SUNPOWER CORP
Form 10-Q
November 10, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

T QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 2, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 001-34166

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

Delaware	94-3008969
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

77 Rio Robles, San Jose, California 95134
(Address of Principal Executive Offices and Zip Code)
(408) 240-5500
(Registrant's Telephone Number, Including Area Code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer o Non-accelerated filer o

Smaller reporting company o

(Do not check if a smaller reporting company)

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

The total number of outstanding shares of the registrant’s common stock as of November 4, 2016 was 138,418,112.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	October 2, 2016	January 3, 2016
Assets		
Current assets:		
Cash and cash equivalents	$383,868	$954,528
Restricted cash and cash equivalents, current portion	27,476	24,488
Accounts receivable, net[1]	223,836	190,448
Costs and estimated earnings in excess of billings[1]	25,399	38,685
Inventories	447,114	382,390
Advances to suppliers, current portion	72,968	85,012
Project assets - plants and land, current portion[1]	828,842	479,452
Prepaid expenses and other current assets[1]	336,683	359,517
Total current assets	2,346,186	2,514,520
Restricted cash and cash equivalents, net of current portion	51,615	41,748
Restricted long-term marketable securities	—	6,475
Property, plant and equipment, net	1,125,014	731,230
Solar power systems leased and to be leased, net	618,755	531,520
Project assets - plants and land, net of current portion	111,282	5,072
Advances to suppliers, net of current portion	241,126	274,085
Long-term financing receivables, net	471,334	334,791
Goodwill and other intangible assets, net	46,965	119,577
Other long-term assets[1]	84,393	297,975
Total assets	$5,096,670	$4,856,993
Liabilities and Equity		
Current liabilities:		
Accounts payable[1]	$515,775	$514,654
Accrued liabilities[1]	280,032	313,497
Billings in excess of costs and estimated earnings	99,465	115,739
Short-term debt	535,226	21,041
Customer advances, current portion[1]	12,669	33,671
Total current liabilities	1,443,167	998,602
Long-term debt	455,769	478,948
Convertible debt[1]	1,112,813	1,110,960
Customer advances, net of current portion[1]	296	126,183
Other long-term liabilities[1]	656,013	564,557
Total liabilities	3,668,058	3,279,250
Commitments and contingencies (Note 9)		
Redeemable noncontrolling interests in subsidiaries	102,242	69,104

Equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; none issued and outstanding as of both October 2, 2016 and January 3, 2016	—	—
Common stock, $0.001 par value, 367,500,000 shares authorized; 147,839,311 shares issued, and 138,339,796 outstanding as of October 2, 2016; 145,242,705 shares issued, and 136,712,339 outstanding as of January 3, 2016	138	137
Additional paid-in capital	2,407,764	2,359,917
Accumulated deficit	(943,563)	(747,617)
Accumulated other comprehensive loss	(12,847)	(8,023)
Treasury stock, at cost; 9,499,515 shares of common stock as of October 2, 2016; 8,530,366 shares of common stock as of January 3, 2016	(176,219)	(155,265)
Total stockholders' equity	1,275,273	1,449,149
Noncontrolling interests in subsidiaries	51,097	59,490
Total equity	1,326,370	1,508,639
Total liabilities and equity	$5,096,670	$4,856,993

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

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

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

	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
Revenue[1]				
Solar power systems, components, and other	$673,538	$330,401	$1,358,249	$1,062,166
Residential leasing	55,808	49,817	176,424	139,943
	$729,346	$380,218	$1,534,673	$1,202,109
Cost of revenue[1]				
Solar power systems, components, and other	558,342	280,226	1,179,777	874,022
Residential leasing	41,796	37,348	132,857	103,744
	600,138	317,574	1,312,634	977,766
Gross margin	129,208	62,644	222,039	224,343
Operating expenses:				
Research and development[1]	28,153	24,973	92,270	66,701
Sales, general and administrative[1]	80,070	81,109	262,544	239,843
Restructuring charges	31,202	726	31,415	6,056
Total operating expenses	139,425	106,808	386,229	312,600
Operating loss	(10,217)	(44,164)	(164,190)	(88,257)
Other income (expense), net:				
Interest income	630	448	2,133	1,498
Interest expense[1]	(15,813)	(8,796)	(42,644)	(32,994)
Gain on settlement of preexisting relationships in connection with acquisition[2]	203,252	—	203,252	—
Loss on equity method investment in connection with acquisition[2]	(90,946)	—	(90,946)	—
Goodwill impairment	(147,365)	—	(147,365)	—
Other, net	(5,169)	(3,601)	(17,223)	8,761
Other expense, net	(55,411)	(11,949)	(92,793)	(22,735)
Loss before income taxes and equity in earnings of unconsolidated investees	(65,628)	(56,113)	(256,983)	(110,992)
Provision for income taxes	(7,049)	(36,224)	(16,878)	(37,916)
Equity in earnings of unconsolidated investees	16,770	5,052	24,356	9,107
Net loss	(55,907)	(87,285)	(249,505)	(139,801)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	15,362	30,959	53,559	80,403
Net loss attributable to stockholders	$(40,545)	$(56,326)	$(195,946)	$(59,398)
Net loss per share attributable to stockholders:				
Basic	$(0.29)	$(0.41)	$(1.42)	$(0.44)
Diluted	$(0.29)	$(0.41)	$(1.42)	$(0.44)
Weighted-average shares:				
Basic	138,209	136,473	137,832	134,294
Diluted	138,209	136,473	137,832	134,294

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

[2] See Note 3.

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

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

	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
Net loss	$(55,907)	$ (87,285)	$(249,505)	$ (139,801)
Components of comprehensive loss:				
Translation adjustment	(272)	(1,276)	1,285	(3,037)
Net change in derivatives (Note 12)	56	4,799	(6,825)	5,607
Income taxes	(30)	(936)	716	(479)
Net change in accumulated other comprehensive income (loss)	(246)	2,587	(4,824)	2,091
Total comprehensive loss	(56,153)	(84,698)	(254,329)	(137,710)
Comprehensive loss attributable to noncontrolling interests and redeemable noncontrolling interests	15,362	30,959	53,559	80,403
Comprehensive loss attributable to stockholders	$(40,791)	$ (53,739)	$(200,770)	$ (57,307)

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

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 Loss	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total E
Balances at January 3, 2016	$69,104	136,711	$137	$2,359,917	$(155,265)	$(8,023)	$(747,617)	$1,449,149	$59,490	$1,508,
Net loss	(56,282)	—	—	—	—	—	(195,946)	(195,946)	2,723	(193,22
Other comprehensive loss	—	—	—	—	—	(4,824)	—	(4,824)	—	(4,824
Issuance of restricted stock to employees, net of cancellations	—	2,596	2	—	—	—	—	2	—	2
Stock-based compensation expense	—	—	—	45,397	—	—	—	45,397	—	45,397
Tax benefit from convertible debt interest deduction	—	—	—	1,228	—	—	—	1,228		1,228
Tax benefit from stock-based compensation	—	—	—	1,222	—	—	—	1,222	—	1,222
Contributions from noncontrolling interests	93,924	—	—	—	—	—	—	—	(2,201)	(2,201
Distributions to noncontrolling interests	(4,504)	—	—	—	—	—	—	—	(8,915)	(8,915
Purchases of treasury stock	—	(969)	(1)	—	(20,954)	—	—	(20,955)	—	(20,955
Balances at October 2, 2016	$102,242	138,338	$138	$2,407,764	$(176,219)	$(12,847)	$(943,563)	$1,275,273	$51,097	$1,326,

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)

	Nine Months Ended	
	October 2, 2016	September 27, 2015
Cash flows from operating activities:		
Net loss	$(249,505)	$(139,801)
Adjustments to reconcile net loss to net cash used in operating activities, net of effect of acquisitions:		
Depreciation and amortization	122,842	97,369
Stock-based compensation	48,902	42,484
Non-cash interest expense	963	5,768
Non-cash restructuring charges	17,926	—
Gain on settlement of preexisting relationships in connection with acquisition	(203,252)	—
Loss on equity method investment in connection with acquisition	90,946	—
Goodwill impairment	147,365	—
Equity in earnings of unconsolidated investees	(24,356)	(9,107)
Excess tax benefit from stock-based compensation	(1,222)	(25,090)
Deferred income taxes	2,059	25,748
Gain on sale of residential lease portfolio to 8point3 Energy Partners LP	—	(27,915)
Other, net	3,805	1,940
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(36,563)	292,102
Costs and estimated earnings in excess of billings	13,579	148,018
Inventories	(101,146)	(187,153)
Project assets	(434,645)	(499,847)
Prepaid expenses and other assets	70,025	12,640
Long-term financing receivables, net	(136,543)	(108,418)
Advances to suppliers	45,003	29,800
Accounts payable and other accrued liabilities	(144,202)	(62,921)
Billings in excess of costs and estimated earnings	(15,879)	(3,968)
Customer advances	(14,440)	(21,009)
Net cash used in operating activities	(798,338)	(429,360)
Cash flows from investing activities:		
Increase in restricted cash and cash equivalents	(12,855)	(27,659)
Purchases of property, plant and equipment	(149,475)	(132,352)
Cash paid for solar power systems, leased and to be leased	(64,417)	(64,419)
Cash paid for solar power systems	(2,282)	(10,007)
Proceeds from sales or maturities of marketable securities	6,210	—
Proceeds from (payments to) 8point3 Energy Partners LP	(9,838)	363,928
Cash paid for acquisitions, net of cash acquired	(24,003)	(59,021)
Cash paid for investments in unconsolidated investees	(11,046)	(4,092)
Cash paid for intangibles	—	(3,401)
Net cash provided by (used in) investing activities	(267,706)	62,977
Cash flows from financing activities:		
Cash paid for repurchase of convertible debt	—	(324,352)

Proceeds from settlement of 4.50% Bond Hedge	—	74,628
Payments to settle 4.50% Warrants	—	(574)
Repayment of bank loans and other debt	(15,572)	(15,857)
Proceeds from issuance of non-recourse residential financing, net of issuance costs	142,862	82,664
Repayment of non-recourse residential financing	(36,707)	(41,058)
Contributions from noncontrolling interests and redeemable noncontrolling interests attributable to residential projects	91,723	133,732
Distributions to noncontrolling interests and redeemable noncontrolling interests attributable to residential projects	(13,419)	(6,790)
Proceeds from issuance of non-recourse power plant and commercial financing, net of issuance costs	602,286	229,066
Repayment of non-recourse power plant and commercial financing	(257,538)	(226,578)
Proceeds from 8point3 Energy Partners LP attributable to operating leases and unguaranteed sales-type lease residual values	—	29,300
Proceeds from exercise of stock options	—	467
Excess tax benefit from stock-based compensation	1,222	25,090
Purchases of stock for tax withholding obligations on vested restricted stock	(20,953)	(42,407)
Net cash provided by (used in) financing activities	493,904	(82,669)
Effect of exchange rate changes on cash and cash equivalents	1,480	(4,242)
Net decrease in cash and cash equivalents	(570,660)	(453,294)
Cash and cash equivalents, beginning of period	954,528	956,175
Cash and cash equivalents, end of period	$383,868	$502,881
Non-cash transactions:		
Assignment of residential lease receivables to third parties	$3,722	$2,742
Costs of solar power systems, leased and to be leased, sourced from existing inventory	$43,983	$47,295
Costs of solar power systems, leased and to be leased, funded by liabilities	$6,226	$8,229
Costs of solar power systems under sale-leaseback financing arrangements, sourced from project assets	$7,375	$6,076
Property, plant and equipment acquisitions funded by liabilities	$85,994	$43,083
Net reclassification of cash proceeds offset by project assets in connection with the deconsolidation of assets sold to the 8point3 Group	$43,588	$5,061
Exchange of receivables for an investment in an unconsolidated investee	$2,890	$—
Sale of residential lease portfolio in exchange for non-controlling equity interests in the 8point3 Group	$—	$68,273
Acquisition of intangible assets funded by liabilities	$—	$6,512
Acquisition funded by liabilities	$100,550	$—

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

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

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

Basis of Presentation and Preparation

Principles of Consolidation

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

Reclassifications

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

Fiscal Years

The Company has a 52-to-53-week fiscal year that ends on the Sunday closest to December 31. Accordingly, every fifth or sixth year will be a 53-week fiscal year. The current fiscal year, fiscal 2016, is a 52-week fiscal year, while fiscal year 2015 was a 53-week fiscal year and had a 14-week fourth fiscal quarter. The third quarter of fiscal 2016 ended on October 2, 2016, while the third quarter of fiscal 2015 ended on September 27, 2015. The third quarters of fiscal 2016 and fiscal 2015 were both 13-week quarters.

Management Estimates

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

Summary of Significant Accounting Policies

Long-Lived Assets

The Company evaluates its long-lived assets, including property, plant and equipment, solar power systems leased and to be leased, and other intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Factors considered important that could result in an impairment review include significant under-performance relative to expected historical or projected future operating results, significant changes in the manner of use of acquired assets, and significant negative industry or economic trends. The Company's impairment evaluation of long-lived assets includes an analysis of estimated future undiscounted net cash flows expected to be generated by the assets over their remaining estimated useful lives. If the Company's estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the assets over the remaining estimated useful lives, it records an impairment loss in the amount by which the carrying value of the assets exceeds the fair value. Fair value is generally measured based on either quoted market prices, if available, or discounted cash flow analysis.

Project Assets - Plant and Land

Project assets consist primarily of capitalized costs relating to solar power system projects in various stages of development that the Company incurs prior to the sale of the solar power system to a third-party. These costs include costs for land and costs for developing and constructing a solar power system. Development costs can include legal, consulting, permitting, and other similar costs. Once the Company enters into a definitive sales agreement, it reclassifies these project asset costs to deferred project costs within "Prepaid expenses and other current assets" in its Consolidated Balance Sheet until the Company has met the criteria to recognize the sale of the project asset or solar power project as revenue. The Company releases these project costs to cost of revenue as each respective project asset or solar power system is sold to a customer, since the project is constructed for a customer (matching the underlying revenue recognition method).

The Company evaluates the realizability of project assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company considers the project to be recoverable if it is anticipated to be sellable for a profit once it is either fully developed or fully constructed or if costs incurred to date may be recovered via other means, such as a sale prior to the completion of the development cycle. The Company examines a number of factors to determine if the project will be profitable, including whether there are any environmental, ecological, permitting, or regulatory conditions that have changed for the project since the start of development. In addition, the company must anticipate market conditions, such as the future cost of energy and changes in the factors that its future customers use to value its project assets in sale arrangements, including the internal rate of return that customers expect. Changes in such conditions could cause the cost of the project to increase or the selling price of the project to decrease. Due to the development, construction, and sale timeframe of the Company's larger solar projects, it classifies project assets which are not expected to be sold within the next 12 months as "Project assets - plants and land, net of current portion" on the Consolidated Balance Sheets. Once specific milestones have been achieved, the

Company determines if the sale of the project assets will occur within the next 12 months from a given balance sheet date and, if so, it then reclassifies the project assets as current.

Inventories

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

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The Company evaluates the terms of its long-term inventory purchase agreements with suppliers, including joint ventures, for the procurement of polysilicon, ingots, wafers, and solar cells and establishes accruals for estimated losses on adverse purchase commitments as necessary, such as lower of cost or market value adjustments, forfeiture of advanced deposits and liquidated damages. Obligations related to non-cancellable purchase orders for inventories match current and forecasted sales orders that will consume these ordered materials and actual consumption of these ordered materials are compared to expected demand regularly. The Company anticipates total obligations related to long-term supply agreements for inventories will be realized because quantities are less than management's expected demand for its solar power products over a period of years; however, if raw materials inventory balances temporarily exceed near-term demand, the Company may elect to sell such inventory to third parties to optimize working capital needs. Other market conditions that could affect the realizable value of the Company's inventories and are periodically evaluated by management include historical inventory turnover ratio, anticipated sales price, new product development schedules, the effect new products might have on the sale of existing products, product obsolescence, customer concentrations, the current market price of polysilicon as compared to the price in the Company's fixed-price arrangements, and product merchantability, among other factors. If, based on assumptions about expected demand and market conditions, the Company determines that the cost of inventories exceeds its net realizable value or inventory is excess or obsolete, or the Company enters into arrangements with third parties for the sale of raw materials that do not allow it to recover its current contractually committed price for such raw materials, the Company records a write-down or accrual equal to the difference between the cost of inventories and the estimated net realizable value, which may be material. If actual market conditions are more favorable, the Company may have higher gross margin when products that have been previously written down are sold in the normal course of business.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued an update to the standards to reduce diversity in practice in how certain transactions are presented and classified in the statement of cash flows. The new guidance is effective for the Company no later than the first quarter of fiscal 2018. Early adoption is permitted. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

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

In March 2016, the FASB issued an update to the standards to simplify the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance is effective for the Company no later than the first quarter of fiscal 2017. Early adoption is permitted. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

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

In January 2016, the FASB issued an update to the standards to require equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). The new guidance is effective for the Company no later than the first quarter of fiscal 2018 and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is permitted for the accounting guidance on financial liabilities under the fair value option. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

In July 2015, the 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. The Company elected early adoption of the updated accounting standard, effective in the second quarter of fiscal 2016. The

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adoption of this updated accounting standard did not result in a significant impact to the Company’s consolidated financial statements.

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 Company elected early adoption of the updated accounting standard, effective in the fourth quarter of fiscal 2015, and measured its defined benefit plan assets and obligations as of December 31, 2015, the calendar month-end closest to the Company’s fiscal year-end. The adoption of this updated accounting standard did not have a significant impact to the Company’s consolidated financial statements.

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 Company adopted the new accounting standard, effective in the first quarter of fiscal 2016. Adoption of the new accounting standard did not have a material impact to the Company's consolidated financial statements.

In August 2014, the FASB issued an update to the standards to require management to evaluate whether there are conditions and events that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date the financial statements are issued, and to provide related disclosures. The new guidance is effective for the Company no later than the fourth quarter of fiscal 2016. Early adoption is permitted. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

In May 2014, the FASB issued a new revenue recognition standard based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The FASB has issued several updates to the standard which i) clarify the application of the principal versus agent guidance; ii) clarify the guidance relating to performance obligations and licensing; and iii) clarify assessment of the collectability criterion, presentation of sales taxes, measurement date for non-cash consideration and completed contracts at transaction. The new revenue recognition standard, amended by the updates, becomes effective for the Company in the first quarter of fiscal 2018 and is to be applied retrospectively using one of two prescribed methods. Early adoption is permitted. The Company is currently evaluating and considering the possibility of early adoption of the new standard effective January 2, 2017. The Company's ability to early adopt, potentially using the modified retrospective method, is dependent on process, internal control and system readiness and a complete evaluation of all the disclosures required under the new standard. While the Company is continuing to assess all potential impacts of the standard, it currently believes the most significant accounting impact will likely relate to its projects that involve the sale of real estate. Under the new standard the Company is evaluating whether revenue and profit recognition on sales of projects involving real estate would be accelerated, and in certain cases significantly so, as compared to the accounting treatment under existing real estate accounting guidance. However, due to the complexity and various terms that exist within certain of the Company's contracts, the actual revenue recognition treatment required under the standard will be dependent on contract-specific terms and may vary from contract to contract. The Company expects revenue related to residential leasing and sales of solar power systems and components not subject to existing real estate accounting guidance to remain substantially unchanged under the new standard.

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.

In June 2011, Total completed a cash tender offer to acquire 60% of the Company's then outstanding shares of common stock at a price of $23.25 per share, for a total cost of approximately $1.4 billion. In December 2011, the Company entered into a Private Placement Agreement with Total, under which Total purchased, and the Company issued and sold, 18.6 million shares of the Company's common stock for a purchase price of $8.80 per share, thereby increasing Total's ownership to approximately 66% of the Company's outstanding common stock as of that date. As of October 2, 2016, through the increase of the Company's total outstanding common stock due to the exercise of warrants and issuance of restricted and performance stock units, Total's ownership of the Company's outstanding common stock has decreased to approximately 57%.

Amended and Restated Credit Support Agreement

In June 2016, the Company and Total S.A. entered into an Amended and Restated Credit Support Agreement (the "Credit Support Agreement") which amended and restated the Credit Support Agreement dated April 28, 2011 by and between the

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

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

Affiliation Agreement

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

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

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

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

Research & Collaboration Agreement

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

Upfront Warrant

In February 2012, the Company issued a warrant (the "Upfront Warrant") to Total S.A. to purchase 9,531,677 shares of the Company's common stock with an exercise price of $7.8685, subject to adjustment for customary anti-dilution and other events. The Upfront Warrant, which is governed by the Private Placement Agreement and a Compensation and Funding Agreement, is exercisable at any time for seven years after its issuance, provided that, so long as at least $25.0 million in aggregate of the Company's convertible debt remains outstanding, such exercise will not cause any "person," including Total

S.A., to, directly or indirectly, including through one or more wholly-owned subsidiaries, become the "beneficial owner" (as such terms are defined in Rule 13d-3 and Rule 13d-5 under the Securities Exchange Act of 1934, as amended), of more than 74.99% of the voting power of the Company's common stock at such time, a circumstance which would trigger the repurchase or conversion of the Company's existing convertible debt.

0.75% Debentures Due 2018

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

0.875% Debentures Due 2021

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

4.00% Debentures Due 2023

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

Joint Projects with Total and its Affiliates:

The Company enters into various EPC and O&M agreements relating to solar projects, including EPC and O&M services agreements relating to projects owned or partially owned by Total and its affiliates. As of October 2, 2016, the Company had $5.7 million of "Costs and estimated earnings in excess of billings" and $0.8 million of "Accounts receivable, net" on its Consolidated Balance Sheets related to projects in which Total and its affiliates have a direct or indirect material interest.

During the third quarter of fiscal 2016, in connection with a co-development project between SunPower and Total, the Company made a $7.0 million payment to Total in exchange for Total's ownership interest in the co-development project.

Related-Party Transactions with Total and its Affiliates:

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(In thousands)	Three Months Ended October 2, 2016	Three Months Ended September 27, 2015	Nine Months Ended October 2, 2016	Nine Months Ended September 27, 2015
Revenue:				
EPC, O&M, and components revenue under joint projects	$1,632	$ 11,905	$63,161	$ 14,868
Research and development expense:				
Offsetting contributions received under the R&D Agreement	$(111)	$ (360)	$(532)	$ (1,177)
Interest expense:				
Guarantee fees incurred under the Credit Support Agreement	$1,821	$ 3,479	$5,088	$ 8,477
Interest expense incurred on the 0.75% debentures due 2018	$375	$ 375	$1,125	$ 1,125
Interest expense incurred on the 0.875% debentures due 2021	$547	$ 547	$1,641	$ 1,641
Interest expense incurred on the 4.00% debentures due 2023	$1,000	n/a	$3,000	n/a

Note 3. BUSINESS COMBINATIONS

AUOSP

On September 29, 2016, the Company completed the acquisition of AUO SunPower Sdn. Bhd. (“AUOSP”) pursuant to a Stock Purchase Agreement (the “Stock Purchase Agreement”) entered into between SunPower Technology, Ltd. (“SPTL”), a wholly-owned subsidiary of the Company, and AU Optronics Singapore Pte. Ltd. (“AUO”). AUOSP was a joint venture of SPTL and AUO for the purpose of manufacturing solar cells. Prior to the acquisition, SPTL and AUO each owned 50% of the shares of AUOSP. Pursuant to the Stock Purchase Agreement, SPTL purchased all of the shares of AUOSP held by AUO for a total purchase price of $170.1 million in cash, payable in installments as set forth in the Stock Purchase Agreement, to obtain 100% of the voting equity interest in AUOSP. As a result, AUOSP became a consolidated subsidiary of the Company and the results of operations of AUOSP have been included in the Consolidated Statement of Operations of the Company since September 29, 2016.

Simultaneously with the entry into the Stock Purchase Agreement, SunPower Systems Sarl (“SPSW”) and AU Optronics Corporation (“AUO Corp”), the ultimate parent of AUO, entered into a Module Supply Agreement whereby AUO Corp agreed to purchase on commercial terms 100MW of SunPower’s E-Series solar modules, with the purchase price having been prepaid in full by AUO Corp prior to the closing of the acquisition. As a result, the Company accounted for its purchase price consideration in accordance with the substance of the combined transactions, which resulted in consideration of $91.1 million in cash to be paid according to the following installment schedule: (i) $30.0 million in cash paid on the closing date; (ii) $1.1 million in cash to be paid on the second anniversary of the closing date; (iii) $30.0 million in cash to be paid on the third anniversary of the closing date; and (iv) $30.0 million in cash to be paid on the fourth anniversary of the closing date, as well as the 100MW of modules to be delivered during fiscal 2017 and 2018. The total purchase price consideration, including the estimated fair value of the modules and discounted to present value as of September 29, 2016, was $130.6 million.

Prior to the acquisition date, the Company accounted for its 50% interest in AUOSP as an equity method investment (see Note 10). The Company engaged a third-party valuation expert to assist in determining the fair value of AUOSP's assets, liabilities, and equity interests. The acquisition-date fair value of the previous equity interest, computed as the Company's 50% interest in the net asset value of AUOSP, as determined using the income approach and with assistance from the third-party valuation expert, was $120.5 million and is included in the measurement of the consideration transferred. The Company recognized a loss of $90.9 million as a result of remeasuring its prior equity interest in AUOSP held before the business combination. The loss is included in the "Other income (expense), net" section of the Consolidated Statements of Operations.

As a result of the acquisition, the Company obtained full control of a solar cell manufacturing facility, from which it expects to achieve significant synergies. Also in connection with the Stock Purchase Agreement and Module Supply Agreement, the Company, SPTL, SunPower Philippines Manufacturing Limited, a wholly owned subsidiary of the Company, and SPSW entered into an agreement (the “Settlement Agreement”) with AUO, AUO Corp, and AUOSP to settle all claims, demands, damages, actions, causes of action, or suits between them, including but not limited to the arbitration before the ICC International Court of Arbitration (see Note 9).

Prior to the acquisition, AUOSP sold its solar cells to both SPSW and AUO, with the significant majority of sales to SPSW. Sales to AUO, with the exception of the Module Supply agreement discussed above, ceased in connection with the acquisition. As the sales to SPSW would be intercompany transactions upon consolidation, and the sales to AUO are not continuing business, the Company determined that the pro-forma effects to the Company's Statements of Operations of consolidating AUOSP from December 29, 2014 were not material.

Preexisting Relationships

Prior to the acquisition, the Company had several preexisting relationships with AUOSP. In connection with the original joint venture agreement, the Company and AUO had also entered into licensing and joint development, supply, and other ancillary transaction agreements. Through the Licensing and Technology Transfer 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, the Company was committed to purchase 80% of AUOSP's total annual output on cost-plus pricing terms, allocated on a monthly basis to the Company. The Company and AUO had 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 would resell to AUOSP, under contractually fixed terms for quantity and price, polysilicon purchased from a third-party supplier. Under the agreement, AUOSP would provide prepayments to the Company related to such polysilicon, which prepayment would then be made by the Company to the third-party supplier.

In connection with the transactions contemplated under the Stock Purchase Agreement, the Company (and certain of its affiliates), AUO (and certain of its affiliates), and AUOSP terminated certain agreements, including (a) the Joint Venture Agreement by and among SPTL, AUO, AUO Corp, and AUOSP, dated as of May 27, 2010 and as amended from time to time, (b) the Supply Agreement for solar cells by and among SPSW, AUO, and AUOSP, dated as of July 5, 2010, and (c) the License and Technology Transfer Agreement by and among SPTL, AUO, and AUOSP, dated as of July 5, 2010.

As a result of the acquisition and the settlement of the preexisting agreements, the Company recognized a net gain of $203.3 million, which was recognized separately from the business combination and is included in the "Other income (expense), net" section of the Consolidated Statements of Operations. The gain was comprised of three primary components: first, a $133.0 million gain related to the elimination of a customer advance liability without return of any proceeds by the Company that was previously recognized in the Company's books associated with the prepayment by AUOSP under the polysilicon purchase contract with the Company. The fair value of this prepayment on AUOSP's opening balance sheet was determined to be zero and accordingly the offsetting balance on the Company's balance sheet was written off. Second, an $87.2 million gain associated with the termination of the polysilicon purchase contract between AUOSP and the Company, as the contract required AUOSP to purchase polysilicon at above-market prices. These amounts were partially offset by a $16.9 million loss associated with the termination of the cell supply contract, as the contract required the Company to purchase cells at above-market prices.

Purchase Price Allocation

The Company accounted for this acquisition using the acquisition method. The Company preliminarily allocated the purchase price to the acquired assets and liabilities based on their estimated fair values at the acquisition date as summarized in the following table.

(In thousands)	
Net tangible assets acquired	$161,432
Goodwill	89,600
Total allocable consideration	$251,032

The fair value of the net tangible assets acquired on September 29, 2016 is presented in the following table:

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(In thousands)	
Cash and cash equivalents	$5,997
Inventories	9,072
Prepaid expenses and other current assets:	
Cell supply agreement*	16,928
Related party receivables*	22,875
Other receivables	23,956
Other prepaid expenses	2,711
Property, plant, and equipment	285,589
Other long-term assets	342
Total assets acquired	$367,470
Accounts payable	$41,186
Accrued liabilities:	
Polysilicon supply agreement*	87,198
Related party payables*	14,333
Employee compensation and employee benefits	4,017
Other accrued liabilities	760
Short-term debt	58,248
Other long-term liabilities	296
Total liabilities assumed	$206,038
Net assets acquired	$161,432

*Amount eliminated upon consolidation with the Company.

Goodwill

As noted above, $89.6 million had been allocated to goodwill within all three Segments during the quarter ended October 2, 2016 (see Note 4). Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net tangible and other intangible assets and is not deductible for tax purposes. Among the factors that contributed to a purchase price in excess of the fair value of the net tangible and other intangible assets was the acquisition of an assembled workforce, synergies in technologies, skill sets, operations, and organizational cultures. In connection with the Company’s overall goodwill impairment evaluation as discussed further in Note 4, this goodwill was subsequently impaired during the quarter ending October 2, 2016, and no further goodwill related to the acquisition remained on the Company’s Consolidated Balance Sheet as of October 2, 2016.

Note 4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following table presents the changes in the carrying amount of goodwill under the Company's reportable business segments:

(In thousands)	Residential	Commercial	Power Plant	Total
As of January 3, 2016	$ 32,180	$ 10,314	$15,641	$58,135
Goodwill arising from business combinations	17,771	23,316	48,513	89,600
Goodwill impairment	(49,951)	(33,260)	(64,154)	(147,365)
Adjustments to goodwill	—	(370)	—	(370)

As of October 2, 2016	$ —	$ —	$—	$—

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Goodwill is tested for impairment at least annually, or more frequently if certain indicators are present. If goodwill is determined more likely than not to be impaired upon an initial assessment of qualitative factors, a two-step valuation and accounting process is used to test for goodwill impairment. The first step is to determine if there is an indication of impairment by comparing the estimated fair value of each reporting unit to its carrying value, including existing goodwill. Goodwill is considered impaired if the carrying value of a reporting unit exceeds the estimated fair value. Upon an indication of impairment, a second step is performed to determine the amount of the impairment by comparing the implied fair value of the reporting unit's goodwill with its carrying value.

The Company conducts its annual impairment test of goodwill as of the first day of the fourth fiscal quarter of each year, or on an interim basis if circumstances warrant. Impairment of goodwill is tested at the Company's reporting unit level. Management determined that the Residential Segment, the Commercial Segment, and the Power Plant Segment are the reporting units. In estimating the fair value of the reporting units, the Company makes estimates and judgments about its future cash flows using an income approach defined as Level 3 inputs under fair value measurement standards. The income approach, specifically a discounted cash flow analysis, included assumptions for, among others, forecasted revenue, gross margin, operating income, working capital cash flow, perpetual growth rates and long-term discount rates, all of which require significant judgment by management. The sum of the fair values of the Company's reporting units are also compared to the Company's total external market capitalization to validate the appropriateness of its assumptions and such reporting unit values are adjusted, if appropriate. These assumptions also consider the current industry environment and outlook, and the resulting impact on the Company's expectations for the performance of its business.

Due to market circumstances that occurred during the third quarter of fiscal 2016, including a decline in the Company's stock price which resulted in the market capitalization of the Company being below its book value, the Company determined that an interim goodwill impairment evaluation was necessary. Based on the interim impairment test as of October 2, 2016, the Company determined that the carrying value of all reporting units exceeded their fair value. As a result, the Company performed a preliminary evaluation of the second step of the impairment analysis for the reporting units discussed above, which was not finalized at the time the financial statements were issued. The Company's preliminary calculation of the implied fair value of goodwill included significant assumptions for, among others, the fair values of recognized assets and liabilities and of unrecognized intangible assets, all of which require significant judgment by management. The Company preliminarily calculated that the implied fair value of goodwill for all reporting units was zero and therefore preliminarily recorded a goodwill impairment loss of $147.4 million, representing all of the goodwill associated with these reporting units. The Company will finalize its analysis during the fourth quarter of fiscal 2016.

Other Intangible Assets

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

(In thousands)	Gross	Accumulated Amortization	Net
As of October 2, 2016			
Patents and purchased technology	$48,619	$ (13,087)	$35,532
Project pipeline assets	9,446	(1,353)	8,093
Purchased in-process research and development	3,700	(360)	3,340
Other	500	(500)	—
	$62,265	$ (15,300)	$46,965
As of January 3, 2016			
Patents and purchased technology	$53,499	$ (5,328)	$48,171

Project pipeline assets	9,446	—	9,446
Purchased in-process research and development	3,700	—	3,700
Other	500	(375)	125
	$67,145	$ (5,703)	$61,442

During the three and nine months ended October 2, 2016, aggregate amortization expense for intangible assets totaled $3.0 million and $14.4 million, respectively. During the three and nine months ended September 27, 2015, aggregate amortization expense for intangible assets totaled $1.2 million and $2.3 million, respectively.

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As of October 2, 2016, the estimated future amortization expense related to intangible assets with finite useful lives is as follows:

(In thousands)	Amount
Fiscal Year	
2016 (remaining three months)	$6,658
2017	11,854
2018	12,014
2019	8,902
2020	6,317
	$45,745

Note 5. BALANCE SHEET COMPONENTS

(In thousands)	As of October 2, 2016	January 3, 2016
Accounts receivable, net:		
Accounts receivable, gross[1,2]	$246,090	$207,860
Less: allowance for doubtful accounts	(20,446)	(15,505)
Less: allowance for sales returns	(1,808)	(1,907)
	$223,836	$190,448

1 Includes short-term financing receivables associated with solar power systems leased of $17.8 million and $12.5 million as of October 2, 2016 and January 3, 2016, respectively (see Note 6).

2 Includes short-term retainage of $12.7 million and $11.8 million as of October 2, 2016 and January 3, 2016, respectively. Retainage refers to the earned, but unbilled, portion of a construction and development project for which payment is deferred by the customer until certain contractual milestones are met.

(In thousands)	As of October 2, 2016	January 3, 2016
Inventories:		
Raw materials	$143,373	$124,297
Work-in-process	170,499	131,258
Finished goods	133,242	126,835
	$447,114	$382,390

(In thousands)	As of October 2, 2016	January 3, 2016
Prepaid expenses and other current assets:		
Deferred project costs	$84,602	$67,479
VAT receivables, current portion	13,068	14,697
Deferred costs for solar power systems to be leased	34,469	40,988
Derivative financial instruments	2,875	8,734
Prepaid inventory	—	50,615
Other receivables	97,646	78,824
Prepaid taxes	68,997	71,529
Other prepaid expenses	34,954	26,651

Other current assets	72	—
	$336,683	$359,517

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(In thousands)	As of October 2, 2016	January 3, 2016
Project assets - plants and land:		
Project assets — plants	$921,357	$479,108
Project assets — land	18,767	5,416
	$940,124	$484,524
Project assets - plants and land, current portion	$828,842	$479,452
Project assets - plants and land, net of current portion	$111,282	$5,072

(In thousands)	As of October 2, 2016	January 3, 2016
Property, plant and equipment, net:		
Manufacturing equipment[1]	$764,002	$556,963
Land and buildings	127,725	32,090
Leasehold improvements	434,844	244,098
Solar power systems[2]	149,518	141,075
Computer equipment	183,417	103,443
Furniture and fixtures	12,463	10,640
Construction-in-process	62,667	247,511
	1,734,636	1,335,820
Less: accumulated depreciation	(609,622)	(604,590)
	$1,125,014	$731,230

1 The Company's mortgage loan agreement with International Finance Corporation ("IFC") is collateralized by certain manufacturing equipment with a net book value of $60.8 million and $85.1 million as of October 2, 2016 and January 3, 2016, respectively.

2 Includes $120.1 million and $110.4 million of solar power systems associated with sale-leaseback transactions under the financing method as of October 2, 2016 and January 3, 2016, 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).

(In thousands)	As of October 2, 2016	January 3, 2016
Property, plant and equipment, net by geography[1]:		
Philippines	$524,707	$460,420
Malaysia	285,589	—
United States	221,914	201,419
Mexico	70,648	44,164
Europe	21,084	22,962
Other	1,072	2,265
	$1,125,014	$731,230

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

(In thousands)	As of October 2, 2016	January 3, 2016

Other long-term assets:		
Equity method investments[1]	$(43,664)	$186,405
Cost method investments	48,472	36,369
Other	79,585	75,201
	$84,393	$297,975

[1] Includes the carrying value of the Company's investment in the 8point3 Group, which had a negative value of $55.2 million and $30.9 million as of October 2, 2016 and January 3, 2016, respectively (see Note 10).

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(In thousands)	As of October 2, 2016	January 3, 2016
Accrued liabilities:		
Employee compensation and employee benefits	$50,443	$59,476
Deferred revenue	31,730	19,887
Short-term residential lease financing	23,453	7,395
Interest payable	11,991	8,165
Short-term warranty reserves	3,742	16,639
Restructuring reserve	6,199	1,823
VAT payables	5,161	4,225
Derivative financial instruments	8,803	2,316
Inventory payable	—	50,615
Liability due to 8point3 Energy Partners	—	9,952
Proceeds from 8point3 Energy Partners attributable to projects prior to Commercial Operation Date ("COD")	13,997	—
Contributions from noncontrolling interests attributable to projects prior to COD	2,409	—
Taxes payable	25,076	36,824
Liability due to AU Optronics	23,408	—
Other	73,620	96,180
	$280,032	$313,497

(In thousands)	As of October 2, 2016	January 3, 2016
Other long-term liabilities:		
Deferred revenue	$179,022	$179,779
Long-term warranty reserves	156,312	147,488
Long-term sale-leaseback financing	138,864	125,286
Long-term residential lease financing with 8point3 Energy Partners	29,415	29,389
Unrecognized tax benefits	44,105	43,297
Long-term pension liability	14,222	12,014
Derivative financial instruments	1,780	1,033
Long-term liability due to AU Optronics	77,142	—
Other	15,151	26,271
	$656,013	$564,557

(In thousands)	As of October 2, 2016	January 3, 2016
Accumulated other comprehensive loss:		
Cumulative translation adjustment	$(9,879)	$(11,164)
Net unrealized gain (loss) on derivatives	(883)	5,942
Net loss on long-term pension liability adjustment	(2,055)	(2,055)
Deferred taxes	(30)	(746)
	$(12,847)	$(8,023)

Note 6. LEASING

Residential Lease Program

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

Operating Leases

The following table summarizes "Solar power systems leased and to be leased, net" under operating leases on the Company's Consolidated Balance Sheets as of October 2, 2016 and January 3, 2016:

(In thousands)	As of October 2, 2016	January 3, 2016
Solar power systems leased and to be leased, net[1,2]:		
Solar power systems leased	$655,352	$543,358
Solar power systems to be leased	28,002	34,319
	683,354	577,677
Less: accumulated depreciation	(64,599)	(46,157)
	$618,755	$531,520

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

2 As of October 2, 2016 and January 3, 2016, the Company had pledged solar assets with an aggregate book value of $11.0 million and zero, respectively, to third-party investors as security for the Company's contractual obligations.

The following table presents the Company's minimum future rental receipts on operating leases placed in service as of October 2, 2016:

(In thousands)	Fiscal 2016 (remaining three months)	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Thereafter	Total
Minimum future rentals on operating leases placed in service[1]	$ 4,884	22,255	22,298	22,339	22,383	322,090	$416,249

1 Minimum future rentals on operating leases placed in service does not include contingent rentals that may be received from customers under agreements that include performance-based incentives nor does it include rent receivables on operating leases sold to the 8point3 Group.

Sales-Type Leases

As of October 2, 2016 and January 3, 2016, 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:

(In thousands)	As of October 2, 2016	January 3, 2016
Financing receivables[1]:		
Minimum lease payments receivable[2]	$520,245	$366,759
Unguaranteed residual value	66,349	50,722
Unearned income	(97,499)	(70,155)

Net financing receivables	$489,095	$347,326
Current	$17,761	$12,535
Long-term	$471,334	$334,791

[1] As of October 2, 2016 and January 3, 2016, the Company had pledged financing receivables of $13.8 million and zero, respectively, to third-party investors as security for the Company's contractual obligations.

[2] Net of allowance for doubtful accounts.

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As of October 2, 2016, future maturities of net financing receivables for sales-type leases are as follows:

(In thousands)	Fiscal 2016 (remaining three months)	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Thereafter	Total
Scheduled maturities of minimum lease payments receivable[1]	$ 7,089	25,946	26,168	26,391	26,621	408,030	$520,245

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

Sale-Leaseback Arrangements

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

The Company has classified its sale-leaseback arrangements of solar power systems not involving integral equipment as operating leases. The deferred profit on the sale of these systems is recognized over the term of the lease. As of October 2, 2016, future minimum lease obligations associated with these systems were $80.3 million, which will be recognized over the minimum lease terms. Future minimum payments to be received from customers under PPAs associated with the solar power systems under sale-leaseback arrangements classified as operating leases will be recognized over the lease terms of up to 20 years and are contingent upon the amounts of energy produced by the solar power systems.

The Company enters into certain sale-leaseback arrangements under which the systems subject to the sale-leaseback arrangements have been determined to be integral equipment as defined under the accounting guidance for such transactions. The Company has continuing involvement with the solar power systems throughout the lease due to purchase option rights in the arrangements. As a result of such continuing involvement, the Company accounts for each of these transactions as a financing. Under the financing method, the proceeds received from the sale of the solar power systems are recorded by the Company as financing liabilities. The financing liabilities are subsequently reduced by the Company's payments to lease back the solar power systems, less interest expense calculated based on the Company's incremental borrowing rate adjusted to the rate required to prevent negative amortization. The solar power systems under the sale-leaseback arrangements remain on the Company's balance sheet and are classified within "Property, plant and equipment, net" (see Note 5). As of October 2, 2016, future minimum lease obligations for the sale-leaseback arrangements accounted for under the financing method were $111.4 million, which will be recognized over the lease terms of up to 25 years. During the three and nine months ended October 2, 2016, the Company had net financing proceeds (repayments) of $(3.3) million and $12.4 million, respectively, in connection with these sale-leaseback arrangements. During the three and nine months ended September 27, 2015, the Company had net financing proceeds of zero and $15.0 million, respectively, in connection with these sale-leaseback arrangements. As of October 2, 2016 and January 3, 2016, the carrying amount of the sale-leaseback financing liabilities, presented in "Other long-term liabilities" on the Company's Consolidated Balance Sheets, was $138.9 million and $125.3 million, respectively (see Note 5).

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.

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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 October 2, 2016 or January 3, 2016.

The following table summarizes the Company's assets and liabilities measured and recorded at fair value on a recurring basis as of October 2, 2016 and January 3, 2016:

	October 2, 2016			January 3, 2016		
(In thousands)	Total	Level 1	Level 2	Total	Level 1	Level 2
Assets						
Cash and cash equivalents[1]:						
Money market funds	$3,002	$3,002	$—	$540,000	$540,000	$—
Prepaid expenses and other current assets:						
Derivative financial instruments (Note 12)	2,875	—	2,875	8,734	—	8,734
Other long-term assets:						
Derivative financial instruments (Note 12)	356	—	356	—	—	—
Total assets	$6,233	$3,002	$3,231	$548,734	$540,000	$8,734
Liabilities						
Accrued liabilities:						
Derivative financial instruments (Note 12)	8,803	—	8,803	2,316	—	2,316
Other long-term liabilities:						
Derivative financial instruments (Note 12)	1,780	—	1,780	1,033	—	1,033
Total liabilities	$10,583	$—	$10,583	$3,349	$—	$3,349

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

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

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

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

Held-to-Maturity Debt Securities

The Company's debt securities, classified as held-to-maturity, are Philippine government bonds that the Company maintains as collateral for business transactions within the Philippines. These bonds have various maturity dates and are classified as "Restricted long-term marketable securities" on the Company's Consolidated Balance Sheets. As of October 2, 2016 and January 3, 2016 these bonds had a carrying value of zero and $6.5 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.

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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 October 2, 2016 and January 3, 2016, the Company had $(43.7) million and $186.4 million, respectively, in investments accounted for under the equity method (see Note 10). As of October 2, 2016 and January 3, 2016, the Company had $48.5 million and $36.4 million respectively, in investments accounted for under the cost method.

Note 8. RESTRUCTURING

August 2016 Restructuring Plan

On August 9, 2016, the Company adopted and began implementing initiatives to realign the Company’s downstream investments, optimize the Company’s supply chain and reduce operating expenses, in response to expected near-term challenges primarily relating to the Company’s Power Plant Segment. In connection with the realignment, which is expected to be completed by the end of fiscal 2017, the Company expects approximately 1,200 employees to be affected, primarily in the Philippines, representing approximately 15% of the Company’s global workforce. The Company expects to incur restructuring charges totaling approximately $30 million to $45 million, consisting primarily of severance benefits, asset impairments, lease and related termination costs, and other associated costs. The Company expects more than 50% of total charges to be cash. The actual timing and costs of the plan may differ from the Company’s current expectations and estimates due to a number of factors, including uncertainties related to required consultations with employee representatives as well as other local labor law requirements and mandatory processes in the relevant jurisdictions.

Legacy Restructuring Plans

During fiscal 2011, 2012 and 2014, 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 October 2, 2016; 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:

(In thousands)	Nine Months Ended October 2, 2016	Nine Months Ended September 27, 2015	Cumulative To Date
August 2016 Plan:			
Non-cash impairment charges	$17,926	$ —	$ 17,926
Severance and benefits	12,624	—	12,624
Lease and related termination costs	557	—	557
Other costs[1]	$85	$ —	85

	$31,192	$ —	$ 31,192
Legacy Restructuring Plans:			
Non-cash impairment charges	$—	$ 5	$ 61,320
Severance and benefits	350	3,319	61,949
Lease and related termination costs	(214)	—	6,770
Other costs[1]	87	2,732	13,624
	$223	$ 6,056	$ 143,663
Total restructuring charges	$31,415	$ 6,056	$ 174,855

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

The following table summarizes the restructuring reserve activity during the nine months ended October 2, 2016:

	Nine Months Ended			
(In thousands)	January 3, 2016	Charges (Benefits)	Payments	October 2, 2016
August 2016 Plan:				
Non-cash impairment charges	$—	$ 17,926	$—	$—
Severance and benefits	—	12,624	(7,580)	5,044
Lease and related termination costs	—	557	(3)	554
Other costs[1]	—	85	(85)	—
	$—	31,192	$ (7,668)	5,598
Legacy Restructuring Plans:				
Non-cash impairment charges	$—	$—	$—	$—
Severance and benefits	395	350	(426)	319
Lease and related termination costs	743	(214)	(361)	168
Other costs[1]	685	87	(658)	114
	1,823	223	(1,445)	601
Total restructuring liability	$ 1,823	$ 31,415	$ (9,113)	$ 6,199

[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 October 2, 2016, future minimum lease payments for facilities under operating leases were $43.1 million, to be paid over the remaining contractual terms of up to 8 years. The Company also leases certain buildings, machinery and equipment under non-cancellable capital leases. As of October 2, 2016, future minimum lease payments for assets under capital leases were $5.1 million, to be paid over the remaining contractual terms of up to 7 years.

Purchase Commitments

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

The Company also has agreements with several suppliers, including some of its non-consolidated investees, for the procurement of polysilicon, ingots, wafers, and Solar Renewable Energy Credits, among others, which specify future quantities and pricing of products to be supplied by the vendors for periods up to 8 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 October 2, 2016 are as follows:

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(In thousands)	Fiscal 2016 (remaining three months)	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Thereafter	Total[1]
Future purchase obligations	$ 493,549	355,511	200,348	175,694	161,847	3,000	$ 1,389,949

1 Total future purchase obligations were composed of $218.8 million related to non-cancellable purchase orders and $1.2 billion related to long-term supply agreements.

The Company expects that all obligations related to non-cancellable purchase orders for manufacturing equipment will be recovered through future cash flows of the solar cell manufacturing lines and solar panel assembly lines when such long-lived assets are placed in service. Factors considered important that could result in an impairment review include significant under-performance relative to expected historical or projected future operating results, significant changes in the manner of use of acquired assets, and significant negative industry or economic trends. Obligations related to non-cancellable purchase orders for inventories match current and forecasted sales orders that will consume these ordered materials and actual consumption of these ordered materials are 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 was required to make prepayments to the vendors over the terms of the arrangements. As of October 2, 2016 and January 3, 2016, advances to suppliers totaled $314.1 million and $359.1 million, respectively, of which $73.0 million and $85.0 million, respectively, is classified as short-term in the Company's Consolidated Balance Sheets. Two suppliers accounted for 86% and 14% of total advances to suppliers, respectively, as of October 2, 2016, and 82% and 16%, respectively, as of January 3, 2016.

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 October 2, 2016 is as follows:

(In thousands)	Fiscal 2016 (remaining three months)	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Thereafter	Total
Estimated utilization of advances from customers	$ 1,791	11,174	—	—	—	—	$ 12,965

In fiscal 2010, the Company and its then joint venture, AUO SunPower Sdn. Bhd. ("AUOSP"), entered into an agreement under which the Company resold to AUOSP polysilicon purchased from a third-party supplier. In the third quarter of fiscal 2016, the Company terminated this agreement in connection with its acquisition and subsequent consolidation of AUOSP (See Note 3). Prior to the termination of the agreement, advance payments provided by AUOSP related to such polysilicon were then made by the Company to the third-party supplier. These advance payments were applied as a credit against AUOSP’s polysilicon purchases from the Company. Such polysilicon was used by AUOSP to manufacture solar cells that were sold to the Company on a "cost-plus" basis. The outstanding advance payments received from AUOSP are no longer included in the table above as the amounts are now eliminated as intercompany transactions in the purchase accounting for the acquisition and accordingly, as of October 2, 2016, the Company did not have a balance for advance payments received from AUOSP on its Consolidated Balance Sheets. As of January 3, 2016, advance payments received from AUOSP totaled $148.9 million, of which $22.7 million was classified as short-term in the Company's Consolidated Balance Sheets, based on projected product shipment dates.

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Product Warranties

The following table summarizes accrued warranty activity for the three and nine months ended October 2, 2016 and September 27, 2015, respectively:

(In thousands)	Three Months Ended October 2, 2016	Three Months Ended September 27, 2015	Nine Months Ended October 2, 2016	Nine Months Ended September 27, 2015
Balance at the beginning of the period	$164,784	$156,531	$164,127	$154,648
Accruals for warranties issued during the period	(1,776)	6,716	7,338	19,058
Settlements and adjustments during the period	(2,954)	(1,608)	(11,411)	(12,067)
Balance at the end of the period	$160,054	$161,639	$160,054	$161,639

Contingent Obligations

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

Future Financing Commitments

The Company is required to provide certain funding under agreements with unconsolidated investees, subject to certain conditions (see Note 10). As of October 2, 2016, the Company's financing obligations related to these agreements are as follows:

(In thousands)	Amount
Year	
2016 (remaining three months)	$7,488
2017	1,561
	$9,049

Liabilities Associated with Uncertain Tax Positions

Total liabilities associated with uncertain tax positions were $44.1 million and $43.3 million as of October 2, 2016 and January 3, 2016, respectively. These amounts are included in "Other long-term liabilities" in the Company's Consolidated Balance Sheets in their respective periods as they are not expected to be paid within the next 12 months. Due to the complexity and uncertainty associated with its tax positions, the Company cannot make a reasonably reliable estimate of the period in which cash settlement, if any, would be made for its liabilities associated with uncertain tax positions in other long-term liabilities.

Indemnifications

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

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

Defined Benefit Pension Plans

The Company maintains defined benefit pension plans for the majority of its non-U.S. employees. Benefits under these plans are generally based on an employee's years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances. The funded status of the pension plans, which represents the difference between the benefit obligation and fair value of plan assets, is calculated on a plan-by-plan basis. The benefit obligation and related funded status are determined using assumptions as of the end of each fiscal year. The Company recognizes the overfunded or underfunded status of its pension plans as an asset or liability on its Consolidated Balance Sheets. As of October 2, 2016 and January 3, 2016, the underfunded status of the Company's pension plans, presented in "Other long-term liabilities" on the Company's Consolidated Balance Sheets, was $14.2 million and $12.0 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. Total other comprehensive gain related to the Company's benefit plans was zero for the three and nine months ended October 2, 2016.

Legal Matters

Tax Benefit Indemnification Litigation

On March 19, 2014, a lawsuit was filed by NRG Solar LLC, now known as NRG Renew LLC ("NRG"), against SunPower Corporation, Systems, a wholly-owned subsidiary of the Company ("SunPower Systems"), in the Superior Court of Contra Costa County, California. The complaint asserts that, according to the indemnification provisions in the contract pertaining to SunPower Systems' sale of a large California solar project to NRG, SunPower Systems owes NRG $75.0 million in connection with certain 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 the Treasury Department. 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.

First Philec Arbitration

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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 was a joint venture of FPEC and SPML for the purpose of slicing silicon wafers from ingots. 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 issued its final award dated September 30, 2015, which ordered that (i) each side should bear its own costs and attorneys' fees, and (ii) the arbitration costs should be split between the parties evenly.

SPML had filed a challenge to both the first and second partial awards, as well as the final award, with the High Court in Hong Kong. SPML had 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) gain access to FPSC's books and records. The application for access was granted, and the application to prevent enforcement of the award had not been ruled on as of the time the proceedings were discontinued as a result of the settlement described below.

On July 22, 2016, SPML entered into an agreement (the "Compromise Agreement") with FPEC and FPSC to settle all claims, counterclaims, disputes, and proceedings between FPEC and FPSC on the one hand, and SPML on the other hand. All legal proceedings that are pending between the parties in Hong Kong and in the Philippines have been discontinued, terminated and dismissed. Pursuant to the terms of the Compromise Agreement, on July 22, 2016, SPML paid a total of $50.5 million to FPSC and FPEC in settlement of all claims between the parties. Also pursuant to the Compromise Agreement, SPML transferred all of its shares in FPSC to FPEC.

AUO Arbitration

On April 17, 2015, SunPower Technology Ltd. ("SPTL"), a wholly-owned subsidiary, 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 (the "JVA"). SPTL's claim alleged that, among other things, the AUO Group had sold solar modules containing cells manufactured by AUOSP in violation of provisions in the JVA that set geographical restrictions on sales activities as well as provisions that restrict each party's use of the other's confidential information. SPTL sought approximately $23.0 million in damages, as well as the right to purchase AUO's shares in AUOSP at 70% of "fair market value" determined as provided under the JVA.

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 alleged breach of contract, breach of covenant of good faith and fair dealing, several tort causes of action, and improper use of the AUO Group's proprietary manufacturing expertise. The AUO Group sought $20.0 million in lost profits and $48.0 million in disgorgement from the SunPower Group, and an order requiring SPTL to purchase AUO's shares in AUOSP at 150% of "fair market value" determined as provided under the JVA.

On September 19, 2016, the SunPower Group entered into a full and final settlement agreement (the “Settlement Agreement”) with the AUO Group to settle all claims, demands, damages, actions, causes of action, or suits between them, including but not limited to the arbitration before the ICC International Court of Arbitration. Pursuant to the Settlement Agreement, SunPower acquired AUO's shares in AUOSP on September 29, 2016 in accordance with the Stock Purchase Agreement (see Note 3). No monetary amounts specifically related to the arbitration were exchanged between the parties as a result of the Settlement Agreement.

Class Action and Derivative Suits

On August 16, 2016 and August 26, 2016, two securities class action lawsuits were filed against the Company and certain of its officers and directors (the "Defendants") in the United States District Court for the Northern District of California on behalf of a class consisting of those who acquired the Company's securities from February 17, 2016 through August 9, 2016 (the "Class Period"). The substantially identical complaints allege violations of Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§78j(b) and 78t(a) and SEC Rule 10b-5, 17 C.F.R. §240.10b-5. The complaints were filed following the issuance of the Company's August 9, 2016 earnings release and revised guidance and generally allege that throughout the Class Period, Defendants made materially false and/or misleading statements and failed to disclose material adverse facts about the Company’s business, operations, and prospects. On October 17, 2016, five motions to be appointed lead plaintiff were filed. The court has scheduled a hearing on the motions on December 8, 2016.

Three shareholder derivative actions have been filed in federal court, purporting to be brought on the Company's behalf against certain of the Company's current and former officers and directors based on the same events alleged in the securities class action lawsuits described above. The Company is named as a nominal defendant. These derivative actions were filed on September 16, 2016, September 20, 2016, and October 17, 2016, respectively. The plaintiffs assert claims for alleged breaches of fiduciary duties, unjust enrichment, and waste of corporate assets for the period February 2016 through the present and generally allege that the defendants made or caused the Company to make materially false and/or misleading statements and failed to disclose material adverse facts about the Company’s business, operations, and prospects. The plaintiffs also claim that the alleged conduct is a breach of the Company's Code of Business Conduct and Ethics, and that defendants, including members of the Company's Audit Committee, breached their fiduciary duties by failing to ensure the adequacy of the Company's internal controls, and by causing or allowing the Company to disseminate false and misleading statements in the Company’s SEC filings and other disclosures. On October 27, 2016, two shareholder derivative actions purporting to be brought on the Company’s behalf were brought in the Superior Court of California for the County of Santa Clara against certain of the Company’s current and former officers and directors based on the same events alleged in the securities class action and federal derivative lawsuits described above, and alleging breaches of fiduciary duties.

The two securities class action lawsuits and the federal derivative actions filed on September 16, 2016 and September 20, 2016 have all been related by the Court and assigned to one judge. The Company anticipates that the October 17, 2016 derivative action will also be deemed related to the other four actions. The Company is currently unable to determine if the resolution of these matters will have a material adverse effect on the Company's financial position, liquidity, or results of operations.

Other Litigation

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

Note 10. EQUITY METHOD INVESTMENTS

As of October 2, 2016 and January 3, 2016, the Company's carrying value of its equity method investments totaled $(43.7) million and $186.4 million, respectively, and is classified as "Other long-term assets" in its Consolidated Balance Sheets. These balances include the carrying value of the Company's investment in the 8point3 Group, which had a negative value of $55.2 million and $30.9 million as of October 2, 2016 and January 3, 2016, respectively (see below). The Company's share of its earnings (loss) from equity method investments is reflected as "Equity in earnings of unconsolidated investees" in its Consolidated Statements of Operations.

Equity Investment and Joint Venture with AUOSP

In fiscal 2010, the Company, AUO and AUO Corp. formed the joint venture AUOSP. On September 29, 2016, the Company completed its acquisition of AUOSP pursuant to the Stock Purchase agreement, under which the Company acquired 100% of the voting equity interest in AUOSP (see Note 3). Prior to the acquisition, the Company and AUO each owned 50% of the equity in AUOSP. AUOSP owns a solar cell manufacturing facility in Malaysia and manufactures solar cells and, prior to the acquisition, sold them on a "cost-plus" basis to the Company and AUO.

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 was committed to purchase 80% of AUOSP's total annual output allocated on a monthly basis to the Company. The Company and AUO had 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 would resell to AUOSP polysilicon purchased from a third-party supplier and AUOSP

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would provide prepayments to the Company related to such polysilicon, which prepayment would then be made by the Company to the third-party supplier. In connection with the transactions contemplated under the Stock Purchase Agreement, the Company and AUOSP terminated certain agreements, including the agreements described in this paragraph (see Note 3).

Prior to the acquisition, the Company had concluded that it was not the primary beneficiary of AUOSP since, although the Company and AUO were both obligated to absorb losses or had the right to receive benefits, the Company alone did not have the power to direct the activities of AUOSP that most significantly impacted 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 contributed to the activities that most significantly impacted the joint venture's economic performance. Prior to the acquisition, the Company accounted for its investment in AUOSP using the equity method as a result of the shared power arrangement. As a result of the acquisition, AUOSP became a consolidated subsidiary of the Company and the results of operations of AUOSP have been included in the Consolidated Statement of Operations of the Company since September 29, 2016. Up until the acquisition date of September 29, 2016, the Company's maximum exposure to loss as a result of its equity investment in AUOSP was limited to the carrying value of the investment. As of October 2, 2016 and January 3, 2016, the Company's investment in AUOSP had a carrying value of zero and $202.3 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 LCPV concentrator technology in Inner Mongolia and other regions in China. CCPV is based in Hohhot, Inner Mongolia. The establishment of the entity was subject to approval of the Chinese government, which was received in the fourth quarter of fiscal 2013. In December 2013, the Company made a $16.4 million equity investment in CCPV, for a 25% equity ownership.

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

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

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

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

Equity Investment in 8point3 Energy Partners

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

Immediately after the IPO, the Company contributed a portfolio of solar generation assets (the "SPWR Projects") to 8point3 Operating Company, LLC ("OpCo"), 8point3 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 (since reduced to 36.5% via a secondary issuance of shares in fiscal 2016) and a 50.0% economic and management stake in 8point3 Holding Company, LLC (“Holdings”), the parent company of the general partner of 8point3 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 portfolio of the Company’s solar energy projects that are currently contracted or are expected to be contracted before being sold by the Company to other parties (the “ROFO Projects”).

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In connection with the IPO, the Company also entered into O&M, asset management and management services agreements with the 8point3 Group. The services the Company provides under these agreements are priced consistently with market rates for such services and the agreements are terminable by the 8point3 Group for convenience.

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

Future quarterly distributions from OpCo 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. As of October 2, 2016, the forbearance period was no longer in effect and the OpCo units held by the Company were entitled to distributions beginning in the fourth fiscal quarter of 2016.

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.

Under relevant guidance for leasing transactions, the Company treated the portion of the sale of the residential lease portfolio originally sold to the 8point3 Group in connection with the IPO transaction, composed of operating leases and unguaranteed sales-type lease residual values, as a borrowing and reflected the cash proceeds attributable to this portion of the residential lease portfolio as liabilities recorded within “Accrued liabilities” and “Other long-term liabilities” in the Consolidated Balance Sheets (see Note 5). As of October 2, 2016 and January 3, 2016 the operating leases and the unguaranteed sales-type lease residual values which were sold to the 8point3 Group had an aggregate carrying value of $75 million and $78 million, respectively, on the Company's Consolidated Balance Sheets.

During fiscal 2016, the Company sold several ROFO Projects to 8point3 Energy Partners, including a noncontrolling interest in the 128 MW Henrietta utility-scale power plant in California (the "Henrietta Project") and controlling interests in the 60 MW Hooper utility-scale power plant in Colorado and several commercial projects. The Company accounted for these sales as partial sales of real estate and recognized revenue equal to total project costs when such projects reached their commercial operation date. No profit on these sales was recognized, as unconditional cash proceeds did not exceed total project costs, and such derecognition resulted in a net $43.6 million reduction in the carrying value of the Company’s investments in the 8point3 Group. Some of the commercial projects have not yet reached their commercial operation date and therefore, the Company continues to record these projects on its Consolidated Balance Sheet as of October 2, 2016. Please refer to the treatment outlined in "Item 1. Financial Statements—Notes to Consolidated Financial Statements—Note 3. 8point3 Energy Partners LP" in our Annual Report on Form 10-K for the fiscal year ended January 3, 2016 for further information related to the Company's accounting for transactions with the 8point3 Group. The net cash proceeds from the sales of these projects to the 8point3 Group as well as related proceeds from tax equity investors were classified as operating cash inflows in the Consolidated

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Statement of Cash Flows. In addition to the treatment above with respect to the transactions with the 8point3 Group, the sale of the controlling interest in the Henrietta project in the third quarter of fiscal 2016 was accounted for as a partial sale of real estate pursuant to which the Company recognized revenue equal to the sales value.

As of October 2, 2016 and January 3, 2016, the Company's investment in the 8point3 Group had a negative carrying value of $55.2 million and $30.9 million, respectively, resulting from the continued deferral of profit recognition for projects sold to the 8point3 Group that included the sale or lease of real estate.

Related-Party Transactions with Investees:

(In thousands)	As of October 2, 2016	January 3, 2016
Accounts receivable	$—	$ 32,389
Other long-term assets	$ 1,533	$ 1,455
Accounts payable	$—	$ 42,080
Accrued liabilities	$ 13,997	$ 9,952
Customer advances	$ 3,392	$ 710
Other long-term liabilities	$ 29,415	$ 29,389

(In thousands)	Three Months Ended October 2, 2016	Three Months Ended September 27, 2015	Nine Months Ended October 2, 2016	Nine Months Ended September 27, 2015
Payments made to investees for products/services	$ 98,322	$ 100,129	$ 337,831	$ 328,159
Revenues and fees received from investees for products/services[1]	$ 139,485	$ 9,162	$ 271,534	$ 35,964

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

Cost Method Investment in Tendril Networks, Inc.

In November 2014, the Company purchased $20.0 million of preferred stock constituting a minority stake in Tendril Networks, Inc. ("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 million shares of Tendril common stock exercisable through November 23, 2024. The number of shares of Tendril common stock that may be purchased pursuant to the warrants is subject to the Company's and Tendril's achievement of certain financial and operational milestones and other conditions.

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

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Note 11. DEBT AND CREDIT SOURCES

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

	October 2, 2016				January 3, 2016			
(In thousands)	Face Value	Short-term	Long-term	Total	Face Value	Short-term	Long-term	Total
Convertible debt:								
4.00% debentures due 2023	$425,000	$—	$417,162	$417,162	$425,000	$—	$416,369	$416,369
0.875% debentures due 2021	400,000	—	396,914	396,914	400,000	—	396,424	396,424
0.75% debentures due 2018	300,000	—	298,737	298,737	300,000	—	298,167	298,167
IFC mortgage loan	17,500	14,993	2,040	17,033	32,500	14,994	16,778	31,772
CEDA loan	30,000	—	28,105	28,105	30,000	—	27,778	27,778
Non-recourse financing and other debt[1]	948,001	517,193	423,580	940,773	435,963	4,642	429,981	434,623
	$2,120,501	$532,186	$1,566,538	$2,098,724	$1,623,463	$ 19,636	$1,585,497	$1,605,133

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

As of October 2, 2016, the aggregate future contractual maturities of the Company's outstanding debt, at face value, were as follows:

(In thousands)	Fiscal 2016 (remaining three months)	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Thereafter	Total
Aggregate future maturities of outstanding debt	$ 311,022	226,013	328,925	14,532	18,759	1,221,250	$2,120,501

Convertible Debt

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

	October 2, 2016			January 3, 2016		
(In thousands)	Carrying Value	Face Value	Fair Value[1]	Carrying Value	Face Value	Fair Value[1]
Convertible debt:						
4.00% debentures due 2023	$417,162	$425,000	$324,037	$416,369	$425,000	$515,903
0.875% debentures due 2021	396,914	400,000	300,600	396,424	400,000	340,500
0.75% debentures due 2018	298,737	300,000	273,384	298,167	300,000	396,792
	$1,112,813	$1,125,000	$898,021	$1,110,960	$1,125,000	$1,253,195

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

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

4.00% Debentures Due 2023

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

0.875% Debentures Due 2021

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

0.75% Debentures Due 2018

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

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 nine months ended September 27, 2015, the Company recognized a non-cash loss 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 prior to the expiration 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” transactions), 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 was 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

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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 nine months ended September 27, 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 related to recognize the change in fair value before settlement 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 October 2, 2016, no 4.50% Warrants remained outstanding.

Other Debt and Credit Sources

Mortgage Loan Agreement with IFC

In May 2010, the Company entered into a mortgage loan agreement with IFC. Under the loan agreement, the Company borrowed $75.0 million and 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 October 2, 2016 and January 3, 2016, 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 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. On February 17, 2016, the Company entered into an amendment to the credit agreement, expanding the available borrowings under the revolving credit facility to $300.0 million and adding a $200.0 million letter of credit subfacility, subject to the satisfaction of certain conditions. The revolving credit facility includes representations, covenants, and events of default customary for financing transactions of this type.

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. The Company will be required to pay interest on letters of credit under the agreement of (a) with respect to any performance letter of credit, an amount ranging from 0.90% to 1.20% (depending on the Company’s leverage ratio from time to time); and (b) with respect to any other letter of credit, an amount ranging from 1.50% to 2.00% (depending on the Company’s leverage ratio from time to time).

As of October 2, 2016, the Company had $4.7 million of outstanding borrowings under the revolving credit facility, all of which were related to letters of credit. The Company had no outstanding borrowings under the revolving credit facility as of January 3, 2016.

August 2016 Letter of Credit Facility Agreement

In August 2016, the Company entered into a letter of credit facility with Banco Santander, S.A. which provides for the issuance, upon request by the Company, of letters of credit to support obligations of the Company in an aggregate amount not to exceed $85 million. As of October 2, 2016 and January 3, 2016, letters of credit issued and outstanding under the facility with Banco Santander, S.A. totaled $43.8 million and zero, respectively.

2016 Letter of Credit Facility Agreements

In June 2016, the Company entered into a Continuing Agreement for Standby Letters of Credit and Demand Guarantees with Deutsche Bank and Deutsche Bank Trust (the “2016 Non-Guaranteed LC Facility”) which provides for the issuance, upon request by the Company, of letters of credit to support the Company’s obligations in an aggregate amount not to exceed $50.0 million. The 2016 Non-Guaranteed LC Facility will terminate on June 29, 2018. As of October 2, 2016 and January 3, 2016, letters of credit issued and outstanding under the 2016 Non-Guaranteed LC Facility totaled $46.0 million and zero, respectively.

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

In June 2016, in connection with the 2016 Guaranteed LC Facilities, the Company entered into a transfer agreement to transfer to the 2016 Guaranteed LC Facilities all existing outstanding letters of credit issued under the Company’s letter of credit facility agreement with Deutsche Bank, as administrative agent, and certain financial institutions, entered into in August 2011 and amended from time to time. In connection with the transfer of the existing outstanding letters of credit, the aggregate commitment amount under the August 2011 letter of credit facility was permanently reduced to zero on June 29, 2016. As of October 2, 2016 and January 3, 2016, letters of credit issued and outstanding under the August 2011 letter of credit facility with Deutsche Bank totaled zero and $294.5 million, respectively. As of October 2, 2016 and January 3, 2016, letters of credit issued and outstanding under the 2016 Guaranteed LC Facilities totaled $250.6 million and zero, respectively.

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

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

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As of October 2, 2016 and January 3, 2016, letters of credit issued and outstanding under the Deutsche Bank Trust facility totaled $3.6 million and $8.6 million, respectively, which were fully collateralized with restricted cash on the Consolidated Balance Sheets.

Revolving Credit Facility with Mizuho and Goldman Sachs

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

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

As of October 2, 2016 and January 3, 2016, the aggregate carrying value of the Construction Revolver totaled $57.7 million and zero, respectively.

Non-recourse Financing and Other Debt

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

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

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(In thousands)	Aggregate Carrying Value October 2, 2016	January 3, 2016	Balance Sheet Classification
Residential Lease Program			
Bridge loans	$4,450	$ —	Long-term debt
Long-term loans	254,775	171,752	Short-term debt and Long-term debt
Financing arrangements with third parties	52,868	36,784	Accrued liabilities and Other long-term liabilities
Tax equity partnership flip facilities	153,339	128,594	Redeemable non-controlling interests in subsidiaries and non-controlling interests in subsidiaries
Power Plant and Commercial Projects			
Stanford and Turlock credit facility	$201,563	$ —	Short-term debt and Long-term debt
Henrietta credit facility	—	216,691	Short-term debt and Long-term debt
Boulder I credit facility	154,309	—	Short-term debt and Long-term debt
Rio Bravo credit facility	112,586	—	Short-term debt
Wildwood credit facility	41,588	—	Short-term debt
El Pelicano credit facility	47,026	—	Long-term debt
Hooper credit facility	—	37,269	Short-term debt and Long-term debt
Construction Revolver	57,662	—	Short-term debt and Long-term debt
Arizona loan	7,820	8,113	Short-term debt and Long-term debt

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

In fiscal 2016, the Company entered into bridge loans to finance solar power systems and leases under its residential lease program. The loans are repaid over terms ranging from two to seven years. Some loans may be prepaid without penalties at the Company's option at any time, while other loans may be prepaid, subject to a prepayment fee, after one year. During the three and nine months ended October 2, 2016, the Company had net proceeds (repayments) of $(30.6) million and $3.5 million, respectively, in connection with these loans. As of October 2, 2016, the aggregate carrying amount of these loans, presented in "Long-term debt" on the Company's Consolidated Balance Sheets, was $4.5 million.

The Company enters into long-term loans to finance solar power systems and leases under its residential lease program. The loans are repaid over their terms of between 17 and 18 years, and may be prepaid without penalty at the Company’s option beginning seven years after the original issuance of the loan. During the three and nine months ended October 2, 2016, the Company had net proceeds of $80.8 million and $82.9 million, respectively, in connection with these loans. During the three and nine months ended September 27, 2015, the Company had net proceeds of $25.4 million and $79.4 million, respectively, in connection with these loans. As of October 2, 2016, and January 3, 2016, the aggregate carrying amount of these loans, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $254.8 million and $171.8 million, respectively.

The Company has entered into multiple arrangements under which solar power systems are financed by third-party investors or customers, including by a legal sale of the underlying asset that is accounted for as a borrowing under relevant accounting guidelines as the requirements to recognize the transfer of the asset were not met. Under the terms of these arrangements, the third parties make an upfront payment to the Company, which the Company recognizes as a liability that will be reduced over the term of the arrangement as lease receivables and government incentives are received by the third party. As the liability is reduced, the Company makes a corresponding reduction in receivables. During the three and nine months ended October 2, 2016, the Company had net proceeds of $4.9 million and $19.8 million, respectively, in connection with these facilities. During the three and nine months ended September 27, 2015, the Company had net proceeds (repayments) of $2.2 million and $(37.8) million, respectively. As of October 2, 2016, and January 3, 2016, the aggregate carrying amount of these facilities, presented in "Accrued liabilities" and "Other long-term liabilities" on the Company's Consolidated Balance Sheets, was $52.9 million and $36.8 million, respectively (see Note 5).

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The Company also enters into facilities with third-party tax equity investors under which the investors invest in a structure known as a partnership flip. The Company holds controlling interests in these less-than-wholly-owned entities and therefore fully consolidates these entities. The Company accounts for the portion of net assets in the consolidated entities attributable to the investors as noncontrolling interests in its consolidated financial statements. Noncontrolling interests in subsidiaries that are redeemable at the option of the noncontrolling interest holder are classified accordingly as redeemable, between liabilities and equity on the Company's Consolidated Balance Sheets. During the three and nine months ended October 2, 2016, the Company had net contributions of $28.0 million and $78.3 million, respectively, under these facilities and attributed losses of $18.7 million and $55.6 million, respectively, to the non-controlling interests corresponding principally to certain assets, including tax credits, that were allocated to the non-controlling interests during the periods. During the three and nine months ended September 27, 2015, the Company had net contributions of $39.6 million and $126.9 million, respectively, under these facilities and attributed losses of $31.1 million and $80.9 million, respectively, to the non-controlling interests corresponding principally to certain assets, including tax credits, that were allocated to the non-controlling interests during the periods. As of October 2, 2016 and January 3, 2016, the aggregate carrying amount of these facilities, presented in “Redeemable non-controlling interests in subsidiaries” and “Non-controlling interests in subsidiaries” on the Company’s Consolidated Balance Sheets, was $153.3 million and $128.6 million, respectively.

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

In fiscal 2016, the Company entered into the Construction Revolver credit facility to support the construction of the Company’s commercial and small scale utility projects in the United States. During the three and nine months ended October 2, 2016, we had net proceeds of $44.9 million and $57.2 million, respectively, in connection with the facility. As of October 2, 2016, the aggregate carrying amount of the Construction Revolver, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $57.7 million.

In fiscal 2016, the Company entered into a long-term credit facility to finance the 125 MW utility-scale Boulder power plant project in Nevada. During the three and nine months ended October 2, 2016, the Company had net proceeds of $36.5 million and $147.4 million, respectively, in connection with the facility. As of October 2, 2016, the aggregate carrying amount of this facility, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $154.3 million.

In fiscal 2016, the Company entered into a short-term credit facility to finance the utility-scale Rio Bravo power plant projects in California, with an aggregate size of approximately 50 MW. During the three and nine months ended October 2, 2016, the Company had net proceeds of $32.5 million and $109.8 million, respectively, in connection with the facility. As of October 2, 2016, the aggregate carrying amount of this facility, presented in "Short-term debt" on the Company's Consolidated Balance Sheets, was $112.6 million.

In fiscal 2016, the Company entered into a short-term credit facility to finance the 20 MW utility-scale Wildwood power plant project in California. During the three and nine months ended October 2, 2016, the Company had net proceeds of $13.5 million and $38.5 million, respectively, in connection with the facility. As of October 2, 2016, the aggregate carrying amount of this facility, presented in "Short-term debt" on the Company's Consolidated Balance Sheets, was $41.6 million.

In fiscal 2016, the Company entered into a long-term credit facility to finance several related utility-scale power plant projects in California, including the Stanford and Turlock projects, with an aggregate size of approximately 350 MW.

During the three and nine months ended October 2, 2016, the Company had net proceeds of zero and $192.2 million, respectively, in connection with the facility. As of October 2, 2016, the aggregate carrying amount of this facility, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $201.6 million.

In fiscal 2016, the Company entered into a long-term credit facility to finance the 111 MW utility-scale El Pelicano power plant project in Chile. During both the three and nine months ended October 2, 2016, the Company had net proceeds of $41.4 million in connection with the facility. As of October 2, 2016, the aggregate carrying amount of this facility, presented in "Long-term debt" on the Company's Consolidated Balance Sheets, was $47.0 million.

In fiscal 2015, the Company entered into a long-term credit facility to finance the 128 MW utility-scale Henrietta power plant in California. During the three months ended October 2, 2016, in connection with the sale of the project, the Company repaid the full amount outstanding, and as a result, during both the three and nine months ended October 2, 2016, the Company had net repayments of $216.7 million in connection with the facility. As of January 3, 2016, the aggregate carrying amount of

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this loan, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $216.7 million.

In fiscal 2015, the Company entered into a long-term credit facility to finance the 60 MW Hooper utility-scale power plant in Colorado. In the first quarter of fiscal 2016, the Company repaid the full amount outstanding. During the nine months ended October 2, 2016, the Company had net repayments of $37.3 million, in connection with the facility. As of January 3, 2016, the carrying amount of this facility, presented in "Long-term debt" on the Company's Consolidated Balance Sheets, was $37.3 million.

In fiscal 2013, the Company entered into a long-term loan agreement to finance a 5.4 MW utility and power plant operating in Arizona. As of both October 2, 2016, and January 3, 2016, the aggregate carrying amount under this loan, presented in "Short-term debt" and "Long-term debt" on the Company's Consolidated Balance Sheets, was $7.8 million.

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

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

Note 12. DERIVATIVE FINANCIAL INSTRUMENTS

The following tables present information about the Company's hedge instruments measured at fair value on a recurring basis as of October 2, 2016 and January 3, 2016, all of which utilize Level 2 inputs under the fair value hierarchy:

(In thousands)	Balance Sheet Classification	October 2, 2016	January 3, 2016
Assets:			
Derivatives designated as hedging instruments:			
Foreign currency option contracts	Prepaid expenses and other current assets	$ 425	$ —
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	4	—
Foreign currency option contracts	Other long-term assets	356	—
		$ 785	$ —
Derivatives not designated as hedging instruments:			
Foreign currency option contracts	Prepaid expenses and other current assets	$ 46	$ —
Foreign currency forward exchange contracts	Prepaid expenses and other current assets	2,400	8,734
		$ 2,446	$ 8,734
Liabilities:			
Derivatives designated as hedging instruments:			
Foreign currency option contracts	Accrued liabilities	$ 880	$ —
Foreign currency forward exchange contracts	Accrued liabilities	—	141
Foreign currency option contracts	Other long-term liabilities	535	—
Interest rate contracts	Other long-term liabilities	792	583
		$ 2,207	$ 724
Derivatives not designated as hedging instruments:			
Foreign currency option contracts	Accrued liabilities	$ 120	$ —
Foreign currency forward exchange contracts	Accrued liabilities	7,803	2,175

Interest rate contracts	Other long-term liabilities	453	450
		$ 8,376	$ 2,625

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	October 2, 2016					
				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	$3,231	$ —	$ 3,231	$ 3,231	$ —	$ —
Derivative liabilities	$10,583	$ —	$ 10,583	$ 3,231	$ —	$ 7,352

	January 3, 2016					
				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	$8,734	$ —	$ 8,734	$ 2,316	$ —	$ 6,418
Derivative liabilities	$3,349	$ —	$ 3,349	$ 2,316	$ —	$ 1,033

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		Nine Months Ended	
(In thousands)	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
Derivatives designated as cash flow hedges:				
Gain (loss) in OCI at the beginning of the period	$(939)	$ (635)	$5,942	$ (1,443)
Unrealized gain (loss) recognized in OCI (effective portion)	(39)	4,704	(50)	9,339
Less: Loss (gain) reclassified from OCI to revenue (effective portion)	95	95	(6,775)	(3,732)
Net change in derivatives	$56	$ 4,799	$(6,825)	$ 5,607
Gain (loss) in OCI at the end of the period	$(883)	$ 4,164	$(883)	$ 4,164

The following table summarizes the amount of gain or loss recognized in "Other, net" in the Consolidated Statements of Operations in the three and nine months ended October 2, 2016, and September 27, 2015:

	Three Months Ended		Nine Months Ended	
(In thousands)	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
Derivatives designated as cash flow hedges:				
Loss recognized in "Other, net" on derivatives (ineffective portion and amount excluded from effectiveness testing)	$(117)	$ (666)	$(1,788)	$ (1,289)
Derivatives not designated as hedging instruments:				
Gain (loss) recognized in "Other, net"	$(6,090)	$ (39)	$(17,799)	$ 1,112

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 October 2, 2016, the Company had designated outstanding cash flow hedge option contracts and forward contracts with an aggregate notional value of $53.3 million, and $7.0 million, respectively. As of January 3, 2016, the Company had designated outstanding cash flow hedge forward contracts with an aggregate notional value of $23.6 million. The Company designates either gross external or intercompany revenue up to its net economic exposure. These derivatives have a maturity of 12 months or less and consist of foreign currency option and forward contracts. The effective portion of these cash flow hedges is reclassified into revenue when third-party revenue is recognized in the Consolidated Statements of Operations.

Non-Designated Derivatives Hedging Transaction Exposure

Derivatives not designated as hedging instruments consist of forward and option contracts used to hedge re-measurement of foreign currency denominated monetary assets and liabilities primarily for intercompany transactions, receivables from customers, and payables to third parties. Changes in exchange rates between the Company's subsidiaries' functional currencies and the currencies in which these assets and liabilities are denominated can create fluctuations in the Company's reported consolidated financial position, results of operations and cash flows. As of October 2, 2016, to hedge balance sheet exposure, the Company held options contracts and forward contracts with an aggregate notional value of $23.5 million and $55.3 million, respectively. The maturity dates of these contracts range from October 2016 to January 2017. As of January 3, 2016, to hedge balance sheet exposure, the Company held forward contracts with an aggregate notional value of $12.1 million. The maturity dates of these contracts ranged from December 2015 to April 2016.

Interest Rate Risk

The Company also enters into interest rate swap agreements to reduce the impact of changes in interest rates on its project specific non-recourse floating rate debt. As of both October 2, 2016 and January 3, 2016, the Company had interest rate swap agreements designated as cash flow hedges with an aggregate notional value of $7.8 million and interest rate swap agreements not designated as cash flow hedges with an aggregate notional value of $64.3 million. These swap agreements allow the Company to effectively convert floating-rate payments into fixed rate payments periodically over the life of the agreements. These derivatives have a maturity of more than 12 months. The effective portion of these swap agreements designated as cash flow hedges is reclassified into interest expense when the hedged transactions are recognized in the Consolidated Statements of Operations. The Company analyzes its designated interest rate swaps quarterly to determine if the hedge transaction remains effective or ineffective. The Company may discontinue hedge accounting for interest rate swaps prospectively if certain criteria are no longer met, the interest rate swap is terminated or exercised, or if the Company elects to remove the cash flow hedge designation. If hedge accounting is discontinued, and the forecasted hedged transaction is considered possible to occur, the previously recognized gain or loss on the interest rate swaps will remain in accumulated other comprehensive loss and will be reclassified into earnings during the same period the forecasted hedged transaction affects earnings or is otherwise deemed improbable to occur. All changes in the fair value of non-designated interest rate swap agreements are recognized immediately in current period earnings.

Credit Risk

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

Note 13. INCOME TAXES

In the three and nine months ended October 2, 2016, the Company's income tax provision of $7.0 million and $16.9 million on a loss before income taxes and equity in earnings of unconsolidated investees of $65.6 million and $257.0 million, respectively, was primarily due to projected tax expense in profitable jurisdictions, the recognition of U.S. prepaid income tax

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due to intercompany transactions, settlement of certain foreign audits, and provision-to-return adjustments in U.S. and foreign jurisdictions. In the three and nine months ended September 27, 2015, the Company's income tax provision of $36.2 million and income tax provision of $37.9 million, respectively, on a loss before income taxes and equity in earnings of unconsolidated investees of $56.1 million and $111.0 million, respectively, was primarily due to projected tax expense resulting from forecasted taxable income for fiscal 2015, primarily driven by transactions with the 8point3 Group, the geographic mix of jurisdictions with profit before tax, book to tax differences, and accruals of unrecognized tax benefits in the current period, partially offset by the utilization of net operating loss and credit carryforwards. For the reporting period ended October 2, 2016, in accordance with FASB guidance for interim reporting of income tax, the Company has computed its provision for income taxes based on a projected annual effective tax rate while excluding loss jurisdictions which cannot be benefitted.

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 the outstanding senior convertible debentures.

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

(In thousands, except per share amounts)	Three Months Ended October 2, 2016	Three Months Ended September 27, 2015	Nine Months Ended October 2, 2016	Nine Months Ended September 27, 2015
Basic net income (loss) per share:				
Numerator				
Net income (loss) attributable to stockholders	$(40,545)	$ (56,326)	$(195,946)	$ (59,398)
Denominator				
Basic weighted-average common shares	138,209	136,473	137,832	134,294
Basic net income (loss) per share	$(0.29)	$ (0.41)	$(1.42)	$ (0.44)
Diluted net income (loss) per share:				
Numerator				
Net income (loss) attributable to stockholders	$(40,545)	$ (56,326)	$(195,946)	$ (59,398)
Add: Interest expense incurred on the 4.00% debentures due 2023, net of tax	—	n/a	—	n/a
Add: Interest expense incurred on the 0.75% debentures due 2018, net of tax	—	—	—	—
Add: Interest expense incurred on the 0.875% debentures due 2021, net of tax	—	—	—	—
Net income (loss) available to common stockholders	$(40,545)	$ (56,326)	$(195,946)	$ (59,398)
Denominator				
Basic weighted-average common shares	138,209	136,473	137,832	134,294
Effect of dilutive securities:				
Stock options	—	—	—	—
Restricted stock units	—	—	—	—
Upfront Warrants (held by Total)	—		—	—
Warrants (under the CSO2015)	n/a	—	n/a	—
4.00% debentures due 2023	—	n/a	—	n/a
0.75% debentures due 2018	—	—	—	—
0.875% debentures due 2021	—	—	—	—
Dilutive weighted-average common shares	138,209	136,473	137,832	134,294