	—	—	—	—	88,891	88,891

Distributions to noncontrolling interests	(1,125)	—	—	—	—	—	—	—	(3,442)	(3,442
Purchases of treasury stock		(1,239)	—	—	(40,326)	—	—	(40,326)	—	(40,326
Balances at June 28, 2015	$31,515	136,395	$136	$2,263,260	$(151,811)	$(13,951)	$(563,670)	$1,533,964	$76,831	$1,610,7

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

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

	Six Months Ended	
	June 28, 2015	June 29, 2014
Cash flows from operating activities:		
Net income (loss)	$(52,516)	$44,202
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	60,005	49,397
Stock-based compensation	27,586	28,215
Non-cash interest expense	5,251	10,492
Equity in earnings of unconsolidated investees	(4,055)	(3,719)
Excess tax benefit from stock-based compensation	(6,727)	—
Deferred income taxes and other tax liabilities	(5,812)	3,434
Gain on sale of residential lease portfolio to 8point3 Energy Partners LP	(27,915)	—
Other, net	1,377	2,214
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	65,202	10,091
Costs and estimated earnings in excess of billings	138,638	(76)
Inventories	(130,726)	1,976
Project assets	(311,774)	(1,668)
Prepaid expenses and other assets	29,425	(59,364)
Long-term financing receivables, net	(69,258)	(54,846)
Advances to suppliers	25,094	(12,481)
Accounts payable and other accrued liabilities	(66,084)	(32,213)
Billings in excess of costs and estimated earnings	9,330	(59,580)
Customer advances	(12,482)	(7,645)
Net cash used in operating activities	(325,441)	(81,571)
Cash flows from investing activities:		
Increase in restricted cash and cash equivalents	(28,407)	(9,347)
Purchases of property, plant and equipment	(68,778)	(20,318)
Cash paid for solar power systems, leased and to be leased	(41,832)	(24,937)
Cash paid for solar power systems	(10,007)	—
Proceeds from sales or maturities of marketable securities	—	1,380
Proceeds from 8point3 Energy Partners LP attributable to real estate projects and residential lease portfolio	341,174	—
Purchases of marketable securities	—	(30)
Cash paid for acquisitions, net of cash acquired	—	(5,894)
Cash paid for investments in unconsolidated investees	(7,092)	(5,013)
Cash paid for intangibles	(526)	—
Net cash provided by (used in) investing activities	184,532	(64,159)
Cash flows from financing activities:		
Proceeds from issuance of convertible debt, net of issuance costs	—	395,275
Cash paid for repurchase of convertible debt	(324,273)	(42,102)
Proceeds from settlement of 4.75% Bond Hedge	—	68,842
Payments to settle 4.75% Warrants	—	(81,077)

Proceeds from settlement of 4.50% Bond Hedge	74,628	110
Payments to settle 4.50% Warrants	(574)	—
Proceeds from issuance of non-recourse debt financing, net of issuance costs	54,830	73,414
Repayment of non-recourse debt financing	(827)	—
Proceeds from issuance of project loans, net of issuance costs	190,491	—
Assumption of project loan by customer	—	(40,672)
Repayment of bank loans, project loans and other debt	(240,160)	(8,568)
Repayment of residential lease financing	(39,975)	(15,686)
Proceeds from sale-leaseback financing	17,219	16,685
Repayment of sale-leaseback financing	(2,237)	(779)
Proceeds from 8point3 Energy Partners LP attributable to operating leases and unguaranteed sales-type lease residual values	29,300	—
Contributions from noncontrolling interests and redeemable noncontrolling interests	91,936	52,778
Distributions to noncontrolling interests and redeemable noncontrolling interests	(4,567)	(1,636)
Proceeds from exercise of stock options	178	630
Excess tax benefit from stock-based compensation	6,727	—
Purchases of stock for tax withholding obligations on vested restricted stock	(40,326)	(52,804)
Net cash provided by (used in) financing activities	(187,630)	364,410
Effect of exchange rate changes on cash and cash equivalents	(4,593)	(333)
Net increase (decrease) in cash and cash equivalents	(333,132)	218,347
Cash and cash equivalents, beginning of period	956,175	762,511
Cash and cash equivalents, end of period	$623,043	$980,858
Non-cash transactions:		
Assignment of residential lease receivables to a third-party financial institution	$1,689	$4,256
Costs of solar power systems, leased and to be leased, sourced from existing inventory	$30,428	$13,903
Costs of solar power systems, leased and to be leased, funded by liabilities	$3,971	$1,867
Costs of solar power systems under sale-leaseback financing arrangements, sourced from project assets	$6,076	$15,269
Property, plant and equipment acquisitions funded by liabilities	$37,017	$9,326
Issuance of common stock upon conversion of convertible debt	$—	$188,263
Sale of residential lease portfolio in exchange for non-controlling equity interests in the 8point3 Group	$68,273	$—

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

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Note 1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

SunPower Corporation (together with its subsidiaries, the "Company" or "SunPower") is a vertically integrated solar energy products and solutions company that designs, manufactures and delivers high-performance solar systems worldwide, serving as a one-stop shop for residential, commercial and utility-scale power plant customers. SunPower Corporation is a majority owned subsidiary of Total Energies Nouvelles Activités USA ("Total"), a subsidiary of Total S.A. ("Total S.A.") (see Note 2).

In the first quarter of fiscal 2015, in connection with a realignment of its internal organizational structure, the Company changed its segment reporting from its Americas, EMEA and APAC Segments to 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. Historically, the Americas Segment included both North and South America, the EMEA Segment included European countries as well as the Middle East and Africa, and the APAC Segment included all Asia-Pacific countries.

Under the new segmentation, 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 operations and maintenance (“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.

The Company’s President and Chief Executive Officer, as the chief operating decision maker (“CODM”), reviews the Company's business and manages resource allocations and measures performance of the Company’s activities among these three end-customer segments.

Reclassifications of prior period segment information have been made to conform to the current period presentation. This change does not affect the Company's previously reported Consolidated 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, including prior period segment information, 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. The current fiscal year, fiscal 2015, is a 53-week fiscal year and includes a 14-week fourth fiscal quarter, while fiscal year 2014 was a 52-week fiscal year. The second quarter of fiscal 2015 ended on June 28, 2015, while the second quarter of fiscal 2014 ended on June 29, 2014. The second quarters of fiscal 2015 and fiscal 2014 were both 13-week quarters.

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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 future cash flows and economic useful lives of property, plant and equipment, goodwill, valuations for business combinations, other intangible assets and other long-term assets; the fair value and residual value of leased 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. Actual results could materially differ from those estimates.

Recent Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board ("FASB") issued an update to the standards to simplify the measurement of inventory. The updated standard more closely aligns the measurement of inventory with that of International Financial Reporting Standards (“IFRS”) and amends the measurement standard from lower of cost or market to lower of cost or net realizable value. The new guidance is effective for the Company no later than the first quarter of fiscal 2017 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 April 2015, the FASB issued an update to the standards to provide a practical expedient for the measurement date of defined benefit obligation and plan assets for reporting entities with fiscal year-ends that do not coincide with a month-end. The updated standard allows such entities to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year and to all plans, if an entity has more than one plan. The new practical expedient guidance is effective for the Company no later than the first quarter of fiscal 2016 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 April 2015, the FASB issued an update to the standards for the presentation of debt issuance costs to reduce complexity in accounting standards and to align with IFRS. The updated standard requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. U.S. generally accepted accounting principles previously required debt issuance costs to be reflected as an asset on the Company's balance sheet. The new debt issuance cost guidance is effective for the Company no later than the first quarter of fiscal 2016 and requires a retrospective approach to adoption. The Company elected early adoption of the updated accounting standard, effective in the first quarter of fiscal 2015, resulting in a one-time reclassification of $11.6M of debt issuance costs from "Other long-term assets" to "Long-term debt" and "Convertible debt, net of current portion" in the Consolidated Balance Sheets as of December 28, 2014.

In February 2015, the FASB issued a new standard that modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. The new consolidation guidance is effective for the Company in the first quarter of fiscal 2016 and requires either a retrospective or a modified retrospective approach to adoption. Early adoption is permitted. The Company is evaluating the available methods and the potential impact of this standard on its consolidated financial statements and disclosures.

In May 2014, the FASB issued a new revenue recognition standard 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 new revenue recognition standard 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 is evaluating the available methods and the potential impact of this standard on its consolidated financial statements and disclosures.

Other than as described above, there has been no issued accounting guidance not yet adopted by the Company that it believes is material or potentially material to its consolidated financial statements.

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

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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.

Credit Support Agreement

On April 28, 2011, the Company and Total S.A. entered into a Credit Support Agreement (the "Credit Support Agreement") under which 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. Total S.A. will guarantee the Company's obligation to reimburse the applicable issuing bank 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. Under the Credit Support Agreement, the Company may also request that Total S.A. provide a Guaranty in support of the Company's payment obligations with respect to a letter of credit facility. The Company is required to pay Total S.A. a guarantee 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 was amended on June 7, 2011, it became effective on June 28, 2011 in connection with the completion of the Tender Offer (the "CSA Effective Date"), and it was further amended on each of December 12, 2011, and December 14, 2012.

The Credit Support Agreement will terminate following the fifth anniversary of the CSA Effective Date, after the later of the payment in full of all obligations thereunder and the termination or expiration of each Guaranty provided thereunder.

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 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.

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Compensation and Funding Agreement

In February 2012, the Company entered into a Compensation and Funding Agreement (the "Compensation and Funding Agreement") with Total S.A. that established the parameters for the terms of liquidity injections that may be required to be provided by Total S.A. to the Company from time to time. During the term of the Compensation and Funding Agreement, the Company is required to pay Total S.A. a guarantee fee in an amount equal to 2.75% per annum of the average amount of the Company's indebtedness that is guaranteed by Total S.A. pursuant to any guaranty issued in accordance with the terms of the Compensation and Funding Agreement during such quarter. Any payment obligations of the Company to Total S.A. under the Compensation and Funding Agreement that are not paid when due accrue interest until paid in full at a rate equal to 6-month U.S. LIBOR as in effect from time to time plus 5.00% per annum.

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, governed by the Private Placement Agreement and the Compensation and Funding Agreement, 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 and 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 (see Note 11).

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 (see Note 11).

Joint Projects with Total and its Affiliates:

The Company enters into various engineering, procurement and construction ("EPC") and operations and maintenance ("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 June 28, 2015, the Company had $0.6 million of "Costs and estimated earnings in excess of billings" and $1.4 million of "Accounts receivable, net" on its Consolidated Balance Sheets related to projects in which Total and its affiliates have a direct or indirect material interest.

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Related-Party Transactions with Total and its Affiliates:

	Three Months Ended		Six Months Ended	
(In thousands)	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Revenue:				
EPC, O&M, and components revenue under joint projects	$100	$32,612	$299	$35,501
Research and development expense:				
Offsetting contributions received under the R&D Agreement	$(395)	$(293)	$(817)	$(553)
Interest expense:				
Guarantee fees incurred under the Credit Support Agreement	$2,272	$2,601	$4,998	$5,346
Fees incurred under the Compensation and Funding Agreement	$—	$—	$—	$1,200
Interest expense incurred on the 0.75% debentures due 2018	$125	$453	$500	$828
Interest expense incurred on the 0.875% debentures due 2021	$547	$115	$1,227	$115

Note 3. 8POINT3 ENERGY PARTNERS LP

In June 2015, 8point3 Energy Partners LP ("8point3 Energy Partners"), 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, completed an initial public offering (“IPO”) of Class A shares representing limited partner interests in 8point3 Energy Partners. The IPO was consummated on June 24, 2015 (the “IPO Closing Date”) whereupon the Class A shares were listed on the NASDAQ Global Select Market under the trading symbol “CAFD.”

Immediately after the IPO, the Company contributed a portfolio of 170 MW of its solar generation assets (the “SPWR Projects”) to 8point3 Operating Company, LLC ("OpCo"), 8point3 Energy Partners' 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 Energy Partners affiliated entities: primarily common and subordinated units representing a 40.7% stake in OpCo and a 50.0% economic and management stake in 8point3 Holding Company, LLC (“Holdings”), the parent company of the general partner of 8point3 Energy Partners and the owner of incentive distribution rights (“IDRs”) in OpCo. Holdings, OpCo, 8point3 Energy Partners 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 513 MW of the Company’s solar energy projects that are currently contracted or are expected to be contracted before being sold by the Company (the “ROFO Projects”). In connection with the IPO, the Company also entered into operations and maintenance, 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 accounts for its investments in the 8point3 Group using the equity method, whereby the book value of the Company’s investments is recorded as a non-current asset and the Company’s portion of the 8point3 Group’s earnings is recorded in the Consolidated Statements of Operations under the caption "Equity in earnings (loss) of unconsolidated investees." Refer to Note 10 for further discussion of the Company’s equity method investments in the

8point3 Group.

The Company's agreements with the 8point3 Group include substantive, non-standard guarantees of minimum cash flows in respect of each project among the SPWR Projects that had not yet reached its commercial operations date ("COD") before the IPO Closing Date. The Company's guarantees relating to each such project expire when the project reaches COD. The Company therefore determined that the risks and rewards of ownership in these projects are not transferred until COD and, accordingly, the Company continues to record the projects on its Consolidated Balance Sheet until that time. Projects that had not reached COD by June 28, 2015 totaled 131 MW of the SPWR Projects and the Company recorded $302 million of IPO proceeds attributable to those projects as a current liability within "Accrued liabilities" in the Consolidated Balance Sheets.

The projects discussed in the previous paragraph, which had not reached COD by June 28, 2015, are projects that include the sale or lease of real estate. Accordingly, each of these projects will be evaluated under relevant guidance for real

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estate transactions after COD and the concomitant expiration of the Company's non-standard guarantees (and associated risks of ownership) in respect of the project. The Company determined that the subordination of certain of its OpCo units until such time that the 8point3 Group achieves certain cash distribution targets in respect of the OpCo common and subordinated units (the "subordination period") constituted a form of support to the operations of the SPWR Projects that also survived the sale of the projects. Accordingly, the Company will defer recognition of any profit on the sale of any such project until unconditional cash proceeds from the sale exceed the Company's total costs incurred in connection with the project. The Company has reflected the $302 million of IPO cash proceeds attributable to these assets as an investing cash inflow in the Consolidated Statement of Cash Flows.

The balance of the SPWR Projects was composed of a portfolio of residential leases (the "residential lease portfolio") which included both sales-type and operating leases. The Company evaluated the sale of the residential lease portfolio, excluding the portion related to operating leases and unguaranteed residual values accounted for under lease guidance in the following paragraph, under relevant accounting guidance for consolidations and determined that this portion of the residential lease portfolio met the definition of a business and that deconsolidation criteria were met. The Company received cash proceeds of $39 million and equity proceeds of $68 million attributable to the sale of this portion of the residential lease portfolio and recorded a resulting $28 million gain upon deconsolidation, reflected in "Other, net" in the Consolidated Statements of Operations. The equity proceeds were valued using the income approach which utilized a discounted cash flow model based on forecasted cash flows, indexed to 8point3 Energy Partners' IPO price of $21 per Class A share. The Company has reflected the $39 million of IPO cash proceeds attributable to this portion of the residential lease portfolio as an investing cash inflow in the Consolidated Statement of Cash Flows.

The Company evaluated the sale of the portion of the residential lease portfolio that was composed of operating leases and unguaranteed sales-type lease residual values under relevant guidance for leasing transactions and determined that the Company retained significant risks of ownership as defined in such guidance due, in part, to the subordination of certain of the Company's OpCo units during the subordination period. Accordingly, the Company accounted for the sale of the operating leases and the unguaranteed sales-type lease residual values as a borrowing and reflected the $29 million of IPO cash proceeds attributable to this portion of the residential lease portfolio as a financing cash inflow in the Consolidated Statement of Cash Flows and as liabilities recorded within "Accrued liabilities" and "Other long-term liabilities" in the Consolidated Balance Sheets.

Note 4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

As of both June 28, 2015 and December 28, 2014, the Company had goodwill with a carrying amount of $21.2 million, $20.8 million of which was allocated to the Residential Segment and $0.4 million of which was allocated to the Power Plant Segment. No goodwill impairment was recorded during the three and six months ended June 28, 2015 or June 29, 2014.

Other Intangible Assets

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

(In thousands)	Gross	Accumulated Amortization	Net
As of June 28, 2015			
Patents and purchased technology	$13,675	$(1,584)	$12,091
Purchased in-process research and development	3,700	—	3,700
Other	500	(125)	375

	$17,875	$(1,709)	$16,166
As of December 28, 2014			
Patents and purchased technology	$13,675	$(615)	$13,060
Purchased in-process research and development	3,700	—	3,700
	$17,375	$(615)	$16,760

Amortization expense for intangible assets totaled $0.6 million and $1.1 million for the three and six months ended June 28, 2015, respectively. No amortization expense was incurred during the three and six months ended June 29, 2014.

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As of June 28, 2015, the estimated future amortization expense related to intangible assets with finite useful lives is as follows:

(In thousands)	Amount
Fiscal Year	
2015 (remaining six months)	$1,269
2016	2,114
2017	1,989
2018	1,989
2019	1,989
Thereafter	3,116
	$12,466

Note 5. BALANCE SHEET COMPONENTS

	As of	
(In thousands)	June 28, 2015	December 28, 2014
Accounts receivable, net:		
Accounts receivable, gross[1,2]	$453,853	$523,613
Less: allowance for doubtful accounts	(18,432)	(18,152)
Less: allowance for sales returns	(1,794)	(1,145)
	$433,627	$504,316

1 Includes short-term financing receivables associated with solar power systems leased of $9.4 million and $9.1 million as of June 28, 2015 and December 28, 2014, respectively (see Note 6).

2 Includes short-term retainage of $243.8 million and $213.0 million as of June 28, 2015 and December 28, 2014, 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.

	As of	
(In thousands)	June 28, 2015	December 28, 2014
Inventories:		
Raw materials	$85,512	$46,848
Work-in-process	116,364	67,903
Finished goods	108,556	93,822
	$310,432	$208,573

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	As of	
(In thousands)	June 28, 2015	December 28, 2014
Prepaid expenses and other current assets:		
Deferred project costs	$55,213	$64,784
Bond hedge derivative	—	51,951
VAT receivables, current portion	8,607	7,554
Deferred costs for solar power systems to be leased	29,852	22,537
Derivative financial instruments	1,907	7,018
Prepaid inventory	5,085	—
Other receivables	74,370	79,927
Other prepaid expenses	64,053	47,448
Other current assets	15,265	47,626
	$254,352	$328,845

	As of	
(In thousands)	June 28, 2015	December 28, 2014
Project assets - plants and land:		
Project assets — plants	$410,581	$104,328
Project assets — land	12,060	12,328
	$422,641	$116,656
Project assets — plants and land, current portion	$379,900	$101,181
Project assets — plants and land, net of current portion	$42,741	$15,475

	As of	
(In thousands)	June 28, 2015	December 28, 2014
Property, plant and equipment, net:		
Manufacturing equipment[3]	$565,813	$554,124
Land and buildings	26,138	26,138
Leasehold improvements	241,764	236,867
Solar power systems[4]	140,678	124,848
Computer equipment	94,486	88,257
Furniture and fixtures	9,892	9,436
Construction-in-process	137,359	75,570
	1,216,130	1,115,240
Less: accumulated depreciation	(572,218)	(529,896)
	$643,912	$585,344

[3] The Company's mortgage loan agreement with International Finance Corporation ("IFC") is collateralized by certain manufacturing equipment with a net book value of $100.1 million and $111.9 million as of June 28, 2015 and December 28, 2014, respectively.

[4] Includes $110.4 million and $94.4 million of solar power systems associated with sale-leaseback transactions under the financing method as of June 28, 2015 and December 28, 2014, 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 6).

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(In thousands)	As of June 28, 2015	December 28, 2014
Property, plant and equipment, net by geography[5]:		
Philippines	$382,485	$335,643
United States	196,017	183,631
Mexico	39,511	40,251
Europe	23,258	24,748
Other	2,641	1,071
	$643,912	$585,344

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

(In thousands)	As of June 28, 2015	December 28, 2014
Other long-term assets:		
Equity method investments	$283,225	$210,898
Cost method investments	36,378	32,308
Derivative financial instruments	848	—
Other	71,509	57,023
	$391,960	$300,229

(In thousands)	As of June 28, 2015	December 28, 2014
Accrued liabilities:		
Bond hedge derivatives	$—	$51,951
Employee compensation and employee benefits	41,923	47,667
Deferred revenue	22,835	33,412
Short-term residential lease financing	—	1,489
Interest payable	5,038	10,575
Short-term warranty reserves	12,184	13,278
Restructuring reserve	4,278	13,477
VAT payables	7,797	6,073
Derivative financial instruments	4,443	1,345
Inventory payable	5,084	—
Short-term residential lease financing with 8point3 Energy Partners	4,220	—
Proceeds from 8point3 Energy Partners IPO attributable to pre-COD projects	301,746	—
Other	141,408	151,767
	$550,956	$331,034

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(In thousands)	As of June 28, 2015	December 28, 2014
Other long-term liabilities:		
Deferred revenue	$180,176	$176,804
Long-term warranty reserves	144,347	141,370
Long-term sale-leaseback financing	127,925	111,904
Long-term residential lease financing	—	27,122
Long-term residential lease financing with 8point3 Energy Partners	25,149	—
Unrecognized tax benefits	20,128	31,764
Long-term pension liability	11,571	9,980
Derivative financial instruments	470	3,712
Other	25,672	52,688
	$535,438	$555,344

(In thousands)	As of June 28, 2015	December 28, 2014
Accumulated other comprehensive loss:		
Cumulative translation adjustment	$(10,473)	$(8,712)
Net unrealized loss on derivatives	(635)	(1,443)
Net loss on long-term pension liability adjustment	(2,878)	(2,878)
Deferred taxes	35	(422)
	$(13,951)	$(13,455)

Note 6. LEASING

Residential Lease Program

The Company offers a solar lease program, in partnership with third-party investors, which provides U.S. residential customers 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 June 28, 2015 and December 28, 2014:

(In thousands)	As of June 28, 2015	December 28, 2014
Solar power systems leased and to be leased, net[1,2]:		
Solar power systems leased	$470,532	$396,704
Solar power systems to be leased	23,994	21,202
	494,526	417,906
Less: accumulated depreciation	(35,818)	(26,993)
	$458,708	$390,913

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

[2] As of June 28, 2015 and December 28, 2014, the Company had pledged solar assets with an aggregate book value of zero and $140.1 million, respectively, to third-party investors as security for the Company's contractual obligations.

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The following table presents the Company's minimum future rental receipts on operating leases placed in service as of June 28, 2015:

(In thousands)	Fiscal 2015 (remaining six months)	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Thereafter	Total
Minimum future rentals on operating leases placed in service[1]	$9,252	17,068	17,112	17,162	17,213	248,240	$326,047

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

Sales-Type Leases

As of June 28, 2015 and December 28, 2014, 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)	June 28, 2015	December 28, 2014
Financing receivables:		
Minimum lease payments receivable[1]	$283,936	$319,244
Unguaranteed residual value	42,248	34,343
Unearned income	(55,719)	(74,859)
Net financing receivables	$270,465	$278,728
Current	$9,389	$9,141
Long-term	$261,076	$269,587

[1] Net of allowance for doubtful accounts.

As of June 28, 2015, future maturities of net financing receivables for sales-type leases are as follows:

(In thousands)	Fiscal 2015 (remaining six months)	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Thereafter	Total
Scheduled maturities of minimum lease payments receivable[1]	$7,240	13,803	13,924	14,052	14,184	220,733	$283,936

[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.

Third-Party Financing Arrangements

The Company has entered into multiple facilities under which solar power systems are financed by third-party investors. Under the terms of certain arrangements the investors make an upfront payment to the Company, which the Company recognizes as a non-recourse liability that will be reduced over the term of the arrangement as customer receivables and government incentives are received by the third-party investors. As the non-recourse liability is reduced over time, the Company makes a corresponding reduction in customer and government incentive receivables

on its balance sheet. The Company uses this approach to account for both operating and sales-type leases with its residential lease customers in the consolidated financial statements. These arrangements were terminated during the six months ended June 28, 2015. As of June 28, 2015, and December 28, 2014, the remaining liability to third-party investors under these arrangements presented in "Accrued liabilities" and "Other long-term liabilities" on the Company's Consolidated Balance Sheets, was zero and $28.6 million, respectively (see Note 5).

The Company has entered into multiple financing facilities with third-party investors under which the investors invest in entities that hold SunPower solar power systems and leases with residential customers. The Company holds controlling interests in these less-than-wholly-owned entities and therefore fully consolidates these entities. The Company accounts for the

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portion of net assets in the consolidated entities attributable to the investors as "Redeemable noncontrolling interests" and "Noncontrolling interests" in its consolidated financial statements. Noncontrolling interests in subsidiaries that are redeemable at the option of the noncontrolling interest holder are classified as "Redeemable noncontrolling interests in subsidiaries," between liabilities and equity on the Company's Consolidated Balance Sheets. During the three and six months ended June 28, 2015 the Company received $46.0 million and $91.9 million, respectively, in contributions from investors under the related facilities and attributed losses of $30.1 million and $49.7 million, respectively, to the third-party investors corresponding principally to certain assets, including tax credits, that were allocated to the investors during the periods. During the three and six months ended June 29, 2014, the Company received $22.2 million and $52.8 million, respectively, in contributions from investors under the related facilities and attributed losses of $12.9 million and $34.9 million, respectively, to the third-party investors corresponding principally to certain assets, including tax credits, that were allocated to the investors during the periods.

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 20 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 June 28, 2015, future minimum lease obligations associated with these systems was $92.5 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 and presented within "Other long-term liabilities" in the Company's Consolidated Balance Sheets (see Note 5). The financing liabilities are subsequently reduced by the Company's payments to lease back the solar power systems, less interest expense calculated based on the Company's incremental borrowing rate adjusted to the rate required to prevent negative amortization. The solar power systems under the sale-leaseback arrangements remain on the Company's balance sheet and are classified within "Property, plant and equipment, net" (see Note 5). As of June 28, 2015, future minimum lease obligations for the sale-leaseback arrangements accounted for under the financing method were $110.4 million, which will be recognized over the lease terms of up to 20 years.

Note 7. FAIR VALUE MEASUREMENTS

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company measures certain assets and liabilities at fair value on a recurring basis. There were no transfers between fair value measurement levels during any presented period. The Company did not have any assets or liabilities measured at fair value on a recurring basis requiring Level 3 inputs as of June 28, 2015 or December 28, 2014.

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The following table summarizes the Company's assets and liabilities measured and recorded at fair value on a recurring basis as of June 28, 2015 and December 28, 2014:

	June 28, 2015			December 28, 2014		
(In thousands)	Total	Level 1	Level 2	Total	Level 1	Level 2
Assets						
Cash and cash equivalents[1]:						
Money market funds	$255,000	$255,000	$—	$375,000	$375,000	$—
Prepaid expenses and other current assets:						
Debt derivatives (Note 11)	—	—	—	51,951	—	51,951
Derivative financial instruments (Note 12)	1,907	—	1,907	7,018	—	7,018
Other long-term assets:						
Derivative financial instruments (Note 12)	848	—	848	—	—	—
Total assets	$257,755	$255,000	$2,755	$433,969	$375,000	$58,969
Liabilities						
Accrued liabilities:						
Debt derivatives (Note 11)	$—	$—	$—	$51,951	$—	$51,951
Derivative financial instruments (Note 12)	4,443	—	4,443	1,345	—	1,345
Other long-term liabilities:						
Derivative financial instruments (Note 12)	470	—	470	3,712	—	3,712
Total liabilities	$4,913	$—	$4,913	$57,008	$—	$57,008

[1] The Company's cash equivalents consist of money market fund instruments and commercial paper that are classified as available-for-sale and 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.

Debt Derivatives

The 4.50% Bond Hedge (as described in Note 11) and the embedded cash conversion option within the 4.50% debentures due 2015 (as described in Note 11), which both matured in the first quarter of 2015, were classified as derivative instruments that required mark-to-market treatment with changes in fair value reported in the Company's Consolidated Statements of Operations. The fair values of these derivative instruments as of December 28, 2014 were determined utilizing the following Level 1 and Level 2 inputs:

	As of[1] December 28, 2014	
Stock price	$26.32	
Exercise price	$22.53	
Interest rate	0.19	%
Stock volatility	61.7	%
Credit risk adjustment	0.65	%
Maturity date	February 18, 2015	

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[1] The valuation model utilizes these inputs to value the right but not the obligation to purchase one share of the Company's common stock at $22.53. The Company utilized a Black-Scholes valuation model to value the 4.50% Bond Hedge and embedded cash conversion option. The underlying input assumptions were determined as follows:

(i) Stock price. The closing price of the Company's common stock on the last trading day of the quarter.

(ii) Exercise price. The exercise price of the 4.50% Bond Hedge and the embedded cash conversion option.

(iii) Interest rate. The Treasury Strip rate associated with the life of the 4.50% Bond Hedge and the embedded cash conversion option.

(iv) Stock volatility. The volatility of the Company's common stock over the life of the 4.50% Bond Hedge and the embedded cash conversion option.

(v) Credit risk adjustment. Represents the weighted average of the credit default swap rate of the counterparties.

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

The Company measures certain investments and non-financial assets (including project assets, 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.

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 maturity dates of up to five years and are classified as "Restricted long-term marketable securities" on the Company's Consolidated Balance Sheets. As of June 28, 2015 and December 28, 2014, these bonds had a carrying value of $6.9 million and $7.2 million, respectively. The Company records such held-to-maturity investments at amortized cost based on its ability and intent to hold the securities until maturity. The Company monitors for changes in circumstances and events that would affect its ability and intent to hold such securities until the recorded amortized costs are recovered. No other-than-temporary impairment loss was incurred during any presented period. The held-to-maturity debt securities were categorized in Level 2 of the fair value hierarchy.

Equity 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 June 28, 2015 and December 28, 2014, the Company had $283.2 million and $210.9 million, respectively, in investments accounted for under the equity method (see Note 10). As of June 28, 2015 and December 28, 2014, the Company had $36.4 million and $32.3 million, respectively, in investments accounted for under the cost method.

Related-Party Transactions with Investees:

	As of	
(In thousands)	June 28, 2015	December 28, 2014
Accounts receivable	$9,399	$22,425
Other long-term assets	$1,530	$1,623

Accounts payable			$42,301	$50,039
Accrued liabilities			$305,965	$—
Customer advances			$1,673	$4,210
Other long-term liabilities			$25,149	$—

	Three Months Ended		Six Months Ended	
(In thousands)	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Payments made to investees for products/services	$108,853	$117,096	$228,030	$222,106
Revenue from sales to investees of products/services	$21,199	$—	$26,802	$—

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Cost Method Investment in Tendril Networks, Inc. (“Tendril”)

In November 2014, the Company purchased $20.0 million of preferred stock for a minority stake in Tendril, accounted for under the cost method because the preferred stock was deemed not to be in-substance common stock. In connection with the investment, the Company acquired warrants to purchase up to approximately 14.3 million shares of Tendril common stock 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 8. RESTRUCTURING

November 2014 Restructuring Plan

On November 14, 2014, the Company announced a reorganization plan intended to realign resources consistent with the Company's global strategy and improve its overall operating efficiency and cost structure. In connection with this plan, which is expected to be completed by the end of fiscal 2015, SunPower expects approximately 95 to 115 employees to be affected, primarily in Europe, representing approximately 1% to 2% of the Company's global workforce. The Company expects to incur restructuring charges totaling approximately $17 million to $25 million, principally composed of severance benefits, lease and related termination costs, and other associated costs. The Company expects more than 90% of total charges to be cash charges. 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 fiscal 2012 and 2011, 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 June 28, 2015, however, the Company expects to continue to incur costs as it finalizes previous estimates and actions in connection with these plans, primarily due to other costs, such as legal services.

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

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(In thousands)	Six Months Ended June 28, 2015	June 29, 2014	Cumulative To Date
November 2014 Plan:			
Non-cash impairment charges	$5	$—	$724
Severance and benefits	3,310	—	15,490
Other costs[1]	2,338	—	2,551
	5,653	—	18,765
Legacy Restructuring Plans:			
Non-cash impairment charges	—	—	60,596
Severance and benefits	(132)	(1,265)	46,577
Lease and related termination costs	—	339	5,774
Other costs[1]	(191)	(252)	10,668
	(323)	(1,178)	123,615
Total restructuring charges	$5,330	$(1,178)	$142,380

The following table summarizes the restructuring reserve activity during the six months ended June 28, 2015:

(In thousands)	Six Months Ended December 28, 2014	Charges (Benefits)	Payments	June 28, 2015
November 2014 Plan:				
Severance and benefits	$12,075	$3,310	$(13,260)	$2,125
Other costs[1]	145	2,338	(368)	2,115
	12,220	5,648	(13,628)	4,240
Legacy Restructuring Plans:				
Severance and benefits	421	(132)	(281)	8
Lease and related termination costs	390	—	(390)	—
Other costs[1]	446	(191)	(225)	30
	1,257	(323)	(896)	38
Total restructuring liability	$13,477	$5,325	$(14,524)	$4,278

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

Note 9. COMMITMENTS AND CONTINGENCIES

Facility and Equipment Lease Commitments

The Company leases certain facilities under non-cancellable operating leases from unaffiliated third parties. As of June 28, 2015, future minimum lease payments for facilities under operating leases were $50.8 million, to be paid over the remaining contractual terms of up to 10 years. The Company also leases certain buildings, machinery and equipment under non-cancellable capital leases. As of June 28, 2015, future minimum lease payments for assets under capital leases were $6.4 million, to be paid over the remaining contractual terms of up to 10 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,

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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 10 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 June 28, 2015 are as follows:

(In thousands)	Fiscal 2015 (remaining six months)	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Thereafter	Total[1,2,3]
Future purchase obligations	$713,339	323,543	349,587	184,199	177,714	166,867	$1,915,249

[1] Total future purchase obligations as of June 28, 2015 include $130.1 million to related parties.

[2] Total future purchase obligations was composed of $238.7 million related to non-cancellable purchase orders and $1.7 billion related to long-term supply agreements.

[3]The Company did not fulfill all of the purchase commitments it was otherwise obligated to take by December 31, 2014, as specified in several related contracts with a supplier. As of June 28, 2015, the Company has recorded an offsetting asset, recorded within "Prepaid expenses and other current assets," and liability, recorded within "Accrued liabilities," totaling $5.1 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 2015, 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 will be recovered because quantities are less than management's expected demand for its solar power products. 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 market 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 is required to make prepayments to the vendors over the terms of the arrangements. The Company did not make any additional advance payments under its long-term supply agreements during the first half of fiscal 2015. During the three and six months ended June 29, 2014, the Company made additional advance

payments totaling $16.4 million and $32.9 million, respectively, in accordance with the terms of existing long-term supply agreements. As of June 28, 2015 and December 28, 2014, advances to suppliers totaled $384.6 million and $409.7 million, respectively, of which $96.3 million and $98.1 million, respectively, is classified as short-term in the Company's Consolidated Balance Sheets. Two suppliers accounted for 84% and 16% of total advances to suppliers as of June 28, 2015, and 82% and 17% as of December 28, 2014.

Advances from Customers

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. The estimated utilization of advances from customers as of June 28, 2015 is as follows:

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(In thousands)	Fiscal 2015 (remaining six months)	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Thereafter	Total
Estimated utilization of advances from customers	$11,357	30,662	27,039	27,039	28,842	43,263	$168,202

In fiscal 2010, the Company and its joint venture, AUO SunPower Sdn. Bhd. ("AUOSP"), entered into an agreement under which the Company resells to AUOSP polysilicon purchased from a third-party supplier. Advance payments provided by AUOSP related to such polysilicon are then made by the Company to the third-party supplier. These advance payments are applied as a credit against AUOSP's polysilicon purchases from the Company. Such polysilicon is used by AUOSP to manufacture solar cells that are sold to the Company on a "cost-plus" basis. As of June 28, 2015 and December 28, 2014, outstanding advance payments received from AUOSP totaled $158.1 million and $167.2 million, respectively, of which $20.5 million and $18.3 million, respectively, was classified as short-term in the Company's Consolidated Balance Sheets, based on projected product shipment dates.

Product Warranties

The following table summarizes accrued warranty activity for the three months ended June 28, 2015 and June 29, 2014, respectively:

	Three Months Ended		Six Months Ended	
(In thousands)	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Balance at the beginning of the period	$154,098	$151,415	$154,648	$149,372
Accruals for warranties issued during the period	4,181	4,311	12,342	9,501
Settlements and adjustments during the period	(1,748)	(4,933)	(10,459)	(8,080)
Balance at the end of the period	$156,531	$150,793	$156,531	$150,793

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 the joint venture agreement with AU Optronics Singapore Pte. Ltd. ("AUO") and other unconsolidated investees, subject to certain conditions (see Note 10). As of June 28, 2015, the Company has future financing obligations through fiscal 2015 totaling $179.8 million.

Liabilities Associated with Uncertain Tax Positions

Total liabilities associated with uncertain tax positions were $24.1 million and $31.8 million as of June 28, 2015 and December 28, 2014, respectively. As of June 28, 2015, approximately $4.0 million of transfer-pricing uncertain tax positions are included in "Accrued liabilities" in the Company's Consolidated Balance Sheets as they are reasonably possible to be paid within the next 12 months as a result of settlement, and $20.1 million of uncertain tax positions are included in "Other long-term liabilities" in the Company's Consolidated Balance Sheets as they are not expected to be paid within the next 12 months. As of December 28, 2014, total liabilities of $31.8 million associated with uncertain tax positions were included in "Other long-term liabilities" as they were not expected to be paid within the next 12 months. The reduction in liabilities associated with uncertain tax positions from December 28, 2014, was primarily due to tax settlements in certain foreign jurisdictions in the quarter ended June 28, 2015. 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.

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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 Treasury Grant payments under Section 1603 of the American Recovery and Reinvestment Act ("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 limited 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 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 investors of its residential lease program, incorporate assumptions regarding the future level of incentives to be received, which in some instances may be claimed directly by its customers and investors. Since the Company cannot determine future revisions to the U.S. Treasury guidelines governing system values or how the IRS will evaluate system values used in claiming ITCs, 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 June 28, 2015 and December 28, 2014, the underfunded status of the Company’s pension plans, presented in "Other long-term liabilities" on the Company’s Consolidated Balance Sheets, was $11.6 million and $10.0 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.

Legal Matters

Tax Benefit Indemnification Litigation

On March 19, 2014, a lawsuit was filed by NRG Solar 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 tax benefits associated with the project that were approved by the Treasury Department for an amount that was less than expected. The Company does not believe that the facts support NRG's claim under the operative indemnification provisions and is vigorously contesting the claim. 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 Treasury. The Company is currently unable to determine if the resolution of this matter will have a material effect on the Company's consolidated financial statements.

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First Philec Arbitration

On January 28, 2015, an arbitral tribunal of the International Court of Arbitration of the International Chamber of Commerce issued a first 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"), our wholly-owned subsidiary. FPSC is a joint venture of FPEC and SPML for the purpose of slicing silicon wafers from ingots. SPML has not purchased any wafers from FPSC since the third quarter of 2012.

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. In its first partial award, the tribunal ordered that (i) SPML must purchase FPEC's interests in FPSC for an aggregate of $30.3 million and (ii) after completing the purchase of FPEC's controlling interest in FPSC, SPML must pay FPSC damages in the amount of $25.2 million. The arbitral tribunal issued its second partial award dated July 14, 2015, which ordered that (i) the price payable by SPML to FPEC for its interests in FPSC be reduced from $30.3 million to $23.2 million, (ii) FPEC's request for interest is refused, and (iii) the payment and transfer of shares between FPEC and SPML is to take place in accordance with the procedure agreed between the parties. The tribunal reserved for its final award the determination of the costs of the proceeding.

SPML has filed a challenge to the first partial award with the High Court in Hong Kong and also given notice of its intention to challenge the second partial award. SPML has also filed applications to the Court in the Philippines to: (i) prevent FPSC or FPEC from enforcing the awards pending the outcome of the challenge in Hong Kong; and (ii) seeking access to FPSC's books and records.

As of June 28, 2015, the Company recorded an accrual of $55.9 million related to this matter based on the Company's best estimate of probable loss.

AUO Arbitration

On April 17, 2015, SunPower Technology Ltd. ("SPTL"), a wholly-owned subsidiary of the Company, commenced an arbitration before the ICC International Court of Arbitration against AUO and AU Optronics Corporation, the ultimate parent company of AUO ("AUO Corp.," and together with AUO, the "AUO Group"), for breaches of the AUOSP Joint Venture Agreement and associated agreements executed in 2010 (the "JVA") as well as breaches of the License and Patent Technology Agreement executed in 2011 (the "LTA"). SPTL's claim alleges that, among other things, the AUO Group has sold solar modules containing cells manufactured at AUOSP in violation of provisions in the JVA and the LTA that set geographical restrictions on sales activities as well as provisions that restrict each party's use of the other's confidential information. On June 23, 2015, the AUO Group filed and served its formal Memorial of Claim and Counterclaims against SPTL and the Company (collectively, the "SunPower Group"). In its counterclaim, the AUO Group seeks $28.6 million in lost profits and $35.6 million in disgorgement from the SunPower Group, alleging improper use of the AUO Group's proprietary manufacturing expertise. The merits hearings are scheduled to begin in the first quarter of 2016. The Company is currently unable to determine whether the resolution of this matter will have a material effect on the Company's consolidated financial statements.

Other Litigation

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

Note 10. EQUITY METHOD INVESTMENTS

As of June 28, 2015 and December 28, 2014, the Company's carrying value of its equity method investments totaled $283.2 million and $210.9 million, respectively, and is classified as "Other long-term assets" in its Consolidated Balance Sheets. The Company's share of its earnings (loss) from equity method investments is reflected as "Equity in earnings of unconsolidated investees" in its Consolidated Statements of Operations.

Equity Investment and Joint Venture with AUOSP

In fiscal 2010, the Company, AUO and AUO Corp. formed the joint venture AUOSP. The Company and AUO each own 50% of the joint venture AUOSP. AUOSP owns a solar cell manufacturing facility in Malaysia and manufactures solar cells and sells them on a "cost-plus" basis to the Company and AUO.

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In connection with the joint venture agreement, the Company and AUO also entered into licensing and joint development, supply, and other ancillary transaction agreements. Through the licensing agreement, the Company and AUO licensed to AUOSP, on a non-exclusive, royalty-free basis, certain background intellectual property related to solar cell manufacturing (in the case of the Company), and manufacturing processes (in the case of AUO). Under the seven-year supply agreement with AUOSP, renewable by the Company for one-year periods thereafter, the Company is committed to purchase 80% of AUOSP's total annual output allocated on a monthly basis to the Company. The Company and AUO have the right to reallocate supplies from time to time under a written agreement. In fiscal 2010, the Company and AUOSP entered into an agreement under which the Company will resell to AUOSP polysilicon purchased from a third-party supplier and AUOSP will provide prepayments to the Company related to such polysilicon, which prepayment will then be made by the Company to the third-party supplier.

The Company and AUO are not permitted to transfer any of AUOSP's shares held by them, except to each other. The Company and AUO agreed to each contribute additional amounts through fiscal 2015 amounting to $169.0 million, or such lesser amount as the parties may mutually agree. In addition, if AUOSP, the Company or AUO requests additional equity financing to AUOSP, then the Company and AUO will each be required to make additional cash contributions of up to $50.0 million in the aggregate.

The Company has concluded that it is not the primary beneficiary of AUOSP since, although the Company and AUO 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 AUOSP that most significantly impact its economic performance. In making this determination the Company considered the shared power arrangement, including equal board governance for significant decisions, elective appointment, and the fact that both parties contribute to the activities that most significantly impact the joint venture's economic performance. The Company accounts for its investment in AUOSP using the equity method as a result of the shared power arrangement. As of June 28, 2015, the Company's maximum exposure to loss as a result of its equity investment in AUOSP is limited to the carrying value of the investment. As of June 28, 2015 and December 28, 2014, the Company's investment in AUOSP had a carrying value of $196.7 million and $191.7 million, respectively.

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 C7 Tracker 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, a joint YieldCo vehicle formed by the Sponsors to own, operate and acquire solar energy generation assets, consummated its IPO and its Class A shares are now listed on the NASDAQ Global Select Market under the trading symbol “CAFD.” Refer to the sections titled "Note 3. 8point3 Energy Partners LP" in the Notes to the

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Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further information regarding the Company’s transactions with the 8point3 Group.

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 are subject to certain forbearance and subordination periods. During the forbearance period, the Sponsors have agreed to forego any distributions declared on their common and subordinated units. The forbearance period will end when, on or after March 1, 2016, the board of directors of the general partner of 8point3 Energy Partners, with the concurrence of its conflicts committee, determines that OpCo will be able to earn and pay at least the minimum quarterly distribution on each of its outstanding common and subordinated units for such quarter and the successive quarter.

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, 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.

As of June 28, 2015 and December 28, 2014, the Company's investment in the 8point3 Group had a carrying value of $68.2 million and zero, respectively.

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Note 11. DEBT AND CREDIT SOURCES

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

	June 28, 2015				December 28, 2014			
(In thousands)	Face Value	Short-term	Long-term	Total	Face Value	Short-term	Long-term	Total
Convertible debt:								
0.875% debentures due 2021	$400,000	$—	$396,083	$396,083	$400,000	$—	$395,475	$395,475
0.75% debentures due 2018	300,000	—	297,776	297,776	300,000	—	297,401	297,401
4.50% debentures due 2015	—		—	—	249,645	245,325	—	245,325
0.75% debentures due 2027	79	79	—	79	79	—	79	79
IFC mortgage loan	32,500	7,500	24,097	31,597	47,500	14,983	31,492	46,475
CEDA loan	30,000	—	27,537	27,537	30,000	—	27,379	27,379
Quinto Credit Facility	—	—	—	—	61,481	—	61,481	61,481
Other debt[1]	173,055	3,371	168,627	171,998	91,398	1,963	88,605	90,568
	$935,634	$10,950	$914,120	$925,070	$1,180,103	$262,271	$901,912	$1,164,183

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

As of June 28, 2015, the aggregate future contractual maturities of the Company's outstanding debt, at face value, was as follows:

(In thousands)	Fiscal 2015 (remaining six months)	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Thereafter	Total
Aggregate future maturities of outstanding debt	$1,123	18,591	19,487	308,208	5,256	582,969	$935,634

Convertible Debt

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

	March 29, 2015			December 28, 2014		
(In thousands)	Carrying Value	Face Value	Fair Value[1]	Carrying Value	Face Value	Fair Value[1]
Convertible debt:						
0.875% debentures due 2021	$396,083	$400,000	$406,772	$395,475	$400,000	$358,000
0.75% debentures due 2018	297,776	300,000	413,955	297,401	300,000	366,750

4.50% debentures due 2015	—	—	—	245,325	249,645	294,581
0.75% debentures due 2027	79	79	76	79	79	80
	$693,938	$700,079	$820,803	$938,280	$949,724	$1,019,411

[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.

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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.

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.

4.50% Debentures Due 2015

In 2010, the Company issued $250.0 million in principal amount of its 4.50% senior cash convertible debentures ("4.50% debentures due 2015"). Interest was payable semi-annually, beginning on September 15, 2010. The 4.50% debentures due 2015 were convertible only into cash, and not into shares of the Company's common stock (or any other securities) at a conversion price of $22.53 per share. The 4.50% debentures due 2015 matured on March 15, 2015. During March 2015, the Company paid holders an aggregate of $324.3 million in cash in connection with the settlement of the outstanding 4.50% debentures due 2015. No 4.50% debentures due 2015 remained outstanding after the maturity date.

The embedded cash conversion option was a derivative instrument (derivative liability) that was required to be separated from the 4.50% debentures due 2015. The fair value of the derivative liability is classified within "Other long-term liabilities" on the Company's Consolidated Balance Sheets. Changes in the fair value of the derivative liability were reported in the Company's Consolidated Statements of Operations until the 4.50% debentures due 2015 matured in March 2015.

During the three and six months ended June 28, 2015, the Company recognized a non-cash loss of zero and $52.0 million, recorded in "Other, net" in the Company's Consolidated Statements of Operations to recognize the change in fair value prior to expiration of the embedded conversion option. During the three and six months ended June 29, 2014, the Company recognized a non-cash loss of $82.1 million and $101.1 million, respectively, recorded in "Other, net" in the Company's Consolidated Statements of Operations related to the change in fair value of the embedded cash conversion option.

Call Spread Overlay with Respect to 4.50% Debentures

Concurrently with the issuance of the 4.50% debentures due 2015, the Company entered into privately-negotiated convertible debenture hedge transactions (collectively, the "4.50% Bond Hedge") and warrant transactions (collectively, the "4.50% Warrants" and together with the 4.50% Bond Hedge, the “CSO2015”), with certain of the initial purchasers of the 4.50% debentures due 2015 or their affiliates. The CSO2015 transactions represented a call

spread overlay with respect to the 4.50% debentures due 2015, whereby the cost of the 4.50% Bond Hedge purchased by the Company to cover the cash outlay upon conversion of the debentures is reduced by the sales prices of the 4.50% Warrants. The transactions effectively reduced the Company's potential payout over the principal amount on the 4.50% debentures due 2015 upon conversion of the 4.50% debentures due 2015.

Under the terms of the 4.50% Bond Hedge, the Company bought options to acquire, at an exercise price of $22.53 per share, subject to customary adjustments for anti-dilution and other events, cash in an amount equal to the market value of up to 11.1 million shares of the Company's common stock.

Each 4.50% Bond Hedge was a separate transaction, entered into by the Company with each counterparty, and was not part of the terms of the 4.50% debentures due 2015. The 4.50% Bond Hedge, which was indexed to the Company's common stock, was a derivative instrument that required mark-to-market accounting treatment due to the cash settlement features until the 4.50% Bond Hedge settled in March 2015. During March 2015, the Company exercised its rights under the 4.50% Bond Hedge, resulting in a payment to the Company of $74.6 million.

During the three and six months ended June 28, 2015, the Company recognized a non-cash gain of zero and $52.0 million, respectively, recorded in "Other, net" in the Company's Consolidated Statements of Operations to recognize the change in fair value before settlement of the 4.50% Bond Hedge. During the three and six months ended June 29, 2014, the Company recognized a non-cash gain of $82.1 million and $101.2 million, respectively, recorded in "Other, net" in the Company's Consolidated Statements of Operations related to the change in fair value of the 4.50% Bond Hedge.

In connection with the 4.50% Warrants, the Company entered into warrant confirmations (collectively, and as amended from time to time, the “2015 Warrant Confirms”) with Deutsche Bank AG, London Branch, Bank of America, N.A., Barclays Bank PLC and Credit Suisse International providing for the acquisition, subject to anti-dilution adjustments, of up to approximately 11.1 million shares of the Company's common stock via net share settlement. Each 4.50% Warrant transaction was a separate transaction, entered into by the Company with each counterparty, and was not part of the terms of the 4.50% debentures due 2015.

During the second quarter of fiscal 2015, the Company entered into separate partial unwind agreements with each of Deutsche Bank AG, London Branch; Bank of America, N.A.; Barclays Bank PLC; and Credit Suisse International in order to reduce the number of warrants issued pursuant to the 2015 Warrant Confirms. Pursuant to the terms of these partial unwind agreements, the Company issued an aggregate of approximately 3.0 million shares of common stock to settle all of the warrants under the 2015 Warrant Confirms. Accordingly, as of June 28, 2015, no 4.50% Warrants remained outstanding.

4.75% Debentures Due 2014

In May 2009, the Company issued $230.0 million in principal amount of its 4.75% senior convertible debentures ("4.75% debentures due 2014"). Interest on the 4.75% debentures due 2014 was payable semi-annually, beginning October 15, 2009. Holders of the 4.75% debentures due 2014 were able to exercise their right to convert the debentures at any time into shares of the Company's common stock at a conversion price equal to $26.40 per share, subject to adjustment upon certain events. In April 2014, the 4.75% debentures due 2014 matured. During April 2014, the Company issued approximately 7.1 million shares of common stock to holders that exercised conversion rights before maturity and paid holders an aggregate of $41.7 million in cash in connection with the settlement of the remaining 4.75% debentures. Accordingly, after the maturity date, no 4.75% debentures remained outstanding.

Call Spread Overlay with Respect to the 4.75% Debentures

Concurrently with the issuance of the 4.75% debentures due 2014, the Company entered into certain convertible debenture hedge transactions (the "4.75% Bond Hedge") and warrant transactions (the "4.75% Warrants") with affiliates of certain of the underwriters of the 4.75% debentures due 2014 (together, the "CSO2014"), whereby the cost of the 4.75% Bond Hedges purchased by the Company to cover the potential share outlays upon conversion of the debentures was reduced by the sales prices of the 4.75% Warrants. The components of the CSO2014 were not subject to mark-to-market accounting treatment since they could only be settled by issuance of the Company's common stock.

The 4.75% Bond Hedge allowed the Company to purchase up to 8.7 million shares of the Company's common stock, on a net share basis. Each 4.75% Bond Hedge and 4.75% Warrant was a separate transaction, entered into by the Company with each counterparty, and was not part of the terms of the 4.75% debentures due 2014. The exercise prices of the 4.75% Bond Hedge were $26.40 per share of the Company's common stock, subject to customary adjustment for anti-dilution and other events. In February 2014, the parties agreed to unwind the 4.75% Bond Hedge in full for a total cash settlement of $68.8 million, calculated by reference to the weighted price of the Company's common stock

on the settlement day, received by the Company.

Under the 4.75% Warrants, the Company sold warrants to acquire up to 8.7 million shares of the Company's common stock at an exercise price of $26.40 per share of the Company's common stock, subject to adjustment for certain anti-dilution and other events. In February 2014, the parties agreed to unwind the 4.75% Warrants in full for a total cash settlement of $81.1 million, calculated by reference to the weighted price of the Company's common stock on the settlement date, paid by the Company.

Other Debt and Credit Sources

Mortgage Loan Agreement with IFC

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In May 2010, the Company entered into a mortgage loan agreement with IFC. Under the loan agreement, the Company borrowed $75.0 million and is required to repay the amount borrowed starting two years after the date of borrowing, in 10 equal semi-annual installments. The Company is 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 may prepay all or a part of the outstanding principal, subject to a 1% prepayment premium. The Company has pledged certain assets as collateral supporting its repayment obligations (see Note 5). As of both June 28, 2015 and December 28, 2014, the Company had restricted cash and cash equivalents of $9.2 million related to the IFC debt service reserve, which is the amount, as determined by IFC, equal to the aggregate principal and interest due on the next succeeding interest payment date.

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 facility (the "revolving credit facility") with 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. The Company may request increases to the available capacity of the revolving credit facility to an aggregate of $300.0 million, 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.

The revolving credit facility was entered into in conjunction with the delivery by Total S.A. of a guarantee of the Company's obligations under the related facility. On January 31, 2014, as contemplated by the facility, (i) the Company's obligations under the facility became secured by a pledge of certain accounts receivable and inventory; (ii) certain of the Company's subsidiaries entered into guarantees of the facility; and (iii) Total S.A.'s guarantee of the Company's obligations under the facility expired.

After January 31, 2014, the Company is required to pay interest on outstanding borrowings and fees of (a) with respect to any LIBOR rate loan, an amount ranging from 1.50% to 2.00% (depending on the Company's leverage ratio from time to time) 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; (b) with respect to any alternate base rate loan, an amount ranging from 0.50% to 1.00% (depending on the Company's leverage ratio from time to time) 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 (c) a commitment fee ranging from 0.25% to 0.35% (depending on the Company's leverage ratio from time to time) per annum on funds available for borrowing and not borrowed.

As of both June 28, 2015 and December 28, 2014, the Company had no outstanding borrowings under the revolving credit facility.

Project Financing

In order to facilitate the construction and sale of certain solar projects, the Company obtains non-recourse project loans from third-party financial institutions that are contemplated as part of the structure of the sales transaction. The customer, which is not a related party to either the financial institution or the Company, in certain circumstances is permitted to assume the loans at the time that the project entity is sold to the customer. During fiscal 2013, the Company entered into a project loan with a consortium of lenders to facilitate the development of a 10 MW utility and power plant project under construction in Israel. During the first quarter of fiscal 2014, the Company sold the Israeli project. The related loan, amounting to ILS 141.8 million (approximately $40.7 million based on the exchange rate at the time of sale), and accrued and unpaid interest was assumed by the customer. In instances where the debt is issued as a form of pre-established customer financing, subsequent debt assumption is reflected as a financing outflow and operating inflow for purposes of the statement of cash flows to reflect the substance of the assumption as a facilitation of customer financing from a third-party.

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On October 17, 2014, the Company, through a wholly-owned subsidiary (the "Quinto Project Company"), entered into an approximately $377.0 million credit facility with Santander Bank, N.A., Mizuho Bank, Ltd. and Credit Agricole (the "Quinto Credit Facility") in connection with the planned construction of the approximately 135 MW Quinto Solar Energy Project, located in Merced County, California (the "Quinto Project").

On June 24, 2015, in connection with the closing of 8point3 Energy Partners' IPO and the concurrent transfer of the Quinto Project to an affiliate of 8point3 Energy Partners, the Quinto Project Company repaid the full amount outstanding under the Quinto Credit Facility and terminated the agreement early. Immediately before termination, there were outstanding borrowings of $224.3 million under the Quinto Credit Facility. The Quinto Project Company did not incur any material penalties for early repayment of the Quinto Credit Facility.

Other Debt

During fiscal 2015, the Company entered into a long-term non-recourse credit facility to finance a 52 MW utility and power plant in Colorado. The outstanding borrowings under this facility amounted to $27.6 million as of June 28, 2015.

During fiscal 2014 and 2015, the Company entered into three long-term non-recourse loans to finance solar power systems and leases under its residential lease program. In fiscal 2015, the Company drew down $54.8 million of proceeds, net of issuance costs, under the loan agreements. The loans have 17-year terms and as of June 28, 2015, the short-term and long-term balances of the loans were $2.8 million and $132.2 million, respectively.

During fiscal 2013, the Company entered into a long-term non-recourse loan agreement to finance a 5.4 MW utility and power plant operating in Arizona. The outstanding balance of the loan as of June 28, 2015 and December 28, 2014 was $8.5 million and $8.6 million, respectively.

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

August 2011 Letter of Credit Facility with Deutsche Bank

In August 2011, the Company entered into a letter of credit facility agreement with Deutsche Bank, as administrative agent, and certain financial institutions. Payment of obligations under the letter of credit facility is guaranteed by Total S.A. pursuant to the Credit Support Agreement (see Note 2). The letter of credit facility provides for the issuance, upon request by the Company, of letters of credit by the issuing banks thereunder in order to support certain obligations of the Company, in an aggregate amount not to exceed $878.0 million for the period from January 1, 2014 through December 31, 2014. Aggregate letter of credit amounts may be increased upon the agreement of the parties but, otherwise, may not exceed (i) $936.0 million for the period from January 1, 2015 through December 31, 2015, and (ii) $1.0 billion for the period from January 1, 2016 through June 28, 2016.

As of June 28, 2015 and December 28, 2014, letters of credit issued and outstanding under the August 2011 letter of credit facility with Deutsche Bank totaled $594.6 million and $654.7 million, respectively.

September 2011 Letter of Credit Facility with 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 June 28, 2015 and December 28, 2014, letters of credit issued and outstanding under the Deutsche Bank Trust facility amounted to $14.5 million and $1.6 million, respectively, which were fully collateralized with restricted cash on the Consolidated Balance Sheets.

Note 12. DERIVATIVE FINANCIAL INSTRUMENTS

The following tables present information about the Company's hedge instruments measured at fair value on a recurring basis as of June 28, 2015 and December 28, 2014, all of which utilize Level 2 inputs under the fair value hierarchy:

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(In thousands)	Balance Sheet Classification	June 28, 2015	December 28, 2014
Assets			
Derivatives designated as hedging instruments:			
Foreign currency option contracts	Prepaid expenses and other current assets	$—	$2,240
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	103	4
		$103	$2,244
Derivatives not designated as hedging instruments:			
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	1,804	4,774
Interest rate contracts	Other long-term assets	$848	$—
		$2,652	$4,774
Liabilities			
Derivatives designated as hedging instruments:			
Foreign currency forward exchange contracts	Accrued liabilities	925	—
Interest rate contracts	Other long-term liabilities	470	3,712
		$1,395	$3,712
Derivatives not designated as hedging instruments:			
Foreign currency forward exchange contracts	Accrued liabilities	3,518	1,345
Interest rate contracts	Other long-term liabilities	—	—
		$3,518	$1,345

	June 28, 2015					
				Gross Amounts Not Offset in the Consolidated Balance Sheets, but Have Rights to Offset		
(In thousands)	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Financial Instruments	Cash Collateral	Net Amounts
Derivative assets	$2,755	$—	$2,755	$2,377	$—	$378
Derivative liabilities	$4,913	$—	$4,913	$2,377	$—	$2,536

	December 28, 2014					
				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	$7,018	$—	$7,018	$1,345	$—	$5,673
	$5,057	$—	$5,057	$1,345	$—	$3,712

Derivative liabilities

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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)	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Derivatives designated as cash flow hedges:				
Loss in OCI at the beginning of the period	$(5,631)	$(420)	$(1,443)	$(805)
Unrealized gain (loss) recognized in OCI	7,343	(135)	4,635	(138)
Less: Loss (gain) reclassified from OCI to earnings	(2,347)	107	(3,827)	495
Net gain (loss) on derivatives	$4,996	$(28)	$808	$357
Loss in OCI at the end of the period	$(635)	$(448)	$(635)	$(448)

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 June 28, 2015, and June 29, 2014:

	Three Months Ended		Six Months Ended	
(In thousands)	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Derivatives designated as cash flow hedges:				
Gain (loss) recognized in "Other, net" on derivatives (ineffective portion and amount excluded from effectiveness testing)	$(1,968)	$331	$(5,223)	$811
Derivatives not designated as hedging instruments:				
Gain (loss) recognized in "Other, net"	$(8,417)	$(1,224)	$(902)	$206

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 June 28, 2015, the Company had designated outstanding cash flow hedge option contracts and forward contracts with an aggregate notional value of zero and $40.4 million, respectively. As of December 28, 2014, the Company had designated outstanding cash flow hedge option contracts and forward contracts with an aggregate notional value of $26.6 million and $12.2 million, respectively. 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 June 28, 2015, the Company held option contracts and forward contracts with an aggregate notional value of zero and $55.8 million, respectively, to hedge balance sheet exposure. The maturity dates of these contracts range from June 2015 to September 2015. The Company held option contracts and forward contracts with an aggregate notional value of zero and $122.5 million, respectively, as of December 28, 2014, to hedge balance sheet exposure.

Interest Rate Risk

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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 June 28, 2015 and December 28, 2014, the Company had interest rate swap agreements designated as cash flow hedges with an aggregate notional value of $8.5 million and $247.0 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 cash flow hedges is reclassified into interest expense when the hedged transactions are recognized in the Consolidated Statements of Operations. The Company analyzes its 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.

Credit Risk

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

Note 13. INCOME TAXES

In the three and six months ended June 28, 2015, the Company's income tax benefit of $0.7 million and income tax provision of $1.7 million, respectively, on a loss before income taxes and equity in earnings of unconsolidated investees of $26.0 million and $54.9 million, respectively, was primarily due to projected tax expense, partially offset by discrete benefits pertaining to tax settlements in certain foreign jurisdictions in the three months ended June 28, 2015. In the three and six months ended June 29, 2014, the Company's income tax benefit of $8.2 million and income tax provision of $5.5 million, respectively, on a loss before income taxes and equity in earnings of unconsolidated investees of $8.9 million and an income before income taxes and equity in earnings of unconsolidated investees of $45.9 million, respectively, was primarily due to the change in the amount and mix of forecasted earnings.

Note 14. 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, warrants associated with the CSO2015 and CSO2014, and the outstanding senior convertible debentures.

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

	Three Months Ended		Six Months Ended	
(In thousands, except per share amounts)	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Basic net income (loss) per share:				
Numerator				
Net income (loss) attributable to stockholders	$6,509	$14,102	$(3,072)	$79,146
Denominator				
Basic weighted-average common shares	134,376	129,747	133,205	125,972
Basic net income (loss) per share	$0.05	$0.11	$(0.02)	$0.63
Diluted net income (loss) per share:				
Numerator				
Net income (loss) attributable to stockholders	6,509	14,102	(3,072)	79,146
Add: Interest expense incurred on the 0.75% debentures due 2018, net of tax	512	551	—	1,001
Add: Interest expense incurred on the 0.875% debentures due 2021, net of tax	—	—	—	181
Net income (loss) available to common stockholders	7,021	14,653	(3,072)	80,328
Denominator				
Basic weighted-average common shares	134,376	129,747	133,205	125,972
Effect of dilutive securities:				
Stock options	36	93	—	101
Restricted stock units	1,483	4,095	—	5,149
Upfront Warrants (held by Total)	7,201	7,278	—	7,253
Warrants (under the CSO2015)	1,873	3,094	—	3,004
Warrants (under the CSO2014)	—	—	—	524
0.75% debentures due 2018	12,026	12,026	—	12,026
0.875% debentures due 2021	—	—	—	857
Dilutive weighted-average common shares	156,995	156,333	133,205	154,886
Diluted net income (loss) per share	$0.04	$0.09	$(0.02)	$0.52

The Upfront Warrants allow Total to acquire up to 9,531,677 shares of the Company's common stock at an exercise price of $7.8685. The warrants under the CSO2015 and CSO2014, when such warrants were still outstanding, entitled holders to acquire up to 11.1 million and 8.7 million shares, respectively, of the Company's common stock at an exercise price of $24.00 and $26.40, respectively. In February 2014, the CSO2014 was settled, leaving none of the related Warrants outstanding (see Note 11); and during the second quarter of fiscal 2015, the Company entered into unwind agreements pursuant to which the Company issued common stock to settle all of the outstanding warrants relating to the CSO2015 (see Note 11).

Holders of the Company's 0.875% debentures due 2021 and 0.75% debentures due 2018 may, and holders of the 4.75% debentures due 2014 before their maturity could, convert the debentures into shares of the Company's common stock, at the applicable conversion rate, at any time on or before maturity. These debentures are included in the calculation of diluted net income per share if they were outstanding during the period presented and if their inclusion is dilutive under the if-converted method. In April 2014, the 4.75% debentures due 2014 matured and were fully settled in both cash and shares of the Company's common stock (see Note 11).

Holders of the Company's 4.50% debentures due 2015 could, under certain circumstances at their option and before maturity, convert the debentures into cash, and not into shares of the Company's common stock (or any other securities).

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Therefore, the 4.50% debentures due 2015 are excluded from the net income per share calculation. In March 2015, the 4.50% debentures due 2015 matured and were settled in cash (see Note 11).

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

	Three Months Ended		Six Months Ended	
(In thousands)	June 28, 2015	June 29, 2014	June 28, 2015 [1]	June 29, 2014
Stock options	149	139	185	149
Restricted stock units	293	293	1,776	379
Upfront Warrants (held by Total)	—	—	7,055	—
Warrants (under the CSO2015)	—	—	1,827	—
0.75% debentures due 2018	—	—	12.026	—
0.875% debentures due 2021	8,203	1,713	8,203	—
4.75% debentures due 2014	n/a	1,330	n/a	5,021

[1]As a result of the net loss per share for the six months ended June 28, 2015, 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 period.

Note 15. STOCK-BASED COMPENSATION

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

	Three Months Ended		Six Months Ended	
(In thousands)	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Cost of Residential revenue	$1,212	$890	$2,134	$1,884
Cost of Commercial revenue	531	491	919	1,031
Cost of Power Plant revenue	1,517	1,969	2,773	3,991
Research and development	2,380	1,912	4,653	3,709
Sales, general and administrative	8,400	8,086	17,107	17,600
Total stock-based compensation expense	$14,040	$13,348	$27,586	$28,215

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

	Three Months Ended		Six Months Ended	
(In thousands)	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Restricted stock units	14,885	13,472	29,389	28,348
Change in stock-based compensation capitalized in inventory	(845)	(124)	(1,803)	(133)
Total stock-based compensation expense	$14,040	$13,348	$27,586	$28,215

Note 16. SEGMENT AND GEOGRAPHICAL INFORMATION

In the first quarter of fiscal 2015, in connection with a realignment of its internal organizational structure, the Company changed its segment reporting from its Americas, EMEA and APAC Segments to 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. Reclassifications of prior period segment information have been made to conform to the current period presentation. This change does not affect the Company's previously reported Consolidated Financial Statements.

The following tables present information by end-customer segment including revenue, gross margin, and depreciation and amortization, as well as revenue by geography, based on the destination of the shipments:

	Three Months Ended		Six Months Ended	
(In thousands)	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Revenue				
Distributed Generation				
Residential	152,205	156,134	307,529	320,852
Commercial	62,984	85,087	112,047	161,591
Power Plant	165,831	266,650	402,315	717,850
Total revenue	381,020	507,871	821,891	1,200,293
Cost of revenue				
Distributed Generation				
Residential	116,979	125,002	239,751	257,689
Commercial	58,842	74,789	105,722	139,252
Power Plant	134,318	213,935	314,719	546,218
Total cost of revenue	310,139	413,726	660,192	943,159
Gross margin				
Distributed Generation				
Residential	35,226	31,132	67,778	63,163
Commercial	4,142	10,298	6,325	22,339
Power Plant	31,513	52,715	87,596	171,632
Total gross margin	$70,881	$94,145	$161,699	$257,134

	Three Months Ended		Six Months Ended	
Depreciation and amortization by segment (in thousands):	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Distributed Generation				
Residential	$10,504	$7,128	$20,676	$13,163
Commercial	$6,287	$3,989	$9,694	$6,792
Power Plant	$14,651	$12,909	$29,635	$29,442

The following tables present information by significant customers and categories:

		Three Months Ended				Six Months Ended			
(As a percentage of total revenue)		June 28, 2015		June 29, 2014		June 28, 2015		June 29, 2014	
Significant Customers:	Business Segment								
MidAmerican Energy Holdings Company	Power Plant	15	%	31	%	25	%	37	%

	Three Months Ended				Six Months Ended			
(As a percentage of total revenue)	June 28, 2015		June 29, 2014		June 28, 2015		June 29, 2014	
Revenue by geography:								
United States	62	%	59	%	66	%	64	%
Japan	15	%	19	%	15	%	15	%
Rest of World	23	%	22	%	19	%	21	%
	100	%	100	%	100	%	100	%

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A reconciliation of the Company's segment revenue and gross margin to its consolidated financial statements for the three months ended June 28, 2015, and June 29, 2014 is as follows:

	Three Months Ended June 28, 2015								
	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	$152,205	$ 62,984	$161,518	$35,410	23.3 %	$4,016	6.4 %	$26,717	16.5 %
Utility and power plant projects	—	—	4,313	—		—		4,328	
FPSC arbitration ruling	—	—	—	1,969		1,294		3,837	
Stock-based compensation	—	—	—	(1,212)		(531)		(1,516)	
Other	—	—	—	(941)		(637)		(1,853)	
GAAP	$152,205	$ 62,984	$165,831	$35,226	23.1 %	$4,142	6.6 %	$31,513	19.0 %

	Three Months Ended June 29, 2014								
	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	$156,134	$ 85,087	$379,845	$32,207	20.6 %	$10,887	12.8 %	$77,738	20.5 %
Utility and power plant projects	—	—	(113,195)	—		—		(22,614)	
Stock-based compensation	—	—	—	(890)		(491)		(1,969)	
Other	—	—	—	(185)		(98)		(440)	
GAAP	$156,134	$ 85,087	$266,650	$31,132	19.9 %	$10,298	12.1 %	$52,715	19.8 %

A reconciliation of the Company's segment revenue and gross margin to its consolidated financial statements for the six months ended June 28, 2015, and June 29, 2014 is as follows:

	Six Months Ended June 28, 2015								
	Revenue			Gross margin					
Revenue and Gross margin by segment (in thousands, except percentages):	Residential	Commercial	Power Plant	Residential		Commercial		Power Plant	
	$307,529	$ 112,047	$387,732	$70,688	23.0 %	$7,041	6.3 %	$76,575	19.7 %

As reviewed by CODM									
Utility and power plant projects	—	—	14,583	—		—		15,579	
FPSC arbitration ruling	—	—	—	1,969		1,294		3,837	
Stock-based compensation	—	—	—	(2,134)		(919)		(2,772)	
Other	—	—	—	(2,745)		(1,091)		(5,623)	
GAAP	$307,529	$112,047	$402,315	$67,778	22.0%	$6,325	5.6%	$87,596	21.8%

	Six Months Ended June 29, 2014								
	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	$320,852	$161,591	$822,336	$65,420	20.4%	$23,562	14.6%	$182,487	22.2%
Utility and power plant projects	—	—	(104,486)	—		—		(6,006)	
Stock-based compensation	—	—	—	(1,884)		(1,031)		(3,991)	
Other	—	—	—	(373)		(192)		(858)	
GAAP	$320,852	$161,591	$717,850	$63,163	19.7%	$22,339	13.8%	$171,632	23.9%

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Note 17. SUBSEQUENT EVENTS

Acquisition of Solar Power Plant Development Assets

On July 27, 2015, the Company acquired 1.5 GWs of U.S. solar power plant development assets from Australia-based Infigen Energy. With the acquisition, the Company assumed ownership of projects in varying stages of development across 11 states.

Included in the development portfolio are three projects totaling 55 MWac with power purchase agreements with Southern California Edison. All three are located in Kern County, California. The Company expects to start construction on these projects later this year with commercial operation anticipated in 2016. The Company expects to offer some of the acquired projects for sale to 8point3 Energy Partners.

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

Cautionary Statement Regarding Forward-Looking Statements

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 28, 2014 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," "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, our YieldCo strategy and the future performance of 8point3 Energy Partners LP, the sufficiency of our cash and our liquidity, our ability to obtain financing, our ability to comply with debt covenants or cure any defaults, 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 and long-lived assets. 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 December 28, 2014, 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

We are a vertically integrated solar products and solutions company that designs, manufactures and delivers high-performance solar systems worldwide, serving as a one-stop shop for residential, commercial and utility-scale power plant customers. Of all the solar cells commercially introduced 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.

Our products and services include Solar Power Components, Solar Power Systems, and Solutions and Services. Solar Power Components consist of solar panels, inverters, and balance of system components including mounting structures, charge

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controllers, grid interconnection equipment, and other devices. Solar Power Systems include our residential systems, commercial roof and ground mounted systems, and utility and power plant systems including utility-scale solar power system construction and development. Our Solutions and Services include O&M services, a residential leasing program, and "Smart Energy" solutions. We see Smart Energy as a way to harness our world's energy potential by connecting the most powerful and reliable solar systems on the market with an increasingly vast array of actionable data that can help our customers make smarter decisions about their energy use. Our Smart Energy initiative is designed to add layers of intelligent control to homes, buildings and grids—all personalized through easy-to-use customer interfaces. For more information about our business, please refer to the section titled "Part I. Item 1. Business" in our Annual Report on Form 10-K for the fiscal year ended December 28, 2014.

8point3 Energy Partners LP

In June 2015, 8point3 Energy Partners LP ("8point3 Energy Partners"), a joint YieldCo vehicle formed by us and First Solar, Inc. ("First Solar" and, together with us, the "Sponsors") to own, operate and acquire solar energy generation assets, completed an initial public offering ("IPO") of Class A shares representing limited partner interests in 8point3 Energy Partners. The IPO was consummated on June 24, 2015 (the "IPO Closing Date") 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 170 MW of our solar generation assets (the "SPWR Projects") to 8point3 Operating Company, LLC ("OpCo"), 8point3 Energy Partners' primary operating subsidiary. In exchange for the SPWR Projects, we received cash proceeds of $371 million as well as equity interests in several 8point3 Energy Partners affiliated entities: primarily common and subordinated units representing a 40.7% stake in OpCo and a 50% economic and management stake in 8point3 Holding Company, LLC ("Holdings"), the parent company of the general partner of 8point3 Energy Partners and the owner of incentive distribution rights ("IDRs") in OpCo. Holdings, OpCo, 8point3 Energy Partners and their respective subsidiaries are referred to herein as the "8point3 Group." Additionally, pursuant to a Right of First Offer Agreement between us and OpCo, the 8point3 Group has rights of first offer on interests in an additional 513 MW of our solar energy projects that are currently contracted or are expected to be contracted before being sold by us (the "ROFO Projects"). In connection with the IPO, we also entered into operations and maintenance, asset management and management services agreements with the 8point3 Group. The services we provide under these agreements are priced consistently with market rates for such services and the agreements are terminable by the 8point3 Group for convenience.

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 the 8point3 Group's earnings is recorded in the Consolidated Statements of Operations under the caption "Equity in earnings (loss) of unconsolidated investees."

For more information about our accounting of the IPO and related transactions, please refer to the sections titled "Note 3. 8point3 Energy Partners LP" and "Note 10. Equity Method Investments" in the Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Segments Overview

In the first quarter of fiscal 2015, in connection with a realignment of our internal organizational structure, we changed our segment reporting from our Americas, EMEA and APAC Segments to 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. Historically, the Americas Segment included both North and South America, the EMEA Segment included European countries as well as the Middle East and Africa, and the APAC Segment included all Asia-Pacific countries.

Under the new segmentation, our 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 our third-party global dealer network, and sales of our O&M services. Our 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 EPC services, sales to our third-party global dealer network, sales of energy under PPAs, and sales of our O&M services. Our Power Plant Segment refers to our 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.

Our President and Chief Executive Officer, as the CODM, reviews our business and manages resource allocations and measures performance of our activities among these three end-customer segments.

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").

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 when different scales of operation, investment or operating time periods exist. LCOE 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. CCOE™ 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. CCOE 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 in order to tailor energy supply and usage to the customer's unique lifestyle and financial goals.

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 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.

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. The current fiscal year, fiscal 2015, is a 53-week fiscal year and includes a 14-week fourth fiscal quarter, while fiscal year 2014 was a 52-week fiscal year. The second quarter of fiscal 2015 ended on June 28, 2015, while the second quarter of fiscal 2014 ended on June 29, 2014. The second quarters of fiscal 2015 and fiscal 2014 were both 13-week quarters.

Outlook

While remaining focused on our U.S. market, we plan to continue to expand our business in growing and sustainable markets, including Africa, Australia, China, Saudi Arabia, South America, and Turkey. Through our investment in Huaxia CPV (Inner Mongolia) Power Co., Ltd. with partners in China, we plan to manufacture and deploy our C7 Tracker systems in Inner Mongolia and other regions in China. We plan to expand our solar cell manufacturing

capacity through the construction of a facility in the Philippines with a planned annual capacity of 350 MW once fully operational, which is expected to occur in fiscal 2016, with initial production expected towards the end of fiscal 2015.

We continue to improve our unique, differentiated solar cell and panel technology. Our new residential product line includes our SunPower X-Series Solar Panels with demonstrated average panel efficiencies exceeding 21.5%. 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 continue to 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. In fiscal 2014, we produced our first solar cells with over 25% efficiency in the lab and in fiscal 2015 we expect to reach production panel efficiencies of 23% using a simplified, lower cost manufacturing process.

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We continue to see significant and increasing opportunities in technologies and capabilities adjacent to our core product offerings that can significantly reduce 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 Tendril Networks, our acquisition of SolarBridge Technologies, and our exclusive agreement with Sunverge Energy. In the fourth quarter of fiscal 2014, we licensed a data-driven Energy Services Management ("ESM") Platform from Tendril Networks, Inc. to power the development of new Smart Energy applications designed to deliver personalized energy services to our customers. In the first quarter of fiscal 2015, we entered into a strategic partnership with EnerNOC, a leading provider of energy intelligence software, to deploy EnerNOC's Software as a Service ("SaaS") solution to our commercial and power plant customers so they can 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 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 expect to make combined solar and distributed energy storage solutions broadly commercially available to certain customers in the United States and Australia in fiscal 2015 through an exclusive agreement to offer Sunverge SIS energy solutions comprising batteries, power electronics, and multiple energy inputs controlled by software in the cloud.

In June 2015, 8point3 Energy Partners, our joint YieldCo vehicle formed to own, operate and acquire solar energy generation assets, completed its IPO. Through our investments in and involvement with the 8point3 Group, we anticipate that we will be able to reliably access a lower cost of capital, which will further enable the continued development of our project pipeline described below in our key U.S. market and in select, sustainable foreign markets. As part of this strategy, we plan to retain these 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.

Projects Sold / Under Contract

The table below presents significant construction and development projects sold or under contract as of June 28, 2015:

Project	Location	Size (MW)	Third-Party Owner / Purchaser	Power Purchase Agreement(s)	Expected Substantial Completion of Project
Solar Star Projects	California, USA	748	MidAmerican Energy Holdings Company	Southern California Edison	2015
Quinto Solar Project	California, USA	135	8point3 Energy Partners	Southern California Edison	2015
Prieska Solar Project[1]	South Africa	86	Mulilo Prieska PV (RF) Proprietary Limited	Eskom Holdings Soc LTD	2016

1 We have entered into an EPC agreement and a long-term fixed price O&M agreement with the owners of the Prieska Solar Project.

As of June 28, 2015, an aggregate of approximately $176 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.

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

The table below presents significant construction and development projects with executed power purchase agreements, but not sold or under contract as of June 28, 2015:

Project	Location	Size (MW)	Power Purchase Agreement(s)	Expected Substantial Completion of Project
Henrietta Solar Project*	California, USA	128	PG&E	2016
Stanford Solar Generating Station*	California, USA	68	Stanford University	2016
Hooper Solar Project*	Colorado, USA	60	Public Service Company of Colorado	2016

*ROFO Project—pursuant to a Right of First Offer Agreement between SunPower and OpCo, the 8point3 Group has rights of first offer on interests in these projects. For additional information on 8point3 Energy Partners and related transactions, please refer to the section titled "Note 3. 8point3 Energy Partners LP" in the Notes to the Consolidated Financial Statements in this Quarterly report on Form 10-Q.

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 power purchase agreement has been executed.

Results of Operations

Revenue

	Three Months Ended			Six Months Ended		
(In thousands)	June 28, 2015	June 29, 2014	% Change	June 28, 2015	June 29, 2014	% Change
Distributed Generation						
Residential	152,205	156,134	(3)%	307,529	320,852	(4)%
Commercial	62,984	85,087	(26)%	112,047	161,591	(31)%
Power Plant	165,831	266,650	(38)%	402,315	717,850	(44)%
Total revenue	$381,020	$507,871	(25)%	$821,891	$1,200,293	(32)%

Total Revenue: Our total revenue decreased 25% and 32% during the three and six months ended June 28, 2015 as compared to the three and six months ended June 29, 2014, respectively, due to substantial completion of revenue recognition at the end of fiscal 2014 on certain large-scale solar power systems. A decline in sales of solar power systems and components to residential and commercial customers also contributed to the period-over-period decrease in total revenue. Additionally, during the second quarter of fiscal 2015, we deferred the recognition of any profit on the sale of projects involving real estate to 8point3 Energy Partners under the accounting treatment described in "Item 1. Financial Statements—Notes to Consolidated Financial Statements—Note 3. 8point3 Energy Partners LP." Furthermore, we do not expect to recognize any profit during the remainder of fiscal 2015 on sales to 8point3 Energy Partners of projects that involve real estate.

Concentrations: Sales for the Power Plant Segment as a percentage of total revenue recognized were approximately 44% and 49% during the three and six months ended June 28, 2015 as compared to 53% and 60% during the three and six months ended June 29, 2014, respectively. The decrease in the percentage of revenue for the Power Plant Segment was primarily driven by substantial completion of revenue recognition at the end of fiscal 2014 on certain large-scale solar power systems. Additionally, during the second quarter of fiscal 2015, we deferred the recognition of any profit

on the sale of projects involving real estate to 8point3 Energy Partners under the accounting treatment described in "Item 1. Financial Statements—Notes to Consolidated Financial Statements—Note 3. 8point3 Energy Partners LP."

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 June 28, 2015 and June 29, 2014.

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(As a percentage of total revenue)		Three Months Ended June 28, 2015	Three Months Ended June 29, 2014	Six Months Ended June 28, 2015	Six Months Ended June 29, 2014
Significant Customers:	Business Segment				
MidAmerican Energy Holdings Company	Power Plant	15 %	31 %	25 %	37 %

Residential Revenue: Residential revenue decreased 3% and 4% during the three and six months ended June 28, 2015 as compared to the three and six months ended June 29, 2014, respectively, primarily due to a decline in the sales of solar power components and systems to our residential customers, particularly in Japan, where the decline in the value of the Japanese Yen reduced demand for imported goods. The decrease in residential revenue was partially offset by an increase in residential component sales in North America due to stronger sales through our dealer network and an increase in the number of leases placed in service under our residential leasing program within the United States.

Commercial Revenue: Commercial revenue decreased 26% and 31% during the three and six months ended June 28, 2015 as compared to the three and six months ended June 29, 2014, respectively, primarily due to the completion of certain commercial solar power system projects and a decrease in commercial component sales across all geographies. Additionally, during the second quarter of fiscal 2015, we deferred the recognition of any profit on the sale to 8point3 Energy Partners of projects involving real estate under the accounting treatment described in "Item 1. Financial Statements—Notes to Consolidated Financial Statements—Note 3. 8point3 Energy Partners LP." Furthermore, we do not expect to recognize any Commercial profit during the remainder of fiscal 2015 on sales to 8point3 Energy Partners of projects that involve real estate.

Power Plant Revenue: Power Plant revenue decreased 38% and 44% during the three and six months ended June 28, 2015 as compared to the three and six months ended June 29, 2014, respectively, primarily due to substantial completion of revenue recognition at the end of fiscal 2014 on certain large-scale solar power systems located within the United States. Additionally, during the second quarter of fiscal 2015, we deferred the recognition of any profit on the sale of projects involving real estate to 8point3 Energy Partners under the accounting treatment described in "Item 1. Financial Statements—Notes to Consolidated Financial Statements—Note 3. 8point3 Energy Partners LP." Furthermore, we do not expect to recognize any power Plant Plant profit during the remainder of fiscal 2015 on sales to 8point3 Energy Partners of projects that involve real estate.

Cost of Revenue

(In thousands)	Three Months Ended June 28, 2015	Three Months Ended June 29, 2014	% Change	Six Months Ended June 28, 2015	Six Months Ended June 29, 2014	% Change
Distributed Generation						
Residential	116,979	125,002	(6)%	239,751	257,689	(7)%
Commercial	58,842	74,789	(21)%	105,722	139,252	(24)%
Power Plant	134,318	213,935	(37)%	314,719	546,218	(42)%
Total cost of revenue	$310,139	$413,726	(25)%	$660,192	$943,159	(30)%
Total cost of revenue as a percentage of revenue	81 %	81 %		80 %	79 %	
	19 %	19 %		20 %	21 %	

Total gross
margin
percentage

Total Cost of Revenue: Our total cost of revenue decreased 25% and 30% during the three and six months ended June 28, 2015 as compared to the three and six months ended June 29, 2014, primarily as a result of the substantial completion at the end of fiscal 2014 of recognition of revenue and corresponding costs of certain large-scale solar power systems within the United States.

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Gross Margin

	Three Months Ended			Six Months Ended		
(As a percentage of revenue)	June 28, 2015	June 29, 2014	Change	June 28, 2015	June 29, 2014	Change
Distributed Generation						
Residential	23%	20%	3%	22%	20%	2%
Commercial	7%	12%	(5)%	6%	14%	(8)%
Power Plant	19%	20%	(1)%	22%	24%	(2)%

Residential Gross Margin: Gross margin for our Residential Segment increased 3 percentage points and 2 percentage points during the three and six months ended June 28, 2015 as compared to the three and six months ended June 29, 2014, respectively, primarily as a result of increased volume of sales with favorable margins for residential leases, solar power systems and components in the United States, partially offset by lower margins on solar power components resulting from declines in average selling prices in Japan.

Commercial Gross Margin: Gross margin for our Commercial Segment decreased 5 percentage points and 8 percentage points during the three and six months ended June 28, 2015 as compared to the three and six months ended June 29, 2014, respectively, primarily as a result of higher than expected costs on and change in scope of certain commercial EPC projects in the United States. Additionally, during the second quarter of fiscal 2015, we deferred the recognition of any profit on the sale of projects involving real estate to 8point3 Energy Partners under the accounting treatment described in "Item 1. Financial Statements—Notes to Consolidated Financial Statements—Note 3. 8point3 Energy Partners LP." Furthermore, we do not expect to recognize any Commercial profit during the remainder of 2015 on sales to 8point3 Energy Partners of projects that involve real estate.

Power Plant Gross Margin: Gross margin for our Power Plant Segment decreased 1 percentage point and 2 percentage points during the three and six months ended June 28, 2015 as compared to the three and six months ended June 29, 2014, respectively, primarily as a result of the substantial completion of large-scale solar power systems with favorable margins at the end of fiscal 2014 within the United States. Additionally, during the second quarter of fiscal 2015, we deferred the recognition of any profit on the sale to 8point3 Energy Partners of projects involving real estate under the accounting treatment described in "Item 1. Financial Statements—Notes to Consolidated Financial Statements—Note 3. 8point3 Energy Partners LP." Furthermore, we do not expect to recognize any Power Plant profit during the remainder of 2015 on sales to 8point3 Energy Partners of projects that involve real estate.

Research and Development ("R&D")

	Three Months Ended			Six Months Ended		
(In thousands)	June 28, 2015	June 29, 2014	% Change	June 28, 2015	June 29, 2014	% Change
R&D	$20,560	$16,581	24 %	$41,728	$33,327	25 %
As a percentage of revenue	5 %	3 %		5 %	3 %	

R&D expense increased $4.0 million and $8.4 million in the three and six months ended June 28, 2015 as compared to the three and six months ended June 29, 2014, respectively, primarily due to an increase in labor costs as a result of additional headcount and salary related expenses, as well as an increase in other net expenses such as consulting and outside services supporting programs related to our next generation solar technology. These increases were partially offset by contributions under the R&D Agreement with Total.

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

	Three Months Ended			Six Months Ended		
(In thousands)	June 28, 2015	June 29, 2014	% Change	June 28, 2015	June 29, 2014	% Change
SG&A	$81,520	$71,499	14 %	$158,734	$145,427	9 %
As a percentage of revenue	21 %	14 %		19 %	12 %	

SG&A expense increased $10.0 million and $13.3 million in the three and six months ended June 28, 2015 as compared to the three and six months ended June 29, 2014, respectively, primarily due to costs related to the formation and IPO of 8point3 Energy Partners.

Restructuring Charges

	Three Months Ended			Six Months Ended		
(In thousands)	June 28, 2015	June 29, 2014	% Change	June 28, 2015	June 29, 2014	% Change
Restructuring charges	$1,749	$(717)	n.m.	$5,330	$(1,178)	n.m.
As a percentage of revenue	— %	— %		1 %	— %	

Restructuring charges in the three and six months ended June 28, 2015 increased $2.5 million and $6.5 million as compared to the three and six months ended June 29, 2014, respectively, primarily related to severance charges associated with our November 2014 restructuring plan. Remaining restructuring charges are associated with legacy restructuring plans approved in fiscal 2012 and 2011.

See "Item 1. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 8. Restructuring" for further information regarding our restructuring plans.

Other Income (Expense), Net

	Three Months Ended			Six Months Ended		
(In thousands)	June 28, 2015	June 29, 2014	% Change	June 28, 2015	June 29, 2014	% Change
Interest income	$494	$668	(26)%	$1,050	$986	6 %
Interest expense	(8,517)	(16,310)	(48)%	(24,198)	(35,902)	(33)%
Other, net	14,982	(76)	n.m.	12,362	1,293	n.m.
Other income (expense), net	$6,959	$(15,718)	144 %	$(10,786)	$(33,623)	68 %
As a percentage of revenue	2 %	3 %		1 %	3 %	

Other income (expense), net decreased $22.7 million and $22.8 million in the three and six months ended June 28, 2015 as compared to the three and six months ended June 29, 2014, respectively, primarily driven by the gain recognized on the sale of a residential lease portfolio to 8point3 Energy Partners during the second quarter of fiscal 2015, a decrease in interest expense due to the maturity of the 4.75% debentures due 2014, as well as favorable changes in the fair value of foreign currency derivatives and other net expenses.

Income Taxes

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	Three Months Ended			Six Months Ended		
(In thousands)	June 28, 2015	June 29, 2014	% Change	June 28, 2015	June 29, 2014	% Change
Benefit from (provision for) income taxes	$659	$8,168	(92)%	$(1,692)	$(5,452)	69 %
As a percentage of revenue	— %	2 %		— %	— %	

In the three and six months ended June 28, 2015, our income tax benefit of $0.7 million and income tax provision of $1.7 million, respectively, on a loss before income taxes and equity in earnings of unconsolidated investees of $26.0 million and $54.9 million, respectively, was primarily due to projected tax expense, partially offset by discrete benefits pertaining to tax settlements in certain foreign jurisdictions in the three months ended June 28, 2015. In the three and six months ended June 29, 2014, our income tax benefit of $8.2 million and income tax provision of $5.5 million, respectively, on a loss before income taxes and equity in earnings of unconsolidated investees of $8.9 million and an income before income taxes and equity in earnings of unconsolidated investees of $45.9 million, respectively, was primarily due to the change in the amount and mix of forecasted earnings.
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 U.S. and France deferred tax assets to the amount that is more likely than not to be realized. In assessing the need for a valuation allowance, we consider historical levels of income, expectations and risks associated with the estimates of future taxable income and ongoing prudent and feasible tax planning strategies. In the event we determine that we would be able to realize additional deferred tax assets in the future in excess of the net recorded amount, or if we subsequently determine that realization of an amount previously recorded is unlikely, we would record an adjustment to the deferred tax asset valuation allowance, which would change income tax in the period of adjustment. As of June 28, 2015, we believe there is insufficient evidence to realize additional deferred tax assets.

Equity in Earnings of Unconsolidated Investees

	Three Months Ended			Six Months Ended		
(In thousands)	June 28, 2015	June 29, 2014	% Change	June 28, 2015	June 29, 2014	% Change
Equity in earnings of unconsolidated investees	$1,864	$1,936	(4)%	$4,055	$3,719	9 %
As a percentage of revenue	0.5 %	0.4 %		0.5 %	0.3 %	

Our equity in earnings of unconsolidated investees decreased $0.1 million and increased $0.3 million in the three and six months ended June 28, 2015 compared to the three and six months ended June 29, 2014, respectively, primarily due to activities at our AUOSP joint venture.

Net Income (loss)

	Three Months Ended			Six Months Ended		
(In thousands)	June 28, 2015	June 29, 2014	% Change	June 28, 2015	June 29, 2014	% Change
Net income (loss)	$(23,466)	$1,168	n.m.	$(52,516)	$44,202	n.m.

In the three months ended June 28, 2015 our net income (loss) decreased $24.6 million and changed from a net income to a net loss as compared to the three months ended June 29, 2014. The decrease in net income (loss) was primarily driven by: (i) a $23.3 million decrease in gross margin, primarily due to the substantial completion of revenue recognition on various large-scale solar power systems at the end of fiscal 2014, (ii) a $16.5 million increase in operating expenses due to increased headcount, activities related to the formation and IPO of 8point3 Energy Partners and charges related to the November 2014 restructuring plan, and (iii) a $7.5 million increase in income taxes primarily due to a change in the geographic mix of forecasted earnings and an increase in unbenefited deferred tax assets, partially offset by discrete benefits recorded pertaining

to tax settlements in certain foreign jurisdictions in the three months ended June 28, 2015. The decrease was partially offset by a $22.7 million decrease in Other expense, net driven by the gain recognized on the sale of a residential lease portfolio to 8point3 Energy Partners, a decrease in interest expense due to the maturity of the 4.75% debentures due 2014, and favorable changes in the fair value of foreign currency derivatives.

In the six months ended June 28, 2015 our net income (loss) decreased by $96.7 million and changed from a net income to a net loss as compared to six months ended June 29, 2014. The decrease in net income (loss) was primarily driven by (i) a $95.4 million decrease in gross margin, primarily due to the substantial completion of revenue recognition on various large-scale solar power systems at the end of fiscal 2014, and (ii) a $28.2 million increase in operating expenses due to increased headcount, activities related to the formation and IPO of 8point3 Energy Partners and charges related to the November 2014 restructuring plan. The decrease was partially offset by (i) a $22.8 million decrease in Other expense, net due to a decrease in interest expense due to the maturity of the 4.75% debentures due 2014, as well as favorable changes in the fair value of foreign currency derivatives and other net expenses and (ii) a $3.8 million decrease in income tax primarily due to a reduction in pre-tax earnings, and material discrete benefits recorded pertaining to tax settlements in certain foreign jurisdictions in the six months ended June 28, 2015, partially offset by increased tax expense due to a change in the geographic mix of forecasted earnings and an increase in unbenefited deferred tax assets.

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)	June 28, 2015	June 29, 2014	% Change	June 28, 2015	June 29, 2014	% Change
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	$29,975	$12,934	132 %	$49,444	$34,944	41 %

We have entered into facilities with third-party investors under which the parties invest in entities that hold SunPower solar power systems and leases with residential customers. We determined that we hold controlling interests in these less-than-wholly-owned entities and have fully consolidated these entities as a result. We apply the hypothetical liquidation 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 June 28, 2015 and June 29, 2014, we attributed $30.0 million and $12.9 million, respectively, of losses to the third-party investors primarily as a result of allocating certain assets, including tax credits and accelerated tax depreciation benefits, to the investors. The $17.0 million increase in loss attributable to these third-party investors is primarily the result of additional leases placed in service under existing and new facilities executed with third-party investors in the interim period.

In the six months ended June 28, 2015 and June 29, 2014, we attributed $49.4 million and $34.9 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 $14.5 million increase in net loss attributable to noncontrolling interests and redeemable noncontrolling interests is primarily due to additional leases placed in service

under existing and new facilities executed with third-party investors in the interim period.

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Liquidity and Capital Resources

Cash Flows

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

	Six Months Ended	
(In thousands)	June 28, 2015	June 29, 2014
Net cash used in operating activities	$(325,441)	$(81,571)
Net cash provided by (used in) investing activities	$184,532	$(64,159)
Net cash provided by (used in) financing activities	$(187,630)	$364,410

Operating Activities

Net cash used in operating activities in the six months ended June 28, 2015 was $325.4 million and was primarily the result of: (i) a net loss of $52.5 million; (ii) a $311.8 million increase in project assets primarily related to our Quinto Solar Energy Project; (iii) a $130.7 million increase in inventories driven by project assets for construction of solar power systems for Commercial and Power Plant projects in North America and purchases of polysilicon; (iv) a $69.3 million increase in long-term financing receivables related to our net investment in sales-type leases; (v) a $66.1 million decrease in accounts payable and other accrued liabilities; (vi) a $27.9 million gain on the sale of a residential lease portfolio to 8point3 Energy Partners; (vii) a $12.5 million decrease in customer advances; (viii) a $6.7 million in excess tax benefit from stock-based compensation; (ix) a $4.1 million increase in equity in earnings of unconsolidated investees; and (x) a $5.8 million net change in deferred income taxes and other liabilities. This was partially offset by: (i) a $138.6 million decrease in costs and estimated earnings in excess of billings driven by a decrease related to the Solar Star Projects; (ii) a $65.2 million decrease in accounts receivable; (iii) other net non-cash charges of $94.2 million related to depreciation, non-cash interest charges and stock-based compensation; (iv) a $29.4 million decrease in prepaid expenses and other assets driven by an increase in deferred costs related to the Solar Star Projects; (v) a $25.1 million decrease in advance payment made to suppliers; and (vi) a $9.3 million increase in billings in excess of costs and estimated earnings driven by an increase related to the Solar Star Projects.

Net cash used in operating activities in the six months ended June 29, 2014 was $81.6 million and was primarily the result of: (i) a $59.6 million decrease in billings in excess of costs and estimated earnings; (ii) a $59.4 million increase in prepaid and other current assets; (iii) a $54.8 million increase in long-term financing receivables; and (iv) a $42.0 million net increase in other liabilities, net of other assets. This was partially offset by: (i) $88.1 million in other net non-cash charges primarily related to depreciation, non-cash interest charges, and stock based compensation and (ii) net income of $44.2 million.

Investing Activities

Net cash provided by investing activities in the six months ended June 28, 2015 was $184.5 million, which included $341.2 million in proceeds from 8point3 Energy Partners. This was partially offset by (i) a $120.6 million related to 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) a $28.4 million increase in restricted cash; and (iii) $7.1 million paid for investments in unconsolidated investees.

Net cash used in investing activities in the six months ended June 29, 2014 was $64.2 million, which included: (i) $45.3 million related to costs associated with solar power systems leased and to be leased, as well as capital expenditures; (ii) a $9.3 million increase in restricted cash; (iii) $5.9 million paid for acquisitions; and (iv) $5.0 million paid for investments in unconsolidated investees. This was partially offset by $1.4 million in net proceeds

from maturities of marketable securities.

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Financing Activities

Net cash used in financing activities in the six months ended June 28, 2015 was $187.6 million, which included: (i) a $249.6 million net payment to settle the 4.50% debentures due 2015 and the 4.50% Bond Hedge (defined below); (ii) $240.2 million in repayments of bank loans, project loans and other debt, primarily in the Quinto Credit Facility; (iii) $40.3 million in purchases of stock for tax withholding obligations on vested restricted stock; and (iv) $40.0 million of repayments of residential lease financing. This was partially offset by: (i) $190.5 million in net proceeds from the issuance of project loans; (ii) $87.4 million of net contributions from noncontrolling interests and redeemable noncontrolling interests related to the residential lease program; (iii) $54.8 million in proceeds from the issuance of non-recourse debt financing, net of issuance costs; (iv) $29.3 million in proceeds from 8point3 Energy Partners; (v) $15.0 million in net proceeds from sale-leaseback financing; and (vi) $5.5 million in other net financing activities.

Net cash provided by financing activities in the six months ended June 29, 2014 was $364.4 million, which included: (i) $395.3 million in net proceeds from the issuance of our 0.875% convertible debentures due 2021; (ii) $73.4 million of proceeds from issuance of non-recourse debt financing to finance solar power systems and leases under our residential lease program; (iii) $52.8 million of contributions from noncontrolling interests and redeemable noncontrolling interests; and (iv) $16.7 million in net proceeds from sale-leaseback financing arrangements. This was partially offset by: (i) $52.8 million in purchases of stock for tax withholding obligations on vested restricted stock; (ii) $42.1 million cash paid to repurchase convertible debt; (iii) a $40.7 million assumption of a project loan by a customer; (iv) $16.5 million of repayments of residential lease and sale-leaseback financing; (v) a $12.2 million net payment to settle the 4.75% Bond Hedge and Warrant; (vi) $8.6 million in repayments of bank loans, project loans and other debt; and (vii) $1.6 million of distributions to noncontrolling interests and redeemable noncontrolling interests.

Debt and Credit Sources

Convertible Debentures

As of June 28, 2015, 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 Bank, National Association ("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 June 28, 2015, 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.

For more information, 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, our warrants related to our outstanding 4.50% 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 December 28, 2014.

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 semiannual 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.

As of June 28, 2015, we had $32.5 million outstanding under the mortgage loan agreement. Additionally, in accordance with the terms of the mortgage loan agreement, we are required to establish a debt service reserve account which shall contain the amount, as determined by IFC, equal to the aggregate principal and interest due on the next succeeding interest payment date after such date. As of June 28, 2015, we had restricted cash and cash equivalents of $9.2 million 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 June 28, 2015, 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, as administrative agent, and certain financial institutions ("the revolving credit facility"), 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 extends, among other things, 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. The revolving credit facility allows us to request increases to the available capacity of the revolving credit facility to an aggregate of $300.0 million, 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. The revolving credit facility was entered into in conjunction with the delivery by Total S.A. of a guarantee of our obligations under the facility. On January 31, 2014, (i) our obligations under the revolving credit facility became secured by a pledge of certain accounts receivable and inventory, (ii) certain of our subsidiaries entered into guaranties of the revolving credit facility, and (iii) Total S.A.'s guarantee of our obligations

under the revolving credit facility expired (collectively, the "Restructuring").

We are required to pay interest on outstanding borrowings under the facility and fees of (a) with respect to any LIBOR rate loan, an amount ranging from 1.50% to 2.00% (depending on our leverage ratio from time to time) 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; (b) with respect to any alternate base rate loan, an amount ranging from 0.50% to 1.00% (depending on our leverage ratio from time to time) 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 (c) a commitment fee ranging from 0.25% to 0.35% (depending on our leverage ratio from time to time) per annum on funds available for borrowing and not borrowed.

As of June 28, 2015, we had no outstanding borrowings under the revolving credit facility.

August 2011 Letter of Credit Facility with Deutsche Bank

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On August 9, 2011, we entered into a letter of credit facility agreement with Deutsche Bank, as issuing bank and as administrative agent, and certain financial institutions. Payment of obligations under the letter of credit facility is guaranteed by Total S.A. pursuant to the Credit Support Agreement between us and Total S.A. The letter of credit facility provides for the issuance, upon our request, of letters of credit by the issuing banks thereunder in order to support certain of our obligations, in an aggregate amount not to exceed $878.0 million for the period from January 1, 2014 through December 31, 2014. Aggregate letter of credit amounts may be increased upon the agreement of the parties but, otherwise, may not exceed (i) $936.0 million for the period from January 1, 2015 through December 31, 2015, and (ii) $1.0 billion for the period from January 1, 2016 through June 28, 2016. Each letter of credit issued under the letter of credit facility must have an expiration date no later than the second anniversary of the issuance of that letter of credit, provided that up to 15% of the outstanding value of the letters of credit may have an expiration date of between two and three years from the date of issuance.

As of June 28, 2015, letters of credit issued under the August 2011 letter of credit facility with Deutsche Bank totaled $594.6 million.

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

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

As of June 28, 2015 letters of credit issued under the Deutsche Bank Trust facility amounted to $14.5 million, which were fully collateralized with restricted cash as classified on the Consolidated Balance Sheets.

Project Debt

On October 17, 2014, we, through a wholly-owned subsidiary (the "Project Company"), entered into an approximately $377.0 million credit facility with Santander Bank, N.A., Mizuho Bank, Ltd. and Credit Agricole (the "Quinto Credit Facility") in connection with the planned construction of the approximately 135 MW Quinto Solar Energy Project, located in Merced County, California (the "Quinto Project").

On June 24, 2015, in connection with the closing of 8point3 Energy Partners' IPO and the concurrent transfer of the Quinto Project to an affiliate of 8point3 Energy Partners, the Quinto Project Company repaid the full amount outstanding under the Quinto Credit Facility and terminated the agreement early. Immediately before termination, there were outstanding borrowings of $224.3 million under the Quinto Credit Facility. The Quinto Project Company did not incur any material penalties for early repayment of the Quinto Credit Facility.

Liquidity

As of June 28, 2015, we had unrestricted cash and cash equivalents of $623.0 million as compared to $956.2 million as of December 28, 2014. Our cash balances are held in numerous locations throughout the world and as of June 28, 2015, we had approximately $161.3 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.

On July 5, 2010, we formed AUP SunPower Sdn. Bhd. ("AUOSP"), our joint venture with AU Optronics Singapore Pte. Ltd. ("AUO"). Under the terms of the joint venture agreement, we and AUO each own 50% of AUOSP. We are each obligated to provide additional funding to AUOSP in the future. Under the joint venture agreement, each shareholder agreed to contribute additional amounts to the joint venture through 2015 amounting to $169.0 million, or such lesser amount as the parties may mutually agree (see the Contractual Obligations table below). In addition, if AUOSP, or either shareholder requests additional equity financing to AUOSP, then the shareholders will each be required to make additional cash contributions of up to $50.0 million in the aggregate. See also "Part I. Item 1A. Risk Factors—Risks Related to Our Operations—If we experience interruptions in the operation of our solar cell production lines, or we are not successful in operating our joint venture AUOSP,

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our revenue and results of operations may be materially and adversely affected" in our Annual Report on Form 10-K for the fiscal year ended December 28, 2014.

We expect total capital expenditures related to purchases of property, plant and equipment in the range of $250 million to $300 million in fiscal 2015 in order to increase our manufacturing capacity, 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 August 2011 Deutsche Bank facility 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 June 28, 2015, letters of credit issued under the Deutsche Bank Trust facility amounted to $14.5 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 and Supplementary Data—Notes to Consolidated Financial Statements—Note 6. Leasing"). As of June 28, 2015, we received $292.6 million in contributions from investors under the related facility agreements. Additionally, during fiscal 2014 and 2015, we entered into three long-term non-recourse loans to finance solar power systems and leases under our residential lease program. In fiscal 2015, we drew down $54.8 million of proceeds, net of issuance costs, under the loan agreements. The loans have 17-year terms and as of June 28, 2015, the short-term and long-term balances of the loans were $2.8 million and $132.2 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.

We believe that our current cash, cash equivalents and cash expected to be generated from operations will be sufficient to meet our working capital and fund our committed capital expenditures over the next 12 months, including the development and construction of solar power systems and plants. We are able to supplement this short-term liquidity, if necessary, with broad access to capital markets and credit facilities, including non-recourse debt, made available by various domestic and foreign financial institutions. For example, we have $250 million available to us under our revolving credit facility with Credit Agricole. However, there can be no assurance that our liquidity will be adequate over time. A significant portion of our revenue is generated from a limited number of customers and large projects and our inability to execute these projects, or to collect from these customers or for these projects, would have a significant negative impact on our business. Our capital expenditures and use of working capital may be greater than we expect if we decide to make additional investments in the development and construction of solar power plants and sales of power plants and associated cash proceeds are delayed, or if we decide to accelerate increases in our manufacturing capacity internally or through capital contributions to joint ventures. We require project financing in connection with the construction of solar power plants, which financing may not be available on terms acceptable to us. In addition, we could in the future make additional investments in our joint ventures or guarantee

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certain financial obligations of our joint ventures, which could reduce our cash flows, increase our indebtedness and expose us to the credit risk of our joint ventures. 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 December 28, 2014.

As of June 28, 2015, we have $250.0 million available to us under our revolving credit facility with Credit Agricole and may request increases to the available capacity of the revolving credit facility to an aggregate of $300.0 million, subject to the satisfaction of certain conditions. Proceeds from our revolving credit facility with Credit Agricole may be used for general corporate purposes. However, there are no assurances that we will have sufficient available cash to repay our indebtedness or 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 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 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 June 28, 2015:

		Payments Due by Fiscal Period			
(In thousands)	Total	2015 (remaining six months)	2016-2017	2018-2019	Beyond 2019
Convertible debt, including interest[1]	$727,356	$2,954	$11,500	$307,944	$404,958
IFC mortgage loan, including interest[2]	35,355	833	31,977	2,545	—
CEDA loan, including interest[3]	70,163	1,275	5,100	5,100	58,688
Other debt, including interest[4]	273,498	5,868	27,214	28,635	211,781
Future financing commitments[5]	179,817	179,817	—	—	—
Operating lease commitments[6]	143,280	10,804	29,498	26,477	76,501
Sale-leaseback financing[7]	110,405	6,453	16,031	15,241	72,680
Capital lease commitments[8]	6,367	754	2,135	1,515	1,963
Non-cancellable purchase orders[9]	238,689	238,689	—	—	—
Purchase commitments under agreements[10]	1,676,560	474,650	673,130	361,913	166,867
Liabilities associated with uncertain tax positions	4,000	4,000	—	—	—

Total	$3,465,490	$926,097	$796,585	$749,370	$993,438

[1] Convertible debt, including interest, relates to the aggregate of $700.1 million in outstanding principal amount of our senior convertible debentures as of June 28, 2015. 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] IFC mortgage loan, including interest, relates to the $32.5 million borrowed as of June 28, 2015. Under the loan agreement, we are required to repay the amount borrowed, starting 2 years after the date of borrowing, in 10 equal semiannual 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

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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.

[3] 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.

[4] 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 9. Commitments and Contingencies."

[5] We and AUO agreed in the joint venture agreement to contribute additional amounts to AUOSP through 2014 amounting to $169.0 million by each shareholder, or such lesser amount as the parties may mutually agree. Further, in connection with a purchase agreement with a non-public company we will be required to provide additional financing to such party of up to $2.9 million, subject to certain conditions.

[6] 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.

[7] 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.

[8] Capital lease commitments primarily relate to certain buildings, manufacturing and equipment under capital leases in Europe for terms of up to 12 years.

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

[10] Purchase commitments under agreements relate to arrangements entered into with several suppliers, including joint ventures, 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 10 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. We did not fulfill all of the purchase commitments we were otherwise obligated to take by December 31, 2014, as specified in several related contracts with a supplier. As of June 28, 2015, we have recorded an offsetting asset, recorded within "Prepaid expenses and other current assets," and liability, recorded within "Accrued liabilities," totaling $5.1 million. This amount represents the unfulfilled amount as of that date as we expect to satisfy the obligation via purchases of inventory in fiscal 2015, within the cure period specified in the contracts.

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. Therefore, long-term liabilities associated with uncertain tax positions of $20.1 million included in "Other long-term liabilities" in the Company's Consolidated Balance Sheets as of June 28, 2015 have been excluded from the table above. Short-term liabilities associated with transfer-pricing uncertain tax positions of $4.0 million included in "Accrued liabilities" in our Consolidated Balance Sheets as of June 28, 2015 have been included in the table above as they are reasonably possible to be paid within the next 12 months as a result of settlement.

Off-Balance-Sheet Arrangements

As of June 28, 2015, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

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ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURE 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 10% and 9% of our total revenue in the three and six months ended June 28, 2015, respectively, and 13% and 16% of our total revenue in the three and six months ended June 29, 2014, respectively. A 10% change in the Euro exchange rate would have impacted our revenue by approximately $3.7 million and $7.2 million in the three and six months ended June 28, 2015, respectively, and $6.5 million and $19.1 million in the three and six months ended June 29, 2014, 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. Strengthening of the Malaysian Ringgit against the U.S. dollar would increase AUOSP's liability under the facility agreement with the Malaysian government which in turn would negatively impact our equity in earnings (loss) of the unconsolidated investee. 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 June 28, 2015, we had outstanding hedge option currency contracts and forward currency contracts with aggregate notional values of zero and $40.4 million, respectively. As of December 28, 2014, we held option and forward contracts totaling $26.6 million and $134.7 million, respectively, in notional value. 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 June 28, 2015 and December 28, 2014, advances to suppliers totaled $384.6 million and $409.7 million, respectively. Two suppliers accounted for 84% and 16% of total advances to suppliers as of June 28, 2015, and 82% and 17% as of December 28, 2014.

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 15 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

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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 June 28, 2015, the outstanding principal balance of our variable interest borrowings was $32.5 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 $255.0 million in money market funds as of June 28, 2015 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% increase 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 Companies

Our investments held in joint ventures and other companies expose us to equity price risk. As of June 28, 2015 and December 28, 2014, investments of $283.2 million and $210.9 million, respectively, are accounted for using the equity method, and $36.4 million and $32.3 million, respectively, are accounted for using the cost method. 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. See also "Risks Related to Our Operations—We have significant international activities and customers, and plan to continue these efforts, which subject us to additional business risks, including logistical complexity and political instability" and "Acquisitions of other companies or investments in joint ventures with other companies could materially and adversely affect our financial condition and results of operations, and dilute our stockholders' equity" in "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 28, 2014 and “Part II - Item 1A. Risk Factors - We may not realize the expected benefits of our YieldCo strategy.” in this Quarterly Report on Form 10-Q.

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. The aggregate estimated fair value of our outstanding convertible debentures was $820.8 million as of June 28, 2015. The aggregate estimated fair value of our outstanding convertible debentures was $1,019.4 million as of December 28, 2014. 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 $902.9 million and $1,121.4 million as of June 28, 2015 and December 28, 2014, respectively, and a 10% decrease in the quoted market prices would decrease the estimated fair value of our then-outstanding debentures to $738.7 million and $917.5 million as of June 28, 2015 and December 28, 2014, respectively.

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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 June 28, 2015 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
ITEM 1. LEGAL PROCEEDINGS
The disclosure under "Note 9. Commitments and Contingencies—Legal Matters" in "Notes to Condensed 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 December 28, 2014, except for the risk factors described and included below.

Because 8point3 Energy Partners has completed the IPO of its Class A shares, we updated the risk factor entitled “Risks Related to Our Sales Channels-We may be unable to successfully form the previously announced YieldCo vehicle; the proposed initial public offering of the YieldCo vehicle may not occur on favorable terms or at all; and even if the proposed initial public offering is completed, we may not achieve the expected benefits” and replaced it with a risk factor entitled “We may fail to realize the expected benefits of our YieldCo strategy.” that is set forth below.

Additionally, we have updated the risk factor entitled “Risks Related to Our Operations-Acquisitions of other companies or investments in joint ventures with other companies could materially and adversely affect our financial condition and results of operations, and dilute our stockholders' equity” to reflect the consummation of the 8point3 Energy Partners IPO on June 24, 2015.

We may fail to realize the expected benefits of our YieldCo strategy.

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.”

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Immediately after the IPO, we contributed a portfolio of 170 MW of our solar generation assets (the “SPWR Contributed Assets”) to 8point3 Operating Company, LLC ("OpCo"), 8point3 Energy Partners' primary operating subsidiary. In exchange for the SPWR Contributed Assets, we received cash proceeds of $371 million as well as equity interests in several 8point3 Energy Partners affiliated entities: primarily common and subordinated units representing a 40.7% stake in OpCo and a 50.0% economic and management stake in 8point3 Holding Company, LLC (“Holdings”), the parent company of the general partner of 8point3 Energy Partners and the owner of incentive distribution rights (“IDRs”) in OpCo. We refer to Holdings, OpCo, 8point3 Energy Partners and their respective subsidiaries as the “8point3 Group.”

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." For more information about our accounting treatment of the 8point3 Group, please refer to Notes 3 and 10 to the Consolidated Financial Statements.

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 such cash distributions. Accordingly, we may never recover the value of the SPWR Contributed Assets, and we may realize less of a return on such contribution than if we had retained or operated these assets.

We believe that the viability of our YieldCo strategy will depend, among other things, upon our ability to continue to develop revenue-generating solar assets and to productively manage our relationship with First Solar, which are subject to the project-level, joint venture relationship, business and industry risks described in our Annual Report on Form 10-K for the fiscal year ended December 28, 2014 under the caption “Risk Factors,” our other filings with the SEC, and the additional risk factors disclosed below. If we are unable to realize the strategic and financial benefits that we expect to derive from our YieldCo strategy and 8point3 Energy Partners in particular, our business, financial condition and results of operations could be materially adversely affected.

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

To expand our business and maintain our competitive position, we have acquired a number of other companies and entered into several joint ventures over the past several years. For example, in July 2010, we formed AUOSP as a joint venture with AUO. In January 2012, we acquired Tenesol, and in November 2013, we acquired Greenbotics, Inc. In November 2014, we acquired SolarBridge Technologies, a developer of integrated microinverter technologies for the solar industry. In June 2015, our joint venture with First Solar, 8point3 Energy Partners, completed the IPO of its Class A shares. In the future we may acquire additional companies, project pipelines, products or technologies or enter into joint ventures or other strategic initiatives.

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

- insufficient experience with technologies and markets in which the acquired business or joint venture is involved, which may be necessary to successfully operate and/or integrate the business or the joint venture;

- problems integrating the acquired operations, personnel, IT infrastructure, technologies or products with the existing business and products;
- diversion of management time and attention from the core business to the acquired business or joint venture;
- potential failure to retain or hire key technical, management, sales and other personnel of the acquired business or joint venture;
- difficulties in retaining or building relationships with suppliers and customers of the acquired business or joint venture, particularly where such customers or suppliers compete with us;

- potential failure of the due diligence processes to identify significant issues with product quality and development or legal and financial liabilities, among other things;
- potential inability to obtain, or obtain in a timely manner, approvals from governmental authorities or work councils, which could delay or prevent acquisitions, delay our ability to achieve synergies, or our successful operation of acquired companies or joint ventures;
- potential necessity to re-apply for permits of acquired projects;
- problems managing joint ventures with our partners, meeting capital requirements for expansion, potential litigation with joint venture partners and reliance upon joint ventures which we do not control; for example, our ability to effectively manage our joint venture with AUO and our ability to effectively manage 8point3 Energy Partners with First Solar;
- differences in philosophy, strategy or goals with our joint venture partners;
- subsequent impairment of the acquired assets, including intangible assets;
- assumption of liabilities including, but not limited to, lawsuits, tax examinations, warranty issues, and liabilities associated with compliance with laws (for example, the FCPA); and
- the success of our joint venture 8point3 Energy Partners is subject to additional risks described under the risk factor "—We may not realize the expected benefits of our YieldCo strategy."

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

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

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

Recent Sales of Unregistered Securities

As previously reported in our Current Reports on Form 8-K filed on April 9, 2015 and June 17, 2015, we entered into separate partial unwind agreements (the “Partial Unwind Agreements”) with each of Credit Suisse International, Barclays Bank PLC, Bank of America, N.A. and Deutsche Bank AG, London Branch (collectively, the “Counterparties”), respectively, in order to reduce the number of warrants outstanding pursuant to those certain separate warrant transactions (the “4.50% Warrants”) that we entered into on March 25, 2010 and April 5, 2010 with each of the Counterparties providing for the acquisition, subject to anti-dilution adjustments, of up to approximately 11.1 million shares of our common stock via net share settlement. We entered into the 4.50% Warrants in connection with the issuance of our 4.50% Senior Cash Convertible Debentures due 2015, which matured in accordance with their terms on March 15, 2015. Pursuant to the terms of the Partial Unwind Agreements, we issued an aggregate of approximately 3.0 million shares of our common stock to settle all of the 4.50% Warrants. As of June 28, 2015, no 4.50% Warrants remained outstanding. The issuances of common stock pursuant to the Partial Unwind Agreements were made in reliance on Section 3(a)(9) of the Securities Act of 1933, as amended.

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
March 30, 2015 through April 26, 2015	8,239	$33.26	—	—
April 27, 2015 through May 24, 2015	34,986	$32.30	—	—
May 25, 2015 through June 28, 2015	6,843	$32.78	—	—
	50,068	$32.52	—	—

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

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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.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

SUNPOWER CORPORATION

Date: July 28, 2015

By: /s/ CHARLES D. BOYNTON

Charles D. Boynton
Executive Vice President and
Chief Financial Officer

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Index to Exhibits

Exhibit Number	Description
10.1	SunPower Corporation 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-205207), filed with the Securities and Exchange Commission on June 25, 2015).
10.2*†	Amended and Restated Limited Liability Company Agreement of 8point3 Holding Company, LLC, dated as of June 24, 2015, by and between SunPower YC Holdings, LLC and First Solar 8point3 Holdings, LLC.
10.3*	Amended and Restated Limited Liability Company Agreement of 8point3 Operating Company, LLC, dated as of June 24, 2015, by and between 8point3 Energy Partners LP, SunPower YC Holdings, LLC, First Solar 8point3 Holdings, LLC, Maryland Solar Holdings, Inc. and 8point3 Holdings, LLC.
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 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.
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.

Portions of exhibits marked with an extended cross (†) have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission.

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