SUNPOWER CORP
Form 10-Q
July 29, 2015
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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 June 28, 2015

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 (Do not check if a smaller reporting company)	Smaller reporting company o

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

The total number of outstanding shares of the registrant’s common stock as of July 24, 2015 was 136,404,821.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	June 28, 2015	December 28, 2014
Assets		
Current assets:		
Cash and cash equivalents	$623,043	$956,175
Restricted cash and cash equivalents, current portion	26,033	18,541
Accounts receivable, net[1]	433,627	504,316
Costs and estimated earnings in excess of billings[1]	48,449	187,087
Inventories	310,432	208,573
Advances to suppliers, current portion	96,277	98,129
Project assets - plants and land, current portion	379,900	101,181
Prepaid expenses and other current assets[1]	254,352	328,845
Total current assets	2,172,113	2,402,847
Restricted cash and cash equivalents, net of current portion	45,436	24,520
Restricted long-term marketable securities	6,905	7,158
Property, plant and equipment, net	643,912	585,344
Solar power systems leased and to be leased, net	458,708	390,913
Project assets - plants and land, net of current portion	42,741	15,475
Advances to suppliers, net of current portion	288,285	311,528
Long-term financing receivables, net	261,076	269,587
Goodwill and other intangible assets, net	37,387	37,981
Other long-term assets[1]	391,960	300,229
Total assets	$4,348,523	$4,345,582
Liabilities and Equity		
Current liabilities:		
Accounts payable[1]	$427,412	$419,919
Accrued liabilities[1]	550,956	331,034
Billings in excess of costs and estimated earnings	92,770	83,440
Short-term debt	12,160	18,105
Convertible debt, current portion	—	245,325
Customer advances, current portion[1]	30,662	31,788
Total current liabilities	1,113,960	1,129,611
Long-term debt	225,338	214,181
Convertible debt, net of current portion[1]	693,938	692,955
Customer advances, net of current portion[1]	137,539	148,896
Other long-term liabilities[1]	535,438	555,344

Total liabilities	2,706,213	2,740,987
Commitments and contingencies (Note 9)		
Redeemable noncontrolling interests in subsidiaries	31,515	28,566
Equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; none issued and outstanding as of both June 28, 2015 and December 28, 2014	—	—
Common stock, $0.001 par value, 367,500,000 shares authorized; 144,783,659 shares issued, and 136,395,049 shares outstanding as of June 28, 2015; 367,500,000 shares authorized; 138,616,252 shares issued, and 131,466,777 shares outstanding as of December 28, 2014;	136	131
Additional paid-in capital	2,263,260	2,219,581
Accumulated deficit	(563,670)	(560,598)
Accumulated other comprehensive loss	(13,951)	(13,455)
Treasury stock, at cost; 8,388,610 shares of common stock as of June 28, 2015; 7,149,475 shares of common stock as of December 28, 2014	(151,811)	(111,485)
Total stockholders' equity	1,533,964	1,534,174
Noncontrolling interests in subsidiaries	76,831	41,855
Total equity	1,610,795	1,576,029
Total liabilities and equity	$4,348,523	$4,345,582

[1] The Company has related-party balances for transactions made with Total 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," "Prepaid expenses and other current assets," "Other long-term assets," "Accounts payable," "Accrued Liabilities," "Customer advances, current portion," "Convertible debt, net of current portion," and "Customer advances, net of current portion" financial statement line items in the Consolidated Balance Sheets (see Note 2, Note 3, 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		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Revenue	$381,020	$507,871	$821,891	$1,200,293
Cost of revenue	310,139	413,726	660,192	943,159
Gross margin	70,881	94,145	161,699	257,134
Operating expenses:				
Research and development	20,560	16,581	41,728	33,327
Sales, general and administrative	81,520	71,499	158,734	145,427
Restructuring charges	1,749	(717)	5,330	(1,178)
Total operating expenses	103,829	87,363	205,792	177,576
Operating income (loss)	(32,948)	6,782	(44,093)	79,558
Other income (expense), net:				
Interest income	494	668	1,050	986
Interest expense	(8,517)	(16,310)	(24,198)	(35,902)
Other, net	14,982	(76)	12,362	1,293
Other income (expense), net	6,959	(15,718)	(10,786)	(33,623)
Income (loss) before income taxes and equity in earnings of unconsolidated investees	(25,989)	(8,936)	(54,879)	45,935
Benefit from (provision for) income taxes	659	8,168	(1,692)	(5,452)
Equity in earnings of unconsolidated investees	1,864	1,936	4,055	3,719
Net income (loss)	(23,466)	1,168	(52,516)	44,202
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	29,975	12,934	49,444	34,944
Net income (loss) attributable to stockholders	$6,509	$14,102	$(3,072)	$79,146
Net income (loss) per share attributable to stockholders:				
Basic	$0.05	$0.11	$(0.02)	$0.63
Diluted	$0.04	$0.09	$(0.02)	$0.52
Weighted-average shares:				
Basic	134,376	129,747	133,205	125,972
Diluted	156,995	156,333	133,205	154,886

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

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

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

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

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

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

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

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

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

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

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

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

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Note 1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

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

In the first quarter of fiscal 2015, in connection with a realignment of its internal organizational structure, the Company changed its segment reporting from its Americas, EMEA and APAC Segments to three end-customer segments: (i) Residential Segment, (ii) Commercial Segment and (iii) Power Plant Segment. The Residential and Commercial Segments combined are referred to as Distributed Generation. Historically, the Americas Segment included both North and South America, the EMEA Segment included European countries as well as the Middle East and Africa, and the APAC Segment included all Asia-Pacific countries.

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

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

Reclassifications of prior period segment information have been made to conform to the current period presentation. This change does not affect the Company's previously reported Consolidated Financial Statements.

Basis of Presentation and Preparation

Principles of Consolidation

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

Reclassifications

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

Fiscal Years

The Company has a 52-to-53-week fiscal year that ends on the Sunday closest to December 31. Accordingly, every fifth or sixth year will be a 53-week fiscal year. The current fiscal year, fiscal 2015, is a 53-week fiscal year and includes a 14-week fourth fiscal quarter, while fiscal year 2014 was a 52-week fiscal year. The second quarter of fiscal 2015 ended on June 28, 2015, while the second quarter of fiscal 2014 ended on June 29, 2014. The second quarters of fiscal 2015 and fiscal 2014 were both 13-week quarters.

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Management Estimates

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

Recent Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board ("FASB") issued an update to the standards to simplify the measurement of inventory. The updated standard more closely aligns the measurement of inventory with that of International Financial Reporting Standards (“IFRS”) and amends the measurement standard from lower of cost or market to lower of cost or net realizable value. The new guidance is effective for the Company no later than the first quarter of fiscal 2017 and requires a prospective approach to adoption. Early adoption is permitted. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

In April 2015, the FASB issued an update to the standards to provide a practical expedient for the measurement date of defined benefit obligation and plan assets for reporting entities with fiscal year-ends that do not coincide with a month-end. The updated standard allows such entities to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year and to all plans, if an entity has more than one plan. The new practical expedient guidance is effective for the Company no later than the first quarter of fiscal 2016 and requires a prospective approach to adoption. Early adoption is permitted. The Company is evaluating the potential impact of this standard on its consolidated financial statements and disclosures.

In April 2015, the FASB issued an update to the standards for the presentation of debt issuance costs to reduce complexity in accounting standards and to align with IFRS. The updated standard requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. U.S. generally accepted accounting principles previously required debt issuance costs to be reflected as an asset on the Company's balance sheet. The new debt issuance cost guidance is effective for the Company no later than the first quarter of fiscal 2016 and requires a retrospective approach to adoption. The Company elected early adoption of the updated accounting standard, effective in the first quarter of fiscal 2015, resulting in a one-time reclassification of $11.6M of debt issuance costs from "Other long-term assets" to "Long-term debt" and "Convertible debt, net of current portion" in the Consolidated Balance Sheets as of December 28, 2014.

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

In May 2014, the FASB issued a new revenue recognition standard based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The new revenue recognition standard becomes effective for the Company in the first quarter of fiscal 2018 and is to be applied retrospectively using one of two prescribed methods. Early adoption is permitted. The Company is evaluating the available methods and the potential impact of this standard on its consolidated financial statements and disclosures.

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

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

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In June 2011, Total completed a cash tender offer to acquire 60% of the Company's then outstanding shares of common stock at a price of $23.25 per share, for a total cost of approximately $1.4 billion. In December 2011, the Company entered into a Private Placement Agreement with Total, under which Total purchased, and the Company issued and sold, 18.6 million shares of the Company's common stock for a purchase price of $8.80 per share, thereby increasing Total's ownership to approximately 66% of the Company's outstanding common stock as of that date.

Credit Support Agreement

On April 28, 2011, the Company and Total S.A. entered into a Credit Support Agreement (the "Credit Support Agreement") under which Total S.A. agreed to enter into one or more guarantee agreements (each a "Guaranty") with banks providing letter of credit facilities to the Company. Total S.A. will guarantee the Company's obligation to reimburse the applicable issuing bank a draw on a letter of credit and pay interest thereon in accordance with the letter of credit facility between such bank and the Company. Under the Credit Support Agreement, the Company may also request that Total S.A. provide a Guaranty in support of the Company's payment obligations with respect to a letter of credit facility. The Company is required to pay Total S.A. a guarantee fee for each letter of credit that is the subject of a Guaranty under the Credit Support Agreement and was outstanding for all or part of the preceding calendar quarter. The Credit Support Agreement was amended on June 7, 2011, it became effective on June 28, 2011 in connection with the completion of the Tender Offer (the "CSA Effective Date"), and it was further amended on each of December 12, 2011, and December 14, 2012.

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

Affiliation Agreement

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

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

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

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

Research & Collaboration Agreement

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

Compensation and Funding Agreement

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

Upfront Warrant

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

0.75% Debentures Due 2018

In May 2013, the Company issued $300.0 million in principal amount of its 0.75% senior convertible debentures due 2018 (the "0.75% debentures due 2018"). $200.0 million in aggregate principal amount of the 0.75% debentures due 2018 were acquired by Total. The 0.75% debentures due 2018 are convertible into shares of the Company's common stock at any time based on an initial conversion price equal to $24.95 per share, which provides Total the right to acquire up to 8,017,420 shares of the Company's common stock. The applicable conversion rate may adjust in certain circumstances, including a fundamental change, as described in the indenture governing the 0.75% debentures due 2018 (see Note 11).

0.875% Debentures Due 2021

In June 2014, the Company issued $400.0 million in principal amount of its 0.875% senior convertible debentures due 2021 (the "0.875% debentures due 2021"). An aggregate principal amount of $250.0 million of the 0.875% debentures due 2021 were acquired by Total. The 0.875% debentures due 2021 are convertible into shares of the Company's common stock at any time based on an initial conversion price equal to $48.76 per share, which provides Total the right to acquire up to 5,126,775 shares of the Company's common stock. The applicable conversion rate may adjust in certain circumstances, including a fundamental change, as described in the indenture governing the 0.875% debentures due 2021 (see Note 11).

Joint Projects with Total and its Affiliates:

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

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Related-Party Transactions with Total and its Affiliates:

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

Note 3. 8POINT3 ENERGY PARTNERS LP

In June 2015, 8point3 Energy Partners LP ("8point3 Energy Partners"), a joint YieldCo vehicle formed by the Company and First Solar, Inc. ("First Solar" and, together with the Company, the "Sponsors") to own, operate and acquire solar energy generation assets, completed an initial public offering (“IPO”) of Class A shares representing limited partner interests in 8point3 Energy Partners. The IPO was consummated on June 24, 2015 (the “IPO Closing Date”) whereupon the Class A shares were listed on the NASDAQ Global Select Market under the trading symbol “CAFD.”

Immediately after the IPO, the Company contributed a portfolio of 170 MW of its solar generation assets (the “SPWR Projects”) to 8point3 Operating Company, LLC ("OpCo"), 8point3 Energy Partners' primary operating subsidiary. In exchange for the SPWR Projects, the Company received cash proceeds of $371 million as well as equity interests in several 8point3 Energy Partners affiliated entities: primarily common and subordinated units representing a 40.7% stake in OpCo and a 50.0% economic and management stake in 8point3 Holding Company, LLC (“Holdings”), the parent company of the general partner of 8point3 Energy Partners and the owner of incentive distribution rights (“IDRs”) in OpCo. Holdings, OpCo, 8point3 Energy Partners and their respective subsidiaries are referred to herein as the “8point3 Group.” Additionally, pursuant to a Right of First Offer Agreement between the Company and OpCo, the 8point3 Group has rights of first offer on interests in an additional 513 MW of the Company’s solar energy projects that are currently contracted or are expected to be contracted before being sold by the Company (the “ROFO Projects”). In connection with the IPO, the Company also entered into operations and maintenance, asset management and management services agreements with the 8point3 Group. The services the Company provides under these agreements are priced consistently with market rates for such services and the agreements are terminable by the 8point3 Group for convenience.

The Company accounts for its investments in the 8point3 Group using the equity method, whereby the book value of the Company’s investments is recorded as a non-current asset and the Company’s portion of the 8point3 Group’s earnings is recorded in the Consolidated Statements of Operations under the caption "Equity in earnings (loss) of unconsolidated investees." Refer to Note 10 for further discussion of the Company’s equity method investments in the

8point3 Group.

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

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

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

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

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

Note 4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

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

Other Intangible Assets

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

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

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

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

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

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

Note 5. BALANCE SHEET COMPONENTS

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

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

2 Includes short-term retainage of $243.8 million and $213.0 million as of June 28, 2015 and December 28, 2014, respectively. Retainage refers to the earned, but unbilled, portion of a construction and development project for which payment is deferred by the customer until certain contractual milestones are met.

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

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

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

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

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

4 Includes $110.4 million and $94.4 million of solar power systems associated with sale-leaseback transactions under the financing method as of June 28, 2015 and December 28, 2014, respectively, which are depreciated using the straight-line method to their estimated residual values over the lease terms of up to 20 years (see Note 6).

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

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

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

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

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

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

Note 6. LEASING

Residential Lease Program

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

Operating Leases

The following table summarizes "Solar power systems leased and to be leased, net" under operating leases on the Company's Consolidated Balance Sheets as of June 28, 2015 and December 28, 2014:

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

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

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

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

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

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

Sales-Type Leases

As of June 28, 2015 and December 28, 2014, the Company's net investment in sales-type leases presented in "Accounts receivable, net" and "Long-term financing receivables, net" on the Company's Consolidated Balance Sheets was as follows:

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

[1] Net of allowance for doubtful accounts.

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

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

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

Third-Party Financing Arrangements

The Company has entered into multiple facilities under which solar power systems are financed by third-party investors. Under the terms of certain arrangements the investors make an upfront payment to the Company, which the Company recognizes as a non-recourse liability that will be reduced over the term of the arrangement as customer receivables and government incentives are received by the third-party investors. As the non-recourse liability is reduced over time, the Company makes a corresponding reduction in customer and government incentive receivables on its balance sheet. The Company uses this approach to account for both operating and sales-type leases with its residential lease customers in the consolidated financial statements. These arrangements were terminated during the six months ended June 28, 2015. As of June 28, 2015, and December 28, 2014, the remaining liability to third-party investors under these arrangements presented in "Accrued liabilities" and "Other long-term liabilities" on the Company's Consolidated Balance Sheets, was zero and $28.6 million, respectively (see Note 5).

The Company has entered into multiple financing facilities with third-party investors under which the investors invest in entities that hold SunPower solar power systems and leases with residential customers. The Company holds controlling interests in these less-than-wholly-owned entities and therefore fully consolidates these entities. The Company accounts for the portion of net assets in the consolidated entities attributable to the investors as "Redeemable noncontrolling interests" and "Noncontrolling interests" in its consolidated financial statements. Noncontrolling interests in subsidiaries that are redeemable at the option of the noncontrolling interest holder are classified as "Redeemable noncontrolling interests in subsidiaries," between liabilities and equity on the Company's Consolidated Balance Sheets. During the three and six months ended June 28, 2015 the Company received $46.0 million and $91.9 million, respectively, in contributions from investors under the related facilities and attributed losses of $30.1 million and $49.7 million, respectively, to the third-party investors corresponding principally to certain assets, including tax credits, that were allocated to the investors during the periods. During the three and six months ended June 29, 2014, the Company received $22.2 million and $52.8 million, respectively, in contributions from investors under the related facilities and attributed losses of $12.9 million and $34.9 million, respectively, to the third-party investors corresponding principally to certain assets, including tax credits, that were allocated to the investors during the periods.

Sale-Leaseback Arrangements

The Company enters into sale-leaseback arrangements under which solar power systems are sold to third parties and subsequently leased back by the Company over minimum lease terms of up to 20 years. Separately, the Company enters into PPAs with end customers, who host the leased solar power systems and buy the electricity directly from the Company under PPAs with terms of up to 25 years. At the end of the lease term, the Company has the option to purchase the systems at fair value or may be required to remove the systems and return them to the third parties.

The Company has classified its sale-leaseback arrangements of solar power systems not involving integral equipment as operating leases. The deferred profit on the sale of these systems is recognized over the term of the lease. As of June 28, 2015, future minimum lease obligations associated with these systems was $92.5 million, which will be recognized over the minimum lease terms. Future minimum payments to be received from customers under PPAs associated with the solar power systems under sale-leaseback arrangements classified as operating leases will be recognized over the lease terms of up to 20 years and are contingent upon the amounts of energy produced by the solar power systems.

The Company enters into certain sale-leaseback arrangements under which the systems subject to the sale-leaseback arrangements have been determined to be integral equipment as defined under the accounting guidance for such transactions. The Company has continuing involvement with the solar power systems throughout the lease due to purchase option rights in the arrangements. As a result of such continuing involvement, the Company accounts for each of these transactions as a financing. Under the financing method, the proceeds received from the sale of the solar power systems are recorded by the Company as financing liabilities and presented within "Other long-term liabilities" in the Company's Consolidated Balance Sheets (see Note 5). The financing liabilities are subsequently reduced by the Company's payments to lease back the solar power systems, less interest expense calculated based on the Company's incremental borrowing rate adjusted to the rate required to prevent negative amortization. The solar power systems under the sale-leaseback arrangements remain on the Company's balance sheet and are classified within "Property, plant and equipment, net" (see Note 5). As of June 28, 2015, future minimum lease obligations for the sale-leaseback arrangements accounted for under the financing method were $110.4 million, which will be recognized over the lease terms of up to 20 years.

Note 7. FAIR VALUE MEASUREMENTS

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

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

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

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

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

Debt Derivatives

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

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

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

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

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

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

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

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

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

The Company measures certain investments and non-financial assets (including project assets, property, plant and equipment, and other intangible assets) at fair value on a non-recurring basis in periods after initial measurement in circumstances when the fair value of such asset is impaired below its recorded cost.

Held-to-Maturity Debt Securities

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

Equity and Cost Method Investments

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

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

Related-Party Transactions with Investees:

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

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

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

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

In November 2014, the Company purchased $20.0 million of preferred stock for a minority stake in Tendril, accounted for under the cost method because the preferred stock was deemed not to be in-substance common stock. In connection with the investment, the Company acquired warrants to purchase up to approximately 14.3 million shares of Tendril common stock through November 23, 2024. The number of shares of Tendril common stock that may be purchased pursuant to the warrants is subject to the Company's and Tendril's achievement of certain financial and operational milestones and other conditions.

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

Note 8. RESTRUCTURING

November 2014 Restructuring Plan

On November 14, 2014, the Company announced a reorganization plan intended to realign resources consistent with the Company's global strategy and improve its overall operating efficiency and cost structure. In connection with this plan, which is expected to be completed by the end of fiscal 2015, SunPower expects approximately 95 to 115 employees to be affected, primarily in Europe, representing approximately 1% to 2% of the Company's global workforce. The Company expects to incur restructuring charges totaling approximately $17 million to $25 million, principally composed of severance benefits, lease and related termination costs, and other associated costs. The Company expects more than 90% of total charges to be cash charges. The actual timing and costs of the plan may differ from the Company’s current expectations and estimates due to a number of factors, including uncertainties related to required consultations with employee representatives as well as other local labor law requirements and mandatory processes in the relevant jurisdictions.

Legacy Restructuring Plans

During fiscal 2012 and 2011, the Company implemented approved restructuring plans, related to all segments, to align with changes in the global solar market which included the consolidation of the Company's Philippine manufacturing operations as well as actions to accelerate operating cost reduction and improve overall operating efficiency. These restructuring activities were substantially complete as of June 28, 2015, however, the Company expects to continue to incur costs as it finalizes previous estimates and actions in connection with these plans, primarily due to other costs, such as legal services.

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

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

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

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

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

Note 9. COMMITMENTS AND CONTINGENCIES

Facility and Equipment Lease Commitments

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

Purchase Commitments

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

The Company also has agreements with several suppliers, including some of its non-consolidated investees, for the procurement of polysilicon, ingots, wafers, and Solar Renewable Energy Credits, among others, which specify future quantities and pricing of products to be supplied by the vendors for periods up to 10 years and provide for certain consequences, such as forfeiture of advanced deposits and liquidated damages relating to previous purchases, in the event that the Company terminates the arrangements.

Future purchase obligations under non-cancellable purchase orders and long-term supply agreements as of June 28, 2015 are as follows:

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

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

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

[3]The Company did not fulfill all of the purchase commitments it was otherwise obligated to take by December 31, 2014, as specified in several related contracts with a supplier. As of June 28, 2015, the Company has recorded an offsetting asset, recorded within "Prepaid expenses and other current assets," and liability, recorded within "Accrued liabilities," totaling $5.1 million. This amount represents the unfulfilled amount as of that date as the Company expects to satisfy the obligation via purchases of inventory in fiscal 2015, within the applicable contractual cure period.

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

Advances to Suppliers

As noted above, the Company has entered into agreements with various vendors, some of which are structured as "take or pay" contracts, that specify future quantities and pricing of products to be supplied. Certain agreements also provide for penalties or forfeiture of advanced deposits in the event the Company terminates the arrangements. Under certain agreements, the Company is required to make prepayments to the vendors over the terms of the arrangements. The Company did not make any additional advance payments under its long-term supply agreements during the first half of fiscal 2015. During the three and six months ended June 29, 2014, the Company made additional advance payments totaling $16.4 million and $32.9 million, respectively, in accordance with the terms of existing long-term supply agreements. As of June 28, 2015 and December 28, 2014, advances to suppliers totaled $384.6 million and $409.7 million, respectively, of which $96.3 million and $98.1 million, respectively, is classified as short-term in the Company's Consolidated Balance Sheets. Two suppliers accounted for 84% and 16% of total advances to suppliers as of June 28, 2015, and 82% and 17% as of December 28, 2014.

Advances from Customers

The Company has entered into other agreements with customers who have made advance payments for solar power products and systems. These advances will be applied as shipments of product occur or upon completion of certain project milestones. The estimated utilization of advances from customers as of June 28, 2015 is as follows:

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

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

Product Warranties

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

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

Contingent Obligations

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

Future Financing Commitments

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

Liabilities Associated with Uncertain Tax Positions

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

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Indemnifications

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

In certain limited circumstances the Company has provided indemnification to customers and investors under which the Company is contractually obligated to compensate these parties for losses they may suffer as a result of reductions in benefits received under ITC and Treasury Cash Grant programs. The Company applies for ITC and Cash Grant incentives based on guidance provided by the IRS and the Treasury Department, which include assumptions regarding the fair value of the qualified solar power systems, among others. Certain of the Company’s development agreements, sale-leaseback arrangements, and financing arrangements with investors of its residential lease program, incorporate assumptions regarding the future level of incentives to be received, which in some instances may be claimed directly by its customers and investors. Since the Company cannot determine future revisions to the U.S. Treasury guidelines governing system values or how the IRS will evaluate system values used in claiming ITCs, the Company is unable to reliably estimate the maximum potential future payments that it could have to make under the Company’s contractual investor obligation as of each reporting date.

Defined Benefit Pension Plans

The Company maintains defined benefit pension plans for the majority of its non-U.S. employees. Benefits under these plans are generally based on an employee’s years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances. The funded status of the pension plans, which represents the difference between the benefit obligation and fair value of plan assets, is calculated on a plan-by-plan basis. The benefit obligation and related funded status are determined using assumptions as of the end of each fiscal year. The Company recognizes the overfunded or underfunded status of its pension plans as an asset or liability on its Consolidated Balance Sheets. As of June 28, 2015 and December 28, 2014, the underfunded status of the Company’s pension plans, presented in "Other long-term liabilities" on the Company’s Consolidated Balance Sheets, was $11.6 million and $10.0 million, respectively. The impact of transition assets and obligations and actuarial gains and losses are recorded in "Accumulated other comprehensive loss", and are generally amortized as a component of net periodic cost over the average remaining service period of participating employees.

Legal Matters

Tax Benefit Indemnification Litigation

On March 19, 2014, a lawsuit was filed by NRG Solar LLC (“NRG”) against SunPower Corporation, Systems, a wholly-owned subsidiary of the Company (“SunPower Systems”), in the Superior Court of Contra Costa County, California. The complaint asserts that, according to the indemnification provisions in the contract pertaining to SunPower Systems’ sale of a large California solar project to NRG, SunPower Systems owes NRG $75.0 million in connection with certain tax benefits associated with the project that were approved by the Treasury Department for an amount that was less than expected. The Company does not believe that the facts support NRG’s claim under the operative indemnification provisions and is vigorously contesting the claim. Additionally, SunPower Systems filed a cross-complaint against NRG seeking damages in excess of $7.5 million for breach of contract and related claims arising from NRG’s failure to fulfill its obligations under the contract, including its obligation to take “reasonable, available steps” to engage Treasury. The Company is currently unable to determine if the resolution of this matter will have a material effect on the Company's consolidated financial statements.

First Philec Arbitration

On January 28, 2015, an arbitral tribunal of the International Court of Arbitration of the International Chamber of Commerce issued a first partial award in the matter of an arbitration between First Philippine Electric Corporation ("FPEC") and First Philippine Solar Corporation ("FPSC") against SunPower Philippines Manufacturing, Ltd. ("SPML"), our wholly-owned subsidiary. FPSC is a joint venture of FPEC and SPML for the purpose of slicing silicon wafers from ingots. SPML has not purchased any wafers from FPSC since the third quarter of 2012.

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

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

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

AUO Arbitration

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

Other Litigation

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

Note 10. EQUITY METHOD INVESTMENTS

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

Equity Investment and Joint Venture with AUOSP

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

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

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

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

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

In December 2012, the Company entered into an agreement with Tianjin Zhonghuan Semiconductor Co. Ltd., Inner Mongolia Power Group Co. Ltd. and Hohhot Jinqiao City Development Company Co., Ltd. to form CCPV, a jointly owned entity to manufacture and deploy the Company's C7 Tracker concentrator technology in Inner Mongolia and other regions in China. CCPV is based in Hohhot, Inner Mongolia. The establishment of the entity was subject to approval of the Chinese government, which was received in the fourth quarter of fiscal 2013. In December 2013, the Company made a $16.4 million equity investment in CCPV, for a 25% equity ownership.

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

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

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

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

Equity Investment in 8point3 Energy Partners

In June 2015, 8point3 Energy Partners, a joint YieldCo vehicle formed by the Sponsors to own, operate and acquire solar energy generation assets, consummated its IPO and its Class A shares are now listed on the NASDAQ Global Select Market under the trading symbol “CAFD.” Refer to the sections titled "Note 3. 8point3 Energy Partners LP" in the Notes to the

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

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

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

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

In June 2015, OpCo entered into a $525.0 million senior secured credit facility, consisting of a $300.0 million term loan facility, a $25.0 million delayed draw term loan facility, and a $200.0 million revolving credit facility (the “8point3 Credit Facility”). Proceeds from the term loan were used to make initial distributions to the Sponsors. The 8point3 Credit Facility is secured by a pledge of the Sponsors’ equity interests in OpCo.

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

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Note 11. DEBT AND CREDIT SOURCES

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

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

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

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

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

Convertible Debt

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

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

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

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

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

0.875% Debentures Due 2021

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

0.75% Debentures Due 2018

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

4.50% Debentures Due 2015

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

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

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

Call Spread Overlay with Respect to 4.50% Debentures

Concurrently with the issuance of the 4.50% debentures due 2015, the Company entered into privately-negotiated convertible debenture hedge transactions (collectively, the "4.50% Bond Hedge") and warrant transactions (collectively, the "4.50% Warrants" and together with the 4.50% Bond Hedge, the “CSO2015”), with certain of the initial purchasers of the 4.50% debentures due 2015 or their affiliates. The CSO2015 transactions represented a call spread overlay with respect to the 4.50% debentures due 2015, whereby the cost of the 4.50% Bond Hedge purchased by the Company to cover the cash outlay upon conversion of the debentures is reduced by the sales prices of the 4.50% Warrants. The transactions effectively reduced the Company's potential payout over the principal amount on the 4.50% debentures due 2015 upon conversion of the 4.50% debentures due 2015.

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

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

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

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

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

4.75% Debentures Due 2014

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

Call Spread Overlay with Respect to the 4.75% Debentures

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

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

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

Other Debt and Credit Sources

Mortgage Loan Agreement with IFC

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In May 2010, the Company entered into a mortgage loan agreement with IFC. Under the loan agreement, the Company borrowed $75.0 million and is required to repay the amount borrowed starting two years after the date of borrowing, in 10 equal semi-annual installments. The Company is required to pay interest of LIBOR plus 3% per annum on outstanding borrowings; a front-end fee of 1% on the principal amount of borrowings at the time of borrowing; and a commitment fee of 0.5% per annum on funds available for borrowing and not borrowed. The Company may prepay all or a part of the outstanding principal, subject to a 1% prepayment premium. The Company has pledged certain assets as collateral supporting its repayment obligations (see Note 5). As of both June 28, 2015 and December 28, 2014, the Company had restricted cash and cash equivalents of $9.2 million related to the IFC debt service reserve, which is the amount, as determined by IFC, equal to the aggregate principal and interest due on the next succeeding interest payment date.

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

In 2010, the Company borrowed the proceeds of the $30.0 million aggregate principal amount of CEDA's tax-exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (the "Bonds") maturing April 1, 2031 under a loan agreement with CEDA. The Bonds mature on April 1, 2031, bear interest at a fixed rate of 8.50% through maturity, and include customary covenants and other restrictions on the Company.

Revolving Credit Facility with Credit Agricole

In July 2013, the Company entered into a revolving credit facility (the "revolving credit facility") with Credit Agricole, as administrative agent, and certain financial institutions, under which the Company may borrow up to $250.0 million. On August 26, 2014, the Company entered into an amendment to the revolving credit facility that, among other things, extends the maturity date of the facility from July 3, 2016 to August 26, 2019 (the "Maturity Date"). Amounts borrowed may be repaid and reborrowed until the Maturity Date. The Company may request increases to the available capacity of the revolving credit facility to an aggregate of $300.0 million, subject to the satisfaction of certain conditions. The revolving credit facility includes representations, covenants, and events of default customary for financing transactions of this type.

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

After January 31, 2014, the Company is required to pay interest on outstanding borrowings and fees of (a) with respect to any LIBOR rate loan, an amount ranging from 1.50% to 2.00% (depending on the Company's leverage ratio from time to time) plus the LIBOR rate divided by a percentage equal to one minus the stated maximum rate of all reserves required to be maintained against "Eurocurrency liabilities" as specified in Regulation D; (b) with respect to any alternate base rate loan, an amount ranging from 0.50% to 1.00% (depending on the Company's leverage ratio from time to time) plus the greater of (1) the prime rate, (2) the Federal Funds rate plus 0.50%, and (3) the one-month LIBOR rate plus 1%; and (c) a commitment fee ranging from 0.25% to 0.35% (depending on the Company's leverage ratio from time to time) per annum on funds available for borrowing and not borrowed.

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

Project Financing

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

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

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

Other Debt

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

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

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

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

August 2011 Letter of Credit Facility with Deutsche Bank

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

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

September 2011 Letter of Credit Facility with Deutsche Bank Trust

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

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

Note 12. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

	December 28, 2014					
				Gross Amounts Not Offset in the Consolidated Balance Sheets, but Have Rights to Offset		
(In thousands)	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Financial Instruments	Cash Collateral	Net Amounts
Derivative assets	$7,018	$—	$7,018	$1,345	$—	$5,673
	$5,057	$—	$5,057	$1,345	$—	$3,712

Derivative liabilities

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

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

The following table summarizes the amount of gain or loss recognized in "Other, net" in the Consolidated Statements of Operations in the three and six months ended June 28, 2015, and June 29, 2014:

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

Foreign Currency Exchange Risk

Designated Derivatives Hedging Cash Flow Exposure

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

As of June 28, 2015, the Company had designated outstanding cash flow hedge option contracts and forward contracts with an aggregate notional value of zero and $40.4 million, respectively. As of December 28, 2014, the Company had designated outstanding cash flow hedge option contracts and forward contracts with an aggregate notional value of $26.6 million and $12.2 million, respectively. The Company designates either gross external or intercompany revenue up to its net economic exposure. These derivatives have a maturity of 12 months or less and consist of foreign currency option and forward contracts. The effective portion of these cash flow hedges is reclassified into revenue when third-party revenue is recognized in the Consolidated Statements of Operations.

Non-Designated Derivatives Hedging Transaction Exposure

Derivatives not designated as hedging instruments consist of forward and option contracts used to hedge re-measurement of foreign currency denominated monetary assets and liabilities primarily for intercompany transactions, receivables from customers, and payables to third parties. Changes in exchange rates between the Company's subsidiaries' functional currencies and the currencies in which these assets and liabilities are denominated can create fluctuations in the Company's reported consolidated financial position, results of operations and cash flows.

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

Interest Rate Risk

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The Company also enters into interest rate swap agreements to reduce the impact of changes in interest rates on its project specific non-recourse floating rate debt. As of June 28, 2015 and December 28, 2014, the Company had interest rate swap agreements designated as cash flow hedges with an aggregate notional value of $8.5 million and $247.0 million, respectively. These swap agreements allow the Company to effectively convert floating rate payments into fixed rate payments periodically over the life of the agreements. These derivatives have a maturity of more than 12 months. The effective portion of these cash flow hedges is reclassified into interest expense when the hedged transactions are recognized in the Consolidated Statements of Operations. The Company analyzes its interest rate swaps quarterly to determine if the hedge transaction remains effective or ineffective. The Company may discontinue hedge accounting for interest rate swaps prospectively if certain criteria are no longer met, the interest rate swap is terminated or exercised, or if the Company elects to remove the cash flow hedge designation. If hedge accounting is discontinued, and the forecasted hedged transaction is considered possible to occur, the previously recognized gain or loss on the interest rate swaps will remain in accumulated other comprehensive loss and will be reclassified into earnings during the same period the forecasted hedged transaction affects earnings or is otherwise deemed improbable to occur.

Credit Risk

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

Note 13. INCOME TAXES

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

Note 14. NET INCOME (LOSS) PER SHARE

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

Diluted weighted average shares is computed using basic weighted average shares plus any potentially dilutive securities outstanding during the period using the treasury-stock-type method and the if-converted method, except when their effect is anti-dilutive. Potentially dilutive securities include stock options, restricted stock units, the Upfront Warrants held by Total, warrants associated with the CSO2015 and CSO2014, and the outstanding senior convertible debentures.

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

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

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

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

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

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

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

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

[1]As a result of the net loss per share for the six months ended June 28, 2015, the inclusion of all potentially dilutive stock options, restricted stock units, and common shares under noted warrants and convertible debt would be anti-dilutive. Therefore, those stock options, restricted stock units and shares were excluded from the computation of the weighted-average shares for diluted net loss per share for such period.

Note 15. STOCK-BASED COMPENSATION

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

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

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

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

Note 16. SEGMENT AND GEOGRAPHICAL INFORMATION

In the first quarter of fiscal 2015, in connection with a realignment of its internal organizational structure, the Company changed its segment reporting from its Americas, EMEA and APAC Segments to three end-customer segments: (i) Residential Segment, (ii) Commercial Segment and (iii) Power Plant Segment (see Note 1). The

Residential and Commercial Segments combined are referred to as Distributed Generation. Reclassifications of prior period segment information have been made to conform to the current period presentation. This change does not affect the Company's previously reported Consolidated Financial Statements.

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

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

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

The following tables present information by significant customers and categories:

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

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

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

	Three Months Ended June 28, 2015								
	Revenue			Gross margin					
Revenue and Gross margin by segment (in thousands, except percentages):	Residential	Commercial	Power Plant	Residential		Commercial		Power Plant	
As reviewed by CODM	$152,205	$ 62,984	$161,518	$35,410	23.3 %	$4,016			